WELLPOINT CARE NETWORK, INC.
(FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wellpoint Care Network, Inc. (FKA SaintA, Inc.) and Subsidiaries

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Wellpoint Care Network, Inc. (FKA SaintA, Inc.) (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Wellpoint Care Network, Inc. (FKA SaintA, Inc.) and Subsidiaries (Organization) as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2023, on our consideration of Wellpoint Care Network, Inc. (FKA SaintA, Inc.) and Subsidiaries' 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 Wellpoint Care Network, Inc. (FKA SaintA, Inc.) and Subsidiaries' 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 Wellpoint Care Network, Inc. (FKA SaintA, Inc.) and Subsidiaries' internal control over financial reporting and compliance.

Sikich LLP

Brookfield, Wisconsin
June 16, 2023

CONSOLIDATED FINANCIAL STATEMENTS

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,224,455	$ 2,909,383
Accounts receivable, net	1,731,114	1,817,797
Prepaid expenses	306,309	251,047
Total current assets	3,261,878	4,978,227
OTHER ASSETS		
Investments	23,311,856	29,271,214
Property and equipment, net	8,643,435	3,737,135
Total other assets	31,955,291	33,008,349
TOTAL ASSETS	$ 35,217,169	$ 37,986,576

(This statement is continued on the following page.)

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

As of December 31, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 871,167	$ 759,360
Note payable - current	1,038,063	982,562
Line of credit	4,826,248	-
Accrued payroll and benefits	1,267,980	938,485
Accrued liability - SafeCare contract	903,579	1,416,774
Deferred revenue	21,275	164,280
Total current liabilities	8,928,312	4,261,461
LONG-TERM LIABILITIES		
Note payable, net of current portion	1,199,443	2,089,962
Total liabilities	10,127,755	6,351,423
NET ASSETS		
Without donor restrictions	24,482,852	30,957,410
With donor restrictions	606,562	677,743
Total net assets	25,089,414	31,635,153
TOTAL LIABILITIES AND NET ASSETS	$ 35,217,169	$ 37,986,576

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	$ 249,832	$ 12,165	$ 261,997
REVENUE			
Program service fees	28,062,253	-	28,062,253
Rental income	387,014	-	387,014
Investment return, net	(4,746,338)	(54,975)	(4,801,313)
Miscellaneous	1,928	-	1,928
Total revenue	23,704,857	(54,975)	23,649,882
Net assets released from restrictions	28,371	(28,371)	-
Total support and revenue	23,983,060	(71,181)	23,911,879
EXPENSES			
Program services	24,689,489	-	24,689,489
Management and general	5,448,461	-	5,448,461
Fundraising	319,668	-	319,668
Total expenses	30,457,618	-	30,457,618
CHANGE IN NET ASSETS	(6,474,558)	(71,181)	(6,545,739)
NET ASSETS - BEGINNING OF YEAR	30,957,410	677,743	31,635,153
NET ASSETS - END OF YEAR	$ 24,482,852	$ 606,562	$ 25,089,414

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	$ 485,487	$ -	$ 485,487
REVENUE			
Program service fees	26,819,630	-	26,819,630
Expense reimbursements	47,730	-	47,730
Rental income	312,313	-	312,313
Special events	43,020	-	43,020
Investment return, net	3,345,488	31,626	3,377,114
Miscellaneous	2,837	-	2,837
Total revenue	30,571,018	31,626	30,602,644
Net assets released from restrictions	42,115	(42,115)	-
Total support and revenue	31,098,620	(10,489)	31,088,131
EXPENSES			
Program services	24,214,994	-	24,214,994
Management and general	4,604,641	-	4,604,641
Fundraising	300,413	-	300,413
Total expenses	29,120,048	-	29,120,048
CHANGE IN NET ASSETS	1,978,572	(10,489)	1,968,083
NET ASSETS - BEGINNING OF YEAR	28,978,838	688,232	29,667,070
NET ASSETS - END OF YEAR	$ 30,957,410	$ 677,743	$ 31,635,153

