

Henderson Behavioral Health, Inc. and Subsidiaries

Combined Financial Statements
and Additional Information
For the Year Ended June 30, 2025

Henderson Behavioral Health, Inc. and Subsidiaries

Table of Contents

Independent Auditor's Report	1-3
Combined Financial Statements	
Combined Statement of Financial Position	4
Combined Statement of Activities	5
Combined Statement of Functional Expenses	6
Combined Statement of Cash Flows	7
Notes to Combined Financial Statements	8-27
Additional Information	
Schedule of Expenditures of Federal Awards	28-31
Schedule of Expenditures of State Financial Assistance	32
Schedule of Other State Funding	33
Schedule of Local Financial Assistance	34-36
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance, Other State Funding and Local Financial Assistance	37
Schedule of Program/Covered Service Actual Expenses and Revenues – Broward Contract - (Unaudited)	38-46
Schedule of Program/Covered Service Actual Expenses and Revenues – Palm Beach Contracts - (Unaudited)	47-50
Schedule of Related-Party Transaction Adjustments (Unaudited)	51
Schedule of State Earnings (Unaudited)	52
Schedule of Bed-Day Availability Payments (Unaudited)	53
Internal Controls and Compliance	
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>	54-55
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i>	56-58
Schedule of Findings and Questioned Costs	59-60



Citrin Cooperman & Company, LLP
Certified Public Accountants

6550 N Federal Hwy, 4th Floor
Fort Lauderdale, FL 33308
T 954.771.0896 F 954.938.9353
citrincooperman.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Henderson Behavioral Health, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Henderson Behavioral Health, Inc. and Subsidiaries (the "Organization") (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2025, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS 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 combined 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 combined 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 combined 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.

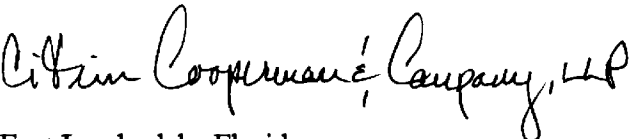
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying 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* and the Schedule of Expenditures of State Financial Assistance required by the State of Florida Chapter 10.650, *Rules of the Auditor General*, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Further, the schedules of other state funding and local financial assistance are also presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

The supplemental information marked “unaudited” in the table of contents, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of the Organization’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 the Organization’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 the Organization’s internal control over financial reporting and compliance.



Fort Lauderdale, Florida
December 17, 2025

**COMBINED
FINANCIAL STATEMENTS**

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Financial Position
June 30, 2025
(with comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
Assets:		
Cash	\$ 18,857,360	\$ 13,718,555
Restricted cash	55,640	76,130
Investments	5,454,131	4,865,078
Accounts receivable, net	1,442,851	1,755,159
Grants and contracts receivable	4,435,939	5,037,645
Leverage loan receivable	9,086,000	9,086,000
Prepaid expenses	400,698	836,835
Deposits, inventory and other assets	103,609	107,647
Property and equipment, net	20,991,807	20,032,320
Operating lease right-of-use assets	1,036,838	1,119,803
Investments held in perpetuity	<u>751,921</u>	<u>751,921</u>
Total assets	<u>\$ 62,616,794</u>	<u>\$ 57,387,093</u>
Liabilities:		
Accounts payable	\$ 205,284	\$ 222,188
Accrued expenses and other liabilities	954,945	329,357
Accrued employee compensation	958,877	1,059,338
Accrued employee leave benefits	721,041	896,461
Debt, net of unamortized debt issuance costs	13,025,661	14,363,770
Operating lease liability	<u>1,073,173</u>	<u>1,150,869</u>
Total liabilities	<u>16,938,981</u>	<u>18,021,983</u>
Net Assets:		
With donor restrictions:		
Perpetual in nature	<u>751,921</u>	<u>751,921</u>
Without donor restrictions:		
Undesignated	24,425,892	18,113,189
Board designated	<u>20,500,000</u>	<u>20,500,000</u>
	<u>44,925,892</u>	<u>38,613,189</u>
Total net assets	<u>45,677,813</u>	<u>39,365,110</u>
Total liabilities and net assets	<u>\$ 62,616,794</u>	<u>\$ 57,387,093</u>

See accompanying notes to combined financial statements.

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Activities
For the Year Ended June 30, 2025
(with comparative totals for 2024)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2025</u>	<u>Total 2024</u>
Revenues, Gains and Other Support:				
Grant and contract revenue	\$ 49,834,506	\$ -	\$ 49,834,506	\$ 47,167,464
Client service revenue	6,351,769	-	6,351,769	5,809,564
Student counseling	1,242,544	-	1,242,544	1,502,397
Contributions	1,669,839	-	1,669,839	1,701,214
Donated goods and services	409,492	-	409,492	304,650
Investment income	989,609	-	989,609	778,029
Rental income	140,756	-	140,756	22,772
Gain on disposal of asset	20,493	-	20,493	881,576
Miscellaneous	330,092	-	330,092	393,809
	<u>60,989,100</u>	<u>-</u>	<u>60,989,100</u>	<u>58,561,475</u>
Expenses:				
Program services	47,267,717	-	47,267,717	46,082,311
Supporting services	7,408,680	-	7,408,680	8,015,924
	<u>54,676,397</u>	<u>-</u>	<u>54,676,397</u>	<u>54,098,235</u>
Change in net assets	6,312,703	-	6,312,703	4,463,240
Net Assets, Beginning of Year	<u>38,613,189</u>	<u>751,921</u>	<u>39,365,110</u>	<u>34,901,870</u>
Net Assets, End of Year	<u>\$ 44,925,892</u>	<u>\$ 751,921</u>	<u>\$ 45,677,813</u>	<u>\$ 39,365,110</u>

See accompanying notes to combined financial statements.