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (6,545,739)	$ 1,968,083
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	499,849	394,576
Bad debt expense	-	2,250
Unrealized and realized loss (gain) on investments	5,407,442	(2,275,709)
Decrease (increase) in:		
Accounts receivable	86,683	(977,413)
Prepaid expenses	(55,262)	(9,394)
Increase (decrease) in:		
Accounts payable	111,807	(102,943)
Accrued payroll and benefits	329,495	(296,148)
Accrued liability - SafeCare contract	(513,195)	(501,758)
Deferred revenue	(143,005)	(23,057)
Net cash from operating activities	(821,925)	(1,821,513)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,605,808	2,999,592
Purchase of investments	(4,053,892)	(3,216,148)
Purchase of property and equipment	(5,406,149)	(955,031)
Net cash from investing activities	(4,854,233)	(1,171,587)

(This statement is continued on the following page.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	$ 4,826,248	$ -
Principal payments on notes payable	(835,018)	(4,483)
Net cash from financing activities	3,991,230	(4,483)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,684,928)	(2,997,583)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,909,383	5,906,966
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,224,455	$ 2,909,383
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$ 32,235	$ 14

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services				Supporting Activities				
	Child and Family Well-Being	Mental Health	Community Services	Total Program Services	Agency	Foundation	Total Supporting Activities	Fundraising	Total
EXPENSES									
Salaries	$ 10,199,409	$ 2,810,985	$ 1,360,112	$ 14,370,506	$ 2,302,360	$ -	$ 2,302,360	$ 184,972	$ 16,857,838
Employee benefits	1,965,701	577,386	241,934	2,785,021	379,886	-	379,886	24,008	3,188,915
Payroll taxes	736,808	202,699	109,638	1,049,145	163,044	-	163,044	13,663	1,225,852
Staff development	404,794	85,990	26,724	517,508	185,368	-	185,368	5,787	708,663
Contracted services	427,922	155,117	51,288	634,327	426,700	-	426,700	54,042	1,115,069
Direct client assistance	3,116,186	(32,946)	788,733	3,871,973	39,422	-	39,422	1,766	3,913,161
Space and equipment	816,902	13,943	6,986	837,831	973,266	-	973,266	-	1,811,097
Supplies and postage	200,856	35,930	127,189	363,975	528,294	-	528,294	21,032	913,301
Telephone	76,181	19,975	11,623	107,779	19,504	-	19,504	856	128,139
Insurance	87,019	25,677	13,483	126,179	46,613	-	46,613	1,196	173,988
Miscellaneous	6,214	14,602	4,429	25,245	311,356	72,648	384,004	12,346	421,595
Total functional expenses	18,037,992	3,909,358	2,742,139	24,689,489	5,375,813	72,648	5,448,461	319,668	30,457,618
Allocation of supporting activities	3,048,515	812,067	625,078	4,485,660	(4,547,771)	-	(4,547,771)	62,111	-
TOTAL EXPENSES	$ 21,086,507	$ 4,721,425	$ 3,367,217	$ 29,175,149	$ 828,042	$ 72,648	$ 900,690	$ 381,779	$ 30,457,618

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. (FKA SAINTA, INC.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services				Supporting Activities				
	Child and Family Well-Being	Mental Health	Community Services	Total Program Services	Agency	Foundation	Total Supporting Activities	Fundraising	Total
EXPENSES									
Salaries	$ 9,820,166	$ 2,757,880	$ 1,372,082	$ 13,950,128	$ 2,174,780	$ -	$ 2,174,780	$ 156,620	$ 16,281,528
Employee benefits	2,446,976	691,204	318,417	3,456,597	457,006	-	457,006	20,144	3,933,747
Payroll taxes	755,880	195,304	95,935	1,047,119	150,191	-	150,191	11,705	1,209,015
Staff development	228,452	68,634	19,570	316,656	161,765	-	161,765	4,343	482,764
Contracted services	480,665	87,112	24,436	592,213	360,662	-	360,662	44,440	997,315
Direct client assistance	2,797,978	15,934	690,969	3,504,881	7,074	-	7,074	34,993	3,546,948
Space and equipment	787,297	15,253	4,893	807,443	710,276	-	710,276	-	1,517,719
Supplies and postage	169,880	23,421	60,920	254,221	525,554	-	525,554	21,951	801,726
Telephone	103,033	25,213	19,528	147,774	27,458	-	27,458	854	176,086
Insurance	94,471	17,914	10,169	122,554	31,032	-	31,032	626	154,212
Miscellaneous	5,894	5,161	4,353	15,408	(2,678)	1,521	(1,157)	4,737	18,988
Total functional expenses	17,690,692	3,903,030	2,621,272	24,214,994	4,603,120	1,521	4,604,641	300,413	29,120,048
Allocation of supporting activities	2,980,037	670,396	453,543	4,103,976	(4,153,483)	-	(4,153,483)	49,507	-
TOTAL EXPENSES	$ 20,670,729	$ 4,573,426	$ 3,074,815	$ 28,318,970	$ 449,637	$ 1,521	$ 451,158	$ 349,920	$ 29,120,048