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Functional Expenses
For the Year Ended June 30, 2025
(with comparative totals for 2024)

	Program Services				Supporting Services				Total 2025	Total 2024
	Mental Health	Substance Abuse	Non-State Funded SAMH Programs	Total Program Services	Fundraising	Administrative and General	Other Support	Total Support Services		
Program Expenses:										
Salaries	\$ 19,305,229	\$ 3,033,468	\$ 6,265,599	\$ 28,604,296	\$ 132,951	\$ 3,510,113	\$ 113,559	\$ 3,756,623	\$ 32,360,919	\$ 31,866,091
Fringe benefits	3,620,229	522,512	1,629,055	5,771,796	38,732	847,761	30,487	916,980	6,688,776	6,943,783
Building occupancy	968,705	192,572	1,109,407	2,270,684	7,926	295,270	611,927	915,123	3,185,807	3,058,532
Other	566,223	18,486	330,160	914,869	14,367	-	78,128	92,495	1,007,364	1,569,249
Equipment	460,029	19,797	33,405	513,231	5,273	189,300	216,289	410,862	924,093	907,880
Professional services	683,381	39,718	375,785	1,098,884	194	76,470	230,233	306,897	1,405,781	1,501,283
Client care services	3,419,097	436,113	1,002,299	4,857,509	-	-	253,364	253,364	5,110,873	4,434,248
Travel, training and conferenc	240,331	23,375	76,655	340,361	2,956	69,700	14,912	87,568	427,929	453,970
Medical and pharmacy	425,352	6,192	79,332	510,876	-	-	-	-	510,876	464,451
Subcontracted services	954,249	-	-	954,249	-	-	-	-	954,249	740,228
Insurance	198,326	19,189	847,560	1,065,075	-	149,044	89,171	238,215	1,303,290	1,224,571
Operating supplies and expenses	45,659	1,277	311,476	358,412	3,864	135,500	102,061	241,425	599,837	663,462
Interest expense	7,475	-	-	7,475	-	29,823	159,305	189,128	196,603	270,487
Total functional expenses	\$ 30,894,285	\$ 4,312,699	\$ 12,060,733	\$ 47,267,717	\$ 206,263	\$ 5,302,981	\$ 1,899,436	\$ 7,408,680	\$ 54,676,397	\$ 54,098,235

See accompanying notes to combined financial statements.

Henderson Behavioral Health, Inc. and Subsidiaries
Combined Statement of Cash Flows
For the Year Ended June 30, 2025
(with comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 6,312,703	\$ 4,463,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,250,332	1,188,354
Credit losses	-	262,232
Amortization of loan cost	18,291	18,291
Amortization of operating right-of-use assets	82,965	409,549
Gain on sale of assets	(20,493)	(881,576)
Net realized and unrealized gains on investments	453,343	354,719
(Increase) decrease in assets:		
Accounts receivable	312,308	108,308
Grants and contracts receivable	601,706	(766,143)
Prepaid expenses	436,137	(703,223)
Deposits, inventory and other assets	4,038	52,281
(Increase) decrease in liabilities:		
Accounts payable	(16,904)	(235,543)
Accrued expenses and other liabilities	625,588	(183,362)
Operating lease liabilities	(77,696)	(409,654)
Accrued employee compensation	(100,461)	257,754
Accrued employee leave benefits	(175,420)	346,488
	<u>9,706,437</u>	<u>4,281,715</u>
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	26,341	882,719
Purchases of property and equipment	(2,215,667)	(2,343,150)
Purchase of investments	(3,323,248)	(1,175,377)
Sale of investments	2,280,852	333,190
	<u>(3,231,722)</u>	<u>(2,302,618)</u>
Cash Flows Used in Financing Activities:		
Principal payments on debt	(1,356,400)	(1,573,366)
	<u>5,118,315</u>	<u>405,731</u>
Cash and Restricted Cash, July 1	<u>13,794,685</u>	<u>13,388,954</u>
Cash and Restricted Cash, June 30	\$ <u>18,913,000</u>	\$ <u>13,794,685</u>
Amounts reported in the combined statement of financial position that comprise cash and restricted cash as reported above are:		
Unrestricted cash	\$ 18,857,360	\$ 13,718,555
Restricted cash	55,640	76,130
	<u>\$ 18,913,000</u>	<u>\$ 13,794,685</u>

See accompanying notes to combined financial statements.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 1 - Organization and Operations

Henderson Behavioral Health, Inc. and Subsidiaries (collectively, the “Organization”) provides behavioral healthcare throughout South Florida in Broward and Palm Beach Counties, the Treasure Coast and Okeechobee. The Organization charges fees based upon its patients’ ability to pay for clinical services and receive grants, contracts, and contributions from various governmental and charitable agencies. Gifts, donations, and volunteer services are also received from individuals and corporations.

The accompanying combined financial statements include the accounts of Henderson Behavioral Health, Inc. (a nonprofit, tax exempt organization), (“Henderson”) the parent and sole member of its two Limited Liability Companies, subsidiaries, Henderson Behavioral Health, LLC and Headway New Vistas, LLC, as well as HBH CSU Support Corporation a Florida nonprofit corporation. Henderson Behavioral Health, LLC (the “Center”) is responsible for delivering health services, management and other administrative services and functions. Headway New Vistas, LLC (“Headway”) owns all the real estate properties, which are leased to third-party tenants and the Center (Note 10). HBH CSU Support Corporation (“HBH CSU”) was incorporated to carry out the construction of CSU replacement project, a 48-bed capacity facility on behalf of Henderson (Note 8). All these entities operate to further enhance Henderson’s 501(c)(3) nonprofit status.

Note 2 - Summary of Significant Accounting Policies

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the combined financial statements follows:

Basis of accounting: The accompanying combined financial statements have been prepared using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows U.S. GAAP, whereby the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets as described in Note 11.
- *Net Assets with Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates those resources be maintained in perpetuity.

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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 restrictions.

All contributions are considered available for general use, unless specifically restricted by donor or subject to other legal restrictions.

Cash and cash equivalents: The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents that the Organization intends to use for long-term purposes are classified as investments in the accompanying combined statement of financial position.

Concentration of credit risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of receivables, cash, and investments. The concentration of credit risk with respect to receivables is primarily due to the economic dependency in federal, state, and other agencies and the ability to obtain authorization, process and collect balances timely. The Organization does not require collateral or other security to support receivables. The Organization has cash in financial institutions that are insured by the Federal Deposit Insurance Corporation. At various times throughout the year, the Organization may have cash balances at financial institutions that exceed the insured amount. The excess amount at June 30, 2025, was approximately \$ 18,598,000.

Investments: Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the combined statement of financial position. Net investment return/(loss) is reported in the combined statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external investment expenses.

Grants and contracts receivable: Grants and contracts receivable consist principally of claims not yet reimbursed by various grantor/contract agencies. Management periodically reviews the receivable balances and provides an allowance for amounts which may be uncollectible. At June 30, 2025, management considered all of its grants and contracts receivable balances to be collectible and no allowance was recorded. Grants and contracts receivable totaled approximately \$ 4,436,000 and \$ 5,038,000 as of June 30, 2025 and 2024, respectively.

Accounts receivable and allowance for credit losses: Accounts receivable consist mostly of amounts due for client services and are carried at amounts estimated to be realized by the Organization based on past experience. Client services are provided at rates established periodically, primarily by Medicaid intermediaries and state and local funding authorities. Payments for services may differ from the amounts billed due to subsequent changes in rates, discrepancies as to eligibility dates and approved services, and other similar issues. Allowances for credit losses are recorded to reflect the differences between the amounts billed for services and expected reimbursement. The expense for these billing differences is recorded as an offset to revenue. Also, in accounts receivable are amounts due from a related party, as further discussed in Note 17. Accounts receivable totaled approximately \$ 1,443,000 and \$ 1,755,000 at June 30, 2025 and 2024, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

Effective July 1, 2024 (the beginning of the current fiscal year), the Organization early adopted ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The amendments provide a practical expedient that allows entities, when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, to assume that current conditions as of the balance sheet date do not change over the remaining life of those assets. The ASU also permits entities other than public business entities that have elected the practical expedient to make an accounting policy election to consider subsequent cash collections after the balance sheet date when estimating expected credit losses on those assets. The Organization applied the guidance prospectively, and the adoption did not have a material effect on the financial statements.

In accordance with Accounting Standards Codification (“ASC”) 326-20-30-3, the Organization elected the practical expedient for estimating expected credit losses on short-term receivables arising from exchange transactions under ASC 606. Under this expedient, the Organization assumes that current conditions at the balance sheet date remain unchanged over the remaining life of the asset, which is typically less than one year.

Additionally, the Organization elected the accounting policy to consider subsequent cash collections received as of September 3, 2025, prior to the issuance of the financial statements when estimating expected credit losses on these receivables. The allowance for credit losses is based on historical loss experience. As of June 30, 2025, the Organization recorded an allowance for credit losses of \$ 17,624 on accounts receivable.

Promises to give: The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques using risk-adjusted discount rates. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization had no unconditional promises to give as of June 30, 2025 and 2024. However, the Organization has cost-reimbursable grants that are considered conditional contributions because the right to payment is contingent upon incurring allowable costs. As of June 30, 2025, the Organization had approximately \$ 698,000 of conditional promises to give available for future reimbursement. These amounts are not recognized in the combined financial statements until the conditions are substantially met.

Deposits, inventory, and other assets: Deposits, inventory and other assets primarily include security deposits, utility deposits and drug inventories. Inventories consist primarily of drugs held for the clients served by the Organization as part of the Indigent Drug Program.

Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Property and equipment: Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation.

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Buildings and improvements	10-39.50 years
Equipment, including air-conditioning	5-20 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Landscaping, parking lot, sprinklers	10-20 years
Leasehold improvements	Lesser of lease term or 39.50 years

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying net assets with donor restriction to net assets without donor at that time. The Organization received no such assets during the years ended June 30, 2025 and 2024.

Maintenance and repairs to property and equipment are charged to expenses when incurred. Additions and major renovations are capitalized over their estimated useful lives.

Debt issuance costs: Debt issuance costs associated with outstanding debt is presented in the statement of financial position as a direct reduction in the carrying value of the associated debt liability. Amortization of debt issuance costs is reported as a component of interest expense in the statement of activities. Debt costs are amortized using the straight-line method over the life of the associated debt which is not considered materially different from the effective interest-method of amortization.

Refundable advance: Grant and contract revenue that is not recognized because the allowable cost as defined by the individual grant or contract has not been incurred and/or the units of service have not been rendered is considered refundable advance.

Accrued employee leave benefits: The Organization accrues for employees paid time off up to a maximum of 100 hours per employee. The accrual is calculated at current salary rates.

Revenue and revenue recognition: The Organization recognizes revenues from nonexchange transactions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived.

Grant and contract revenue (nonexchange revenue) is generally billed monthly and is derived from units of service contracts. Amounts received are recognized as revenue when the unit of service has been provided in compliance with the specific contract. Also, any revenue derived from cost-reimbursement contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when such expenditures are incurred in compliance with specific contract provisions.

Note 2 - Summary of Significant Accounting Policies (continued)

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Client services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing care. These amounts are generally from third-party payers (including health insurers and government programs) and others and may include variable consideration for retroactive adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills patients and third-party payers soon after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Student counseling revenue represents fees earned from providing counseling services to students. These services are offered as part of the Organization's mission to support student well-being and academic success. Revenue is recognized when counseling sessions are delivered, as performance obligations are satisfied at that point in time. Payments for these services are typically billed shortly after the sessions are performed.

The Organization has established a sliding fee scale based on the Federal poverty guidelines wherein the clients are expected to pay amounts based upon their individual financial ability. Client services rendered to Medicaid program beneficiaries are reimbursed under a maximum fee for service methodology. The Organization is reimbursed at a predictable rate.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization.

Donated services, goods, and facilities: Contributed nonfinancial assets include donated medical services, donated drugs, and advertising and public relations which are recorded at the respective fair values of the goods or services received (Note 21). The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional expenses: The costs of providing the various programs and supporting services activities have been summarized on a functional basis in the combined statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Program and supporting services are charged with their direct expenses. Certain categories of expenses are attributed to both a program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include personnel and overhead costs, among other expenses; which are allocated on the basis of estimates of time and effort and square footage basis.

Use of estimates: The presentation of combined financial statements in conformity with U.S. GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases: The Organization determines if an arrangement is or contains a lease at inception. Leases are included in operating lease right-of-use (“ROU”) asset and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Summarized comparative information: The accompanying combined financial statements include certain prior year summarized comparative information in total but not by net asset class and expenses are not presented by nature and function. Such information does not include all disclosures required by accounting principles generally accepted in the United States of America. Accordingly, this summarized comparative information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Date of management review: Subsequent events were evaluated by management through December 17, 2025, which is the date the combined financial statements were available to be issued.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 3 - Liquidity and Availability

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

Financial assets:	
Cash	\$ 18,857,360
Restricted cash	55,640
Investments	5,454,131
Investments held in perpetuity	751,921
Accounts receivable, net	1,442,851
Grants and contracts receivable	<u>4,435,939</u>
Financial assets at year end	30,997,842
Less those unavailable for general expenditures within one year, due to:	
Restricted cash	(55,640)
Donor restricted endowment	(751,921)
Board designations	<u>(20,500,000)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	\$ <u>9,690,281</u>

The Organization's day-to-day operations are supported primarily by grants and contracts. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged (Note 8). The Organization also maintains an available line of credit as described in Note 9.

Note 4 - Restricted Cash

Restricted cash consists of cash deposited in the Organization's bank accounts on behalf of clients. The Organization is trustee for client funds which are expended on behalf of the clients for personal items. The related liability is included in "Accrued expenses and other liabilities" in the combined statement of financial position. The total amount of restricted cash held on behalf of clients at June 30, 2025 and 2024, was \$ 55,640 and \$ 76,130, respectively.

Note 5 - Investments

U.S. GAAP establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 5 – Investments (continued)

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g., quoted prices in active markets for similar securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are unobservable inputs for investments (e.g., information about assumptions, including risk, market participants would use in pricing a security).