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Nature of Activities

Wellpoint Care Network, Inc. (FKA SaintA, Inc.) (the Agency) and Subsidiaries, is a not-for-profit corporation organized under the laws of the State of Wisconsin. Wellpoint Care Network, Inc. (FKA SaintA, Inc.) and Subsidiaries' mission is to facilitate equity, learning, healing and wellness by restoring the connections that help children and families thrive. Wellpoint Care Network, Inc. (FKA SaintA, Inc.) has many programs that contribute to its mission, including:

Child and Family Well-Being includes Wellpoint Care Network's Child Welfare Case Management and Treatment Foster Care programs. The Child Welfare Case Management program provides services to about 900 families, including nearly 1,300 children (unaudited). Its employees work diligently to provide families and children with services that ensure safety, permanence, and well-being. During 2022, the Child Welfare Case Management contract was modified from a fee for service to a expense reimbursement contract. The modification has had a significant update in how the Organization manages the contract and related expenses.

The Treatment Foster Care program provides out-of-home care to children who have been exposed to significant trauma, such as abuse and neglect and need substantial support to address their needs.

Mental health programs at Wellpoint Care Network, Inc. (FKA SaintA, Inc.) include Comprehensive Community Services and the Outpatient Clinic. Community services programs include Care Coordination (REACH and WRAP) and Youth Transitioning to Adulthood. Comprehensive Community Services provides therapeutic and mental health consultation services to children and families throughout southeast Wisconsin. The Outpatient Clinic provides individual, family and group outpatient mental health services, including talk and occupational therapy, Theraplay, Art Therapy and a range of other interventions. Wellpoint Care Network, Inc. (FKA SaintA, Inc.) provides care coordination in partnership with Wraparound Milwaukee. Wraparound is designed to provide comprehensive, individualized and cost-effective care to children with complex mental health and emotional needs. Youth Transitioning to Adulthood provides supportive services to youth exiting out of foster care in Southeastern Wisconsin. The focus for these young adults is education, employment, housing, health, caring connections, and life-skills development.

Wellpoint Care Foundation, Inc. (FKA SaintA, Foundation, Inc.) (the Foundation) is a not-for-profit corporation organized under the laws of the State of Wisconsin for the purpose of providing support to the Agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Agency and the Foundation, collectively referred to as the "Organization." The Foundation is consolidated with the Agency since the Agency has both an economic interest in and control of the Foundation. All significant inter-organizational transactions have been eliminated.

Method of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures 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.

Basis of Presentation

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

Net Assets Without Donor Restrictions:

Undesignated: Net assets that are not subject to donor-imposed stipulations.

Board designated: Net assets subject to stipulations imposed by the Board and determined to be unavailable for general use.

Net Assets With Donor Restrictions: – Net assets subject to donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those restrictions or are required to be maintained in perpetuity by the Organization. Generally, the donors of the assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts and other instruments having an original maturity of three months or less, excluding amounts held as investments in the Organization's investment portfolio, to be equivalent to cash.

The Organization maintains its cash and cash equivalents at one financial institution which, at times, may exceed federally insured limits. At December 31, 2022 and 2021, the bank balances of the deposits exceeded FDIC limits by approximately $1,035,000 and $2,514,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are amounts due under cost reimbursable contracts or fee for service contracts with primarily county, state and federal government agencies. Accounts receivable are stated at the amount management expects to collect on the outstanding balances. Invoicing and payment terms are provided in the contracts. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Accounts receivable are reviewed periodically by management to determine the adequacy of the allowance for doubtful accounts. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. Based upon management's evaluation, the Organization believes its allowance for doubtful accounts in the amount of approximately $80,000 as of December 31, 2022 and 2021 is adequate. However, actual write-offs might exceed the recorded allowance.