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table represents the investments as held by the Organization at June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2025</u>
Domestic fixed income securities	\$ 1,689,172	\$ -	\$ -	\$ 1,689,172
Domestic equities	1,990,564	-	-	1,990,564
Money market/cash	1,055,542	-	-	1,055,542
International equities	1,101,674	-	-	1,101,674
Real estate investment funds	264,413	-	-	264,413
Mutual funds	<u>104,687</u>	<u>-</u>	<u>-</u>	<u>104,687</u>
Total	<u>\$ 6,206,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,206,052</u>

The following table represents the investments held by the Organization at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2024</u>
Domestic fixed income securities	\$ 1,522,603	\$ -	\$ -	\$ 1,522,603
Domestic equities	1,966,889	-	-	1,966,889
Money market/cash	909,402	-	-	909,402
International equities	943,859	-	-	943,859
Real estate investment funds	184,533	-	-	184,533
Mutual funds	<u>89,713</u>	<u>-</u>	<u>-</u>	<u>89,713</u>
Total	<u>\$ 5,616,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,616,999</u>

The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 5 - Investments (continued)

Investment income is composed of:

	<u>2025</u>	<u>2024</u>
Unrealized gain on investments	\$ 426,372	\$ 339,828
Interest and dividend income	555,907	441,222
Realized gain on investments	26,971	14,891
Investment fees and charges	<u>(19,641)</u>	<u>(17,912)</u>
	<u>\$ 989,609</u>	<u>\$ 778,029</u>

Note 6 - Leverage Loan Receivable

During the year ended June 30, 2019, the Organization provided a leverage loan of \$ 9,086,000 (Note 8). The leverage loan will bear interest at 1 % per annum and require quarterly payments of interest only for approximately 7.5 years. Thereafter, the leverage loan will require quarterly payments of principal and interest in an amount sufficient to amortize the loan balance over the approximately 17.5 years of its remaining term, with any outstanding amounts due on March 31, 2044. The leverage loan was drawn in two disbursements on the date hereof in the amounts of \$ 8,823,386 and \$ 262,614. At June 30, 2025 and 2024, the amount due was \$ 9,086,000.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 7 - Property and Equipment

Property and equipment consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 31,070,579	\$ 29,193,044
Equipment, including air-conditioning	4,654,022	4,588,186
Vehicles	1,410,259	1,269,514
Furniture and fixtures	1,264,463	1,264,463
Landscaping, parking lot, sprinklers	281,045	281,045
Leasehold improvements	<u>74,976</u>	<u>74,976</u>
	38,755,344	36,671,228
Less: accumulated depreciation	<u>(19,534,606)</u>	<u>(18,409,977)</u>
	19,220,738	18,261,251
Land	<u>1,771,069</u>	<u>1,771,069</u>
	<u>\$ 20,991,807</u>	<u>\$ 20,032,320</u>

Depreciation amounted to \$ 1,250,332 and \$ 1,188,354 for the years ended June 30, 2025 and 2024, respectively.

Note 8 - Debt

Debt is summarized as follows at June 30:

	<u>2025</u>	<u>2024</u>
Term loan	\$ -	\$ 207,436
Term note	97,797	1,246,760
Promissory note A	9,086,000	9,086,000
Promissory note B	4,354,000	4,354,000
Debt issuance costs	<u>(512,136)</u>	<u>(530,426)</u>
	<u>\$ 13,025,661</u>	<u>\$ 14,363,770</u>

Term loan with a financial institution in the amount of \$ 3,000,000. This loan was fully repaid during the year, and no balance outstanding. The loan was originally issued to support working capital needs and bore interest at a fixed rate of 4.75%. This loan was collateralized by certain property and equipment of the Organization and matured in November 2024.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 8 – Debt (continued)

Term note with a financial institution in the amount of \$ 5,500,000, of which the proceeds are to be used in connection with the CSU Project discussed below. The note incurs a fixed rate of interest at 5.375% and is payable as follows (i) 36 consecutive payments of interest only in the amount of approximately \$ 24,600, each payable monthly commencing June 30, 2019 and on the 30th day of each month thereafter through May 31, 2022, (ii) thereafter, in consecutive installment(s) of principal and interest consisting of 51 installments of approximately \$ 37,500, each payable monthly commencing June 30, 2022 and on the 30th day of each month thereafter, with the final installment consisting of all then remaining unpaid principal and interest payable; provided that, notwithstanding the foregoing, any and all remaining outstanding principal shall be due and payable in full on August 30, 2026. At June 30, 2025 and 2024, the amount outstanding on the loan was \$97,797 and \$ 1,246,760, respectively.

Future maturities of debt at June 30, 2025, are approximately as follows:

Year Ending June 30,	
2026	\$ <u>98,000</u>

CSU project

PNC New Markets Investment Partners, LLC, a Delaware limited liability company (the "Investor Member"), made one or more capital contributions in the aggregate amount of \$ 12,000,000 to HBH CSU Investment Fund, LLC (f/k/a FCNMF 26 Investment Fund, LLC), a Delaware limited liability company (the "Fund"), which the Fund used to make a capital contribution in the amount of \$ 12,000,000 to FCNMF 26, LLC, a Florida limited liability company (the "CDE").

Henderson (in such capacity, the "Leverage Lender") made a loan in the aggregate principal amount of \$ 9,086,000 to the Fund (the "Leverage Loan") (Note 6). The leverage loan is evidenced by a promissory note from the Fund to the Leverage Lender in the same amount and is a nonrecourse loan secured by a pledge of the Fund 's membership interest in the CDE.