Investments and Investment Income

Investments are measured at fair value in the consolidated statements of financial position.

Investment income (including realized, unrealized gains and losses, interest, and dividends) is reported as revenue without donor restrictions unless the income is restricted by the donor. Realized gains or losses are determined by specific identification.

Direct internal and external investment fees are netted against investment return on the consolidated statements of activities. Donor restricted investment income whose restrictions are met within the same year as received are reported as investment return without donor restrictions in the accompanying consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Concentrations of Credit Risk

The Organization receives a significant amount of its revenue from federal, state and local governments for services provided. Should these grants decline in the future, the Organization's program services may be negatively impacted. Concentrations of program service fees derived from purchasers were as follows for the years ended December 31:

	2022	
	Program Service Fees	**Accounts Receivable**
Wisconsin Department of Children and Families	76 %	64 %
TOTAL	76 %	64 %

	2021	
	Program Service Fees	**Accounts Receivable**
Wisconsin Department of Children and Families	84 %	38 %
Washington Co., CSSA	*	18
Milwaukee County	*	15
TOTAL	84 %	71 %

*Less than 10%

Property and Equipment

Property and equipment are recorded at cost or fair value if contributed. All property and equipment expenditures greater than $5,000 for the Organization are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives. Depreciation expense is charged directly to the program which authorized the purchase of and utilizes the related asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Property and Equipment (Continued)

Estimated lives and balances of property and equipment consisted of the following as of December 31:

	Years	2022	2021
Land	N/A	$ 343,470	$ 326,610
Buildings and improvements	5-40	11,710,954	8,305,276
Furniture and equipment	3-15	4,684,403	3,811,656
Technology	5-7	304,818	-
Work-in-Progress	N/A	1,580,574	774,527
Total property and equipment		18,624,219	13,218,069
Less: Accumulated depreciation		(9,980,784)	(9,480,934)
PROPERTY AND EQUIPMENT, NET		$ 8,643,435	$ 3,737,135

Depreciation expense during 2022 and 2021 totaled $499,849 and $394,576, respectively.

Revenue Recognition

Program Service Fees

A portion of the Organization’s revenue is derived from federal, state and local contracts. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party. The contracts also allow for reimbursement of direct costs associated with providing the services. Revenue is recognized as earned from third parties when the service has been performed and is reported at the estimated realizable amounts. Contracts with these third parties are generally renewed on an annual basis. Amounts received are recognized as revenue according to their respective contracts. Generally, third party payors pay for the services provided within 30-60 days. There were no advance payments received as of December 31, 2022 and 2021. Total conditional program service fees are approximately $1,900,000. At December 31, 2022 and 2021 conditional program service fees to be recognized were approximately $900,000 and $1,400,000, respectively. Below outlines the different methods of revenue recognition:

Child Welfare revenue was based on a pre-determined rate and is billed monthly based on the number of children in the Organization’s care on the last day of the month. Revenue is recognized over time utilizing the time elapsed method as case management and foster care services are provided. As of July 1, 2021, the Child Welfare Case Management contract changed from a rate based contract to an expense reimbursement contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

Community Services revenue is based on pre-determined rates and is billed monthly based on the number of units provided during the month. A unit of service can be a full or partial day of service. Revenue is recognized over time utilizing the time elapsed method as the services (psychotherapy, planning, education, skill development, etc.) are provided.

Consultation and training services are provided to customers for a fee. For these services, revenue is earned at a point in time once the training and consultation services (performance obligation) have been performed. Customers are billed monthly after the services have been performed with terms of net 30 days.

Clinic Revenue and Contractual Adjustments

Clinic revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors (including health insurers and government payors) and includes a variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patient and third-party payors several days after the services are performed. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided and revenue is recognized over time based on actual charges incurred in relation to total expected (or actual) charges.

Deferred Revenue

Program Service Fees received from Wisconsin state agencies are subject to a 5% cap on revenue received over allowable expenses incurred. Deferred revenue (contract liability) represents the excess support over program expenses for which the purchasers of the services have not yet invoiced or notified the Organization. Balances of contract liabilities were as follows as of January 1,

	2022	2021	2020
Contract liabilities - deferred revenue	$ 192,690	$ 164,280	$ 187,337

The timing of revenue recognition, billings and cash collections results in billed accounts receivable in the consolidated statements of financial position. Generally, billing occurs subsequent to the services being provided resulting in contract assets referred to as accounts receivable. Balances of contract assets were as follows as of January 1,

	2022	2021	2020
Contract assets - accounts receivable	$ 1,731,114	$ 1,817,797	$ 842,634

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Revenue Recognition (Continued)

Significant Judgments

There are no significant judgements involved in the recognition of revenue due to the passage of time except for variable consideration for contract adjustments which are settled on an annual basis.

Disaggregation of Revenue from Contracts with Customers

	2022	2021
Program service fees - over time	$ 859,832	$ 8,734,143
Program service fees - point in time	6,086,097	7,007,801
Program service fees - expense reimbursement	21,116,324	11,077,686
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	$ 28,062,253	$ 26,819,630

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment from funding agencies.

Rental Income

The Organization has a multi-year rental agreement with a third party. Revenue is recognized straight line over the term of the lease.

Contributions

Unconditional promises to give of cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is deemed unconditional. The gifts are reported as either support with donor restrictions if they are received with donor stipulations that limit the time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Donated services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized as revenues and expenses and are not reported in the accompanying consolidated financial statements.

Retirement Plan

Substantially all employees of the Organization are eligible to participate in a 403(b) retirement plan. The Organization makes a 50% matching contribution to the plan up to a percentage of each participant's compensation, based upon years of service. The Organization may also make a discretionary contribution to the plan. Total contributions to the retirement plan during 2022 and 2021 were approximately $842,000 and $842,000, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Costs are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed. Payroll and related expenses are allocated to the programs based on estimated time spent in each program. Expenses specifically identifiable with a program are charged to that program. Indirect administration expenses including space and equipment, supplies and postage, telephone, and insurance are charged to the programs according to a cost allocation plan based on a percentage of total expenses.

Income Tax Status

The Agency and Foundation are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code as other than a private foundation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "*Leases (Topic 842)*", to increase the transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard with no material impact as of January 1, 2022.

The Organization has elected to apply the short-term lease exemption to the real estate and equipment leases. In 2022, there are only a small number of leases within this class of underlying assets that qualify for the exemption. The short-term lease cost recognized and disclosed for those leases in 2022 and 2021 was $710,969 and $695,146, respectively. The remaining lease payments due in 2023 are $110,000.

In September 2020, the FASB issued ASU No. 2020-07, "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*", to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new guidance requires contributed nonfinancial assets be presented as a separate line item in the consolidated statement of activities, a disclosure with the disaggregation of the amount of contributed nonfinancial assets by category as well as certain qualitative information. The Organization adopted the standard with no material impact as of January 1, 2022.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	$ 1,224,455	$ 2,909,383
Accounts receivable	1,731,114	1,817,797
Investments	23,311,856	29,271,214
Total financial assets and liquid resources	26,267,425	33,998,394
Less: Donor imposed restrictions:		
Time and purpose restrictions	339,696	410,877
Endowments	266,866	266,866
Less: Board designated endowment	23,010,275	28,914,658
Financial assets available to meet cash needs for general expenditures within one year	$ 2,650,588	$ 4,405,993

2. LIQUIDITY AND AVAILABILITY (Continued)

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

3. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

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

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using Net Asset Value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2 or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2022 and 2021.

3. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2022 and 2021.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Common stock: Valued at the closing quoted price in an active market.

Bonds and U.S. Government securities: Bonds and notes in which the Organization invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Bonds and notes that are “on the run” are measured at quoted prices in active markets for the same security.

Real estate and private equity funds: Valued at NAV, as reported by fund managers as a practical expedient for a fair value measurement. These funds do not trade in active markets.