The Fund used proceeds of the first disbursement of leverage loan proceeds to make an additional capital contribution in the amount of \$ 2,000,000 to the CDE and to return a portion of capital to the Investor Member in the amount of \$ 6,823,386. The investments in the CDE, including the investment made on the Initial Investment, is intended by the Fund and the CDE to constitute a qualified equity investment as defined in Section 45D(b) of the Code (a "QEI") entitling the Fund, and thereby the Investor Member, to new markets tax credits under Section 45D of the Code ("NMTC").

The CDE used the proceeds of the Fund's investments to pay a fee in the amount of \$ 560,000 to Florida Community Loan Fund, Inc. a Florida not-for-profit corporation ("the Allocatee"), and to fund the Project Loans in the aggregate amount of \$ 13,440,000.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 8 - Debt (continued)

HBH CSU used the Project Loans proceeds to finance the new construction of an approximately 32,000 square foot crisis stabilization unit and the rehabilitation of an existing 18,700 square foot outpatient facility located at Fort Lauderdale, FL (the "Project"). HBH CSU will lease the existing and completed Project realty to the Center, for a term of approximately 25 years which commenced on June 12, 2019, and expiring on December 31, 2044, pursuant to that certain Net Lease entered on the date hereof (the "Project Lease"). The Center subleases a portion of the Project realty for operation as a pharmacy to Genoa Healthcare, LLC, a Pennsylvania limited liability company, pursuant to that certain Commercial Sublease.

The project loans will be in the aggregate principal amount of \$ 13,440,000, mature in approximately 33.5 years, bear interest at the rate of 1.201% per annum, and be evidenced by promissory notes as follows:

- i) Promissory Note A from the Borrower to the CDE in the amount of \$ 9,086,000 ("Note A"); and
- ii) Promissory Note B from the Borrower to the CDE in the amount of \$ 4,354,000 ("Note B").

The project loans relating to the project are further described below.

HBH CSU is intended to satisfy the requirements to be a "qualified active low-income community business" as defined in Section 45D(d)(2) of the Code and the Regulations thereunder (a "QALICB") and each of the Project Loans is intended to be treated as a "qualified low-income community investment" pursuant to Section 45D(d) of the Code and the Regulations thereunder (a "QLICI").

HBH CSU, Henderson, and Headway, entered into that certain Reimbursement and Contribution Agreement by and between the parties noted above dated June 12, 2019 (the "Reimbursement and Contribution Agreement"). HBH CSU and Henderson also entered into that certain Cost Reimbursement Certification and Agreement, dated June 12, 2019, by and among HBH CSU, Henderson, and the CDE (the "Cost Reimbursement Certification").

Below is more detail on the project loans discussed above:

Promissory Note A in the amount of \$ 9,086,000 at a fixed rate of interest of 1.201%. The note is payable as follows: a) From the closing date (June 12, 2019), payment of all accrued and unpaid interest calculated from the close date through June 30, 2019. (b) Thereafter, through December 2026, quarterly payments of accrued and unpaid interest are due and payable in the amount of \$ 22,715 on the first day of each March, June, September and December. (c) Commencing with the payment due on March 1, 2027, quarterly payments are due and payable of principal sufficient to fully amortize the unpaid balance of the principal amount the term of this Note in the approximate amount of \$ 143,530. (d) A final payment of all outstanding principal accrued interest, and all unpaid fees and other charges owed pursuant to the Loan Documents on the Maturity Date of December 31, 2052.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 8 - Debt (continued)

Future maturities of debt at June 30, 2025, are approximately as follows:

Year Ending June 30,	
2026	\$ -
2027	-
2028	-
2029	-
2030	-
Thereafter	<u>9,086,000</u>
	<u>\$ 9,086,000</u>

Promissory Note B in the amount of \$ 4,354,000 at a fixed rate of interest of 1.201%. The note is payable as follows: a) From the closing date (June 12, 2019), payment of all accrued and unpaid interest calculated from the close date through June 30, 2019. (b) Thereafter, through December 2026, quarterly payments of accrued and unpaid interest are due and payable in the amount of \$ 13,073 on the first day of each March, June, September, and December. (c) Commencing with the payment due on March 1, 2027, quarterly payments are due and payable of principal sufficient to fully amortize the unpaid balance of the principal amount the term of this Note in the approximate amount of \$ 48,804. (d) A final payment of all outstanding principal accrued interest, and all unpaid fees and other charges owed pursuant to the Loan Documents on the Maturity Date of December 31, 2052.