<u>Recurring Measurements</u>

Assets measured at fair value on a recurring basis as of December 31, are as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Bonds	$ -	$ 3,213,596	$ -	$ 3,213,596
Common stock	15,575,819	-	-	15,575,819
Mutual funds	1,970,433	-	-	1,970,433
TOTAL ASSETS AT FAIR VALUE	$ 17,546,252	$ 3,213,596	$ -	20,759,848
Real estate funds **				2,273,809
Private equity **				250,400
Money market funds*				27,799
TOTAL INVESTMENTS				$ 23,311,856

3. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements (Continued)

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Bonds	$ -	$ 3,799,150	$ -	$ 3,799,150
Common stock	21,456,736	-	-	21,456,736
Mutual funds	2,399,753	-	-	2,399,753
TOTAL ASSETS AT FAIR VALUE	$ 23,856,489	$ 3,799,150	$ -	27,655,639
Real estate funds **				1,177,384
Private equity **				209,400
Money market funds *				228,791
TOTAL INVESTMENTS				$ 29,271,214

*Reported at cost
** Reported at NAV

Investments Measured at NAV

The following table presents the category, fair value, redemption frequency, and redemption notice period for investments, the fair values of which are estimated using net asset value per share as of December 31, 2022 and 2021.

	June 30, 2022 Fair Value	June 30, 2021 Fair Value	June 30, 2022 Unfunded Commitments	June 30, 2021 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
ASSETS						
Real estate funds	$ 2,273,809	$ 1,177,384	$ -	$ -	None	Quarterly
Private equity	250,400	209,400	636,097	636,097	Not allowed	n/a

Real Estate Funds

This category includes real estate funds that invest domestically and are diversified across sectors. Distributions from each fund will be received as the underlying investments in the funds are liquidated or based on rents.

3. FAIR VALUE MEASUREMENTS (Continued)

Private Equity

A limited partnership control by a private equity firm that acts as the general partner and receives specific dollar commitments from Qualified Institutional Investors and individual Accredited Investors. These passive limited partners fund pro rata portions of their commitments when the general partner has identified an appropriate opportunity. Investments typically consist of real estate.

4. LETTER OF CREDIT

As security for possible unemployment claims, the Organization has a letter of credit for $296,882 that expires in December 2024. No amounts were outstanding at December 31, 2022 and 2021.

5. LINE OF CREDIT

The Organization has a line of credit with First Midwest Bank. The maximum available borrowings on the line of credit were $5,000,000 as of December 31, 2022 and 2021. Borrowings under this line of credit bear interest at the prime rate (7.5% as of December 31, 2022) and are secured by the Organization's business assets. The outstanding line of credit borrowings as of December 31, 2022 were $4,826,248. There was no outstanding balance as of December 31, 2021. The line of credit matures on December 11, 2023.

6. NOTES PAYABLE

Notes payable for the Organization consist of the following as of December 31:

	2022	2021
Paycheck Protection Program loan through the Small Business Administration (SBA) in the original amount of $4,375,870 dated April 20, 2020. During 2020, the Organization received forgiveness of $1,303,346 resulting in a remaining note payable of $3,072,524. Terms of the note require monthly principal and interest payments of $75,611, including interest at 1.00% through April 2025.	$ 2,237,506	$ 3,072,524
Total notes payable	2,237,506	3,072,524
Less: Current maturities	1,038,063	982,562
AMOUNT DUE AFTER ONE YEAR	$ 1,199,443	$ 2,089,962

6. NOTES PAYABLE (Continued)

The following is a maturity schedule of notes payable:

2023	$ 1,038,063
2024	899,430
2025	300,013
TOTAL	$ 2,237,506

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following items at December 31:

	2022	2021
Undesignated	$ 1,472,577	$ 2,042,752
Board designated endowment	23,010,275	28,914,658
TOTAL	$ 24,482,852	$ 30,957,410

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following items at December 31:

	2022	2021
Restricted as to time and purpose:		
Training	$ 282,234	$ 282,234
Investment earnings on endowment fund	34,715	89,690
Capital campaign	12,165	-
Youth Transitioning to Adulthood	10,582	36,453
Miscellaneous	-	2,500
Total restricted as to time and purpose	339,696	410,877
Restricted in perpetuity	266,866	266,866
TOTAL	$ 606,562	$ 677,743

9. ENDOWMENTS

The Foundation has received several gifts or endowments in which the donors have stipulated that these funds be invested and maintained in perpetuity to generate annual income to support certain activities of the Foundation. The Board of Directors has also designated funds to function as an endowment. These funds are maintained by the Foundation in various investments and the Foundation is responsible for investment decisions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund.

The earnings on the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Organizations, and (g) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. Under the Foundation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and the Foundation's objectives.

To achieve its investment goals, the Foundation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Foundation's asset allocations include a blend of equity and debt securities and cash equivalents.

9. ENDOWMENTS (Continued)

Interpretation of Relevant Law Governing Endowments (Continued)

Interest, dividends and net appreciation (depreciation) in fair value of endowment funds on donor restricted endowment funds are classified as net assets with donor restrictions if the earnings are restricted by the donor for a specific purpose. Interest and dividends on donor restricted endowment funds are appropriated for distribution at the discretion of the Board of Directors. The Board of Directors does not allow spending from underwater endowment funds.

The endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 301,581	$ 301,581
Board designated endowment funds	23,010,275	-	23,010,275
TOTAL	$ 23,010,275	$ 301,581	$ 23,311,856

The endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 356,556	$ 356,556
Board designated endowment funds	28,914,658	-	28,914,658
TOTAL	$ 28,914,658	$ 356,556	$ 29,271,214

9. ENDOWMENTS (Continued)

Interpretation of Relevant Law Governing Endowments (Continued)

Change in endowments for the year ending December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 28,914,658	$ 356,556	$ 29,271,214
Investment return, net	(4,746,338)	(54,975)	(4,801,313)
Appropriation of endowment assets for expenditure	(1,158,045)	-	(1,158,045)
ENDOWMENT NET ASSETS, END OF YEAR	$ 23,010,275	$ 301,581	$ 23,311,856

Change in endowments for the year ending December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 26,454,019	$ 324,930	$ 26,778,949
Investment return, net	3,337,639	31,626	3,369,265
Appropriation of endowment assets for expenditure	(877,000)	-	(877,000)
ENDOWMENT NET ASSETS, END OF YEAR	$ 28,914,658	$ 356,556	$ 29,271,214

From time to time, certain donor-restricted endowment funds may have less than the amount required to be maintained by donor or by law (underwater endowments). At December 31, 2022 and 2021, funds with an original principal amount of $266,866 did not have any deficiencies.

10. COMMITMENTS AND CONTINGENCIES

The Organization has entered into certain contractual relationships which provide, in part, for the potential refunding of excess support over program expenses by the Organization. The Organization has estimated and recorded a liability in the consolidated financial statements for any adjustments and excess reserves. Due to the complexities of the reserve calculations there is a reasonable possibility that recorded estimates will change in the near term. Amounts are adjusted in future periods as adjustments become known or as years are no longer subject to reviews and investigations.

As of December 31, 2022 and 2021, the Organization has recorded an accrued liability related to the contractual relationships of $1,581,054 and $1,581,054, respectively.

10. COMMITMENTS AND CONTINGENCIES (Continued)

During the year, the Organization entered into two guaranteed maximum price agreements for the remodel of a portion of the Capitol Campus building for a total amount of approximately $7,151,000, including change orders. As of December 31, 2022, the outstanding commitment on the construction agreements was $3,451,773.

11. LEASES

The Agency leases property to an unrelated third-party organization which commenced on June 1, 2018. Under ASC 842 the leases are treated as operating leases. The leases can only be terminated at the conclusion of the lease term and do not include any variable lease payments or non-lease components. The Organization is carrying the leased property at a historical cost of $2,022,819 and accumulated depreciation of $1,151,820. Monthly rental payments of $18,683 are required until May 31, 2023. Future rental payments expected to be received are as follows as of December 31:

2023	$ 116,341
TOTAL MINIMUM RENTAL RECEIPTS	$ 116,341

12. RELATED-PARTY TRANSACTIONS

Members of the Board serve in management roles of corporations that provide services to the Organization, causing these corporations to be related parties. During 2022 and 2021, the Organization paid approximately $22,000 and $26,000, respectively, for services from businesses managed in part by members on the Board. As of December 31, 2022 and 2021, there were no amounts outstanding which were owed by the Organization to the related parties.

13. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after year end but before consolidated financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing consolidated financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through June 16, 2023, the date on which the consolidated financial statements were available to be issued.

13. SUBSEQUENT EVENTS (Continued)

Subsequent to year end, the Organization issued Series 2023 Bonds in the amount of $12,500,000. The bond indenture calls for an initial interest rate of 3.96% which may be adjusted in full on year ten, June 1, 2033. The first interest payment shall be due December 1, 2023 and every six months after. Annual principal payments are required in accordance with the bond indenture dated April 1, 2023 with a final maturity date of December 1, 2053.