Future maturities of debt at June 30, 2025, are approximately as follows:

Year Ending June 30,	
2026	\$ -
2027	-
2028	-
2029	-
2030	-
Thereafter	<u>4,354,000</u>
	<u>\$ 4,354,000</u>

Debt is shown net of loan costs of \$ 512,136 and \$ 530,426 as of June 30, 2025 and 2024, respectively, which is being amortized over the life of the loan on a straight-line basis.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 9 - Line of Credit

As of June 30, 2025, the Organization maintained a revolving line of credit with a financial institution, with a maximum borrowing capacity of \$3,000,000. The line of credit is secured by the Organization's securities held with the financial institution. The line of credit bears interest at a variable rate equal to the Daily Secured Overnight Financing Rate (SOFR) plus 150 basis points (1.5%), calculated and payable monthly. The agreement is scheduled to expire on April 1, 2026, and is subject to renewal upon mutual agreement. There were no outstanding borrowings under the line of credit as of June 30, 2025, and no interest expense was incurred during the fiscal year. The agreement requires compliance with certain covenants, including maintaining a debt service ratio of no less than 1.2 to 1.00 and a minimum net worth greater than \$17 million, and the Organization was in compliance with all covenants and conditions at year-end.

Note 10 - Lease Commitments

The Organization leases multiple buildings under operating lease agreements. The ROU asset and corresponding liability associated with future lease payments at year end are measured using the Company's weighted average incremental borrowing rate of 6.26%. These leases have a combined weighted average remaining lease term of 4.00 years at June 30, 2025. Total cash payments for lease for the year were approximately \$ 431,038 and lease expenses were approximately \$ 436,306.

The future minimum lease payments required under these leases and as of June 30, 2025, are as follows:

Year Ending June 30,	
2026	\$ 409,487
2027	408,691
2028	265,284
2029	28,314
	<u>1,111,776</u>
Less: present value discount	(38,603)
	<u>\$ 1,073,173</u>

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 11 - Net Assets Without Donor Restrictions

At June 30, 2025 and 2024, the Board of Directors has designated net assets without donor restrictions for the following purposes:

	<u>2025</u>	<u>2024</u>
Operating expenses reserve	\$ 12,000,000	\$ 12,000,000
Building and capital improvements	6,000,000	6,000,000
Technology and infrastructure	<u>2,500,000</u>	<u>2,500,000</u>
	<u>\$ 20,500,000</u>	<u>\$ 20,500,000</u>

Note 12 - Endowments

The Organization’s endowment consists of three individual funds established for a variety of purposes. These donor-restricted funds function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretations of relevant law: The Organization has interpreted the State of Florida’s Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) as requiring the preservation of the fair value of an original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of 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 at the time the accumulation is added to the fund. The unappropriated earnings of the donor-restricted endowment fund are classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Funds with deficiencies: From time to time the fair value of certain endowments may fall under historical values (original gift/book values), and therefore, are considered to be underwater. A deficiency will be recorded as a reduction in donor restricted net assets in accordance with U.S. GAAP. As such, there was no deficiency at June 30, 2025 and 2024, respectively.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 12 - Endowments (continued)

Return objectives and risk parameters: The Organization 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 maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce expected returns of the consumer price index plus 500 basis points while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that includes equity investments, fixed income investments, mutual funds, treasury securities, money markets, and cash using prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution each year 5% of the trailing three years average market value on June 30th of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an annual rate equal or greater than the consumer price index. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. All investment earnings relating to the endowment have been appropriated.

Changes in endowment net assets for the fiscal year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	2025 Total
Endowments net assets, at beginning of year	\$ -	\$ 751,921	\$ 751,921
Contributions	-	-	-
Investment return	-	-	-
Endowment net assets, at end of year	<u>\$ -</u>	<u>\$ 751,921</u>	<u>\$ 751,921</u>

Permanent endowment: The Organization previously entered into agreements with the Community Foundation of Broward, Inc., a Florida nonprofit corporation (the “Foundation”) to create designated funds to serve as permanent endowments on behalf of the Organization. Distributions from the funds will only be made with the approval and authorization of the Board of Directors of the Foundation and the funds are the property of the Foundation. As such, they are not carried as an asset of the Organization. It is the general policy of the Foundation to make distributions to the Organization from the endowments at least once annually. The ending asset value of the endowments at June 30, 2025 and 2024, was \$ 199,356 and \$ 188,012, respectively.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 13 - Grants and Contracts for Organization Operations

Funding agreements for services to be provided are generally entered into on an annual basis. The release of funds is subject to monies being made available by the Federal government, the Florida Legislature, the Broward County Board of County Commissioners, and certain other grantor agencies. Generally, agreements may be terminated by either party upon thirty to ninety days written notice. However, such an event would be unlikely if contract performance continues to be satisfactory. In addition, certain funding arrangements require the Organization to provide additional services on a specified matching basis. In all such contract arrangements, the Organization has met its matching requirements.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be refundable based on audits. As of June 30, 2025, the Organization had no amounts required to be returned as a result of such audits.

Matching requirements, which are based on revenues earned for the year ended June 30, 2025, rather than contractual amounts, are as follows:

<u>Grantor</u>	<u>Contract Number</u>	<u>Matching Requirement</u>
Broward Behavioral Health Coalition, Inc.	34357	\$ 6,760,620
Broward County	22-CP-CSA-0375-01	27,602
	22-CP-HIP-0375-01	65,911
	25-CP-CSA-0375-01	108,333
Children's Services Council of Broward County	23-2157	44,171
	23-2158	19,871
	22-156	8,415
	20-2155	2,732
	20-2159	10,476
		<u>\$ 7,048,131</u>

Note 14 - Client Service Revenue

The components of client service revenue for the year ended June 30, 2025, are summarized as follows:

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Client service revenue, net	\$ 6,983,453	\$ 253,045	\$ 7,236,498
Less: contractual and charitable adjustments	<u>(857,617)</u>	<u>(27,112)</u>	<u>(884,729)</u>
Client service revenue	<u>\$ 6,125,836</u>	<u>\$ 225,933</u>	<u>\$ 6,351,769</u>

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 14 - Client Service Revenue (continued)

The components of client service revenue for the year ended June 30, 2024, are summarized as follows:

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Client service revenue, net	\$ 6,367,953	\$ 250,477	\$ 6,618,430
Less: contractual and charitable adjustments	<u>(782,029)</u>	<u>(26,837)</u>	<u>(808,866)</u>
Client service revenue	<u>\$ 5,585,924</u>	<u>\$ 223,640</u>	<u>\$ 5,809,564</u>

Note 15 - Income Taxes

Henderson and HBH CSU Support Corporation are nonprofit organizations, exempt from tax under Internal Revenue Code Section 501(c)(3). The Center and Headway are both Florida limited liability companies wholly owned by Henderson. Both limited liability companies are treated as disregarded entities for Federal and state income tax and exist to further enhance Henderson’s 501(c)(3) nonprofit status. Therefore, no tax provision has been made in the accompanying combined financial statements.

Note 16 - Employee Benefit Plans

The Organization provides a noncontributory revenue sharing retirement plan (the “Plan”) covering substantially all its employees. Contributions by the Organization to the Plan are determined annually by the Board of Directors and allocated based on participant compensation. The revenue sharing retirement plan contributions for the years ended June 30, 2025 and 2024, was approximately \$ 966,000 and \$ 944,000, respectively.

The Organization also offers all employees a tax-sheltered annuity program under Internal Revenue Code Section 403(b). Employees may contribute a maximum of 20% of their annual compensation to the program subject to certain limitations. No contributions are made by the Organization to this program.

In addition, the Organization maintains a Section 125 cafeteria plan for the benefit of its employees. No contribution is required of the Organization to this Plan.

Note 17 - Related-Party Transactions

The Organization is related to Henderson Center Residential Services, Inc. (“HCRS”) a Florida nonprofit corporation, through common board members. The Organization has sponsored Henderson Center Residential Services, Inc. in a program with the United States Department of Housing and Urban Development (HUD).

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 17 - Related-Party Transactions (continued)

The HUD program consists of operating a sixteen-unit independent living facility in Pompano Beach, Florida. HUD granted HCRS a 9.25%, forty-year mortgage note in 1990. Principal and interest are payable in monthly installments of \$ 4,524 over 40 years. This mortgage note had a balance of \$ 202,183 and \$ 236,050 as of June 30, 2025 and 2024, respectively. The Organization has guaranteed this mortgage obligation. The Organization would be required to perform under the guarantee in the event of nonpayment of the mortgage note payments to HUD. At June 30, 2025, the maximum potential amount of future payments the Organization could be required to make under the agreement is the outstanding balance of the obligation and any accrued interest thereon. There are no organizational assets held as security for the loan. Collateral for the mortgage note is the purchased facility.

HCRS uses the Organization to provide it with support in areas such as management and accounting. The Organization charges HCRS a monthly management fee for these services. Total management fees for the years ended June 30, 2025 and 2024, were \$ 4,500. Additionally, the Organization had balances included in accounts receivable for the years ended June 30, 2025 and 2024, of \$ 855,831 and \$ 772,107, respectively, relating to amounts paid by the Organization on behalf of HCRS; however, management maintains a reserve of \$ 235,243 as of June 30, 2025 and 2024, due to the remote likelihood of its collection in full.

Note 18 - Concentration in Operations

For the year ended June 30, 2025, approximately 78% and 75% of the Organization's total revenues and receivables were derived from three entities. The entities and their respective revenue and receivable percentages are as follows:

	<u>Revenues</u>	<u>Receivables</u>
State of Florida Department of Children and Families	62%	52%
Broward County	6%	13%
Medicaid	<u>10%</u>	<u>10%</u>
	<u>78%</u>	<u>75%</u>

A significant change in funding from these governmental entities could have an adverse effect on the Organization's operations.

Note 19 - Commitments and Contingencies

Litigation: The Organization is subject to claims and litigations arising in the normal course of operations. The Organization does not believe the outcome of any such claims will be material to its financial position.

Henderson Behavioral Health, Inc. and Subsidiaries
Notes to Combined Financial Statements
June 30, 2025
(with comparative totals for 2024)

Note 20 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information:

	<u>2025</u>	<u>2024</u>
Cash paid during the year for -		
Interest expense	\$ <u>165,166</u>	\$ <u>172,699</u>

Note 21 - Contributed Nonfinancial Assets

For the years ending June 30, 2025 and 2024, contributed nonfinancial assets recognized within the combined statements of activities included the following:

	<u>2025</u>	<u>2024</u>
Medical Services	\$ 27,310	\$ 44,330
Advertising and Public Relations	330,160	260,320
Drugs	<u>52,022</u>	<u>-</u>
	\$ <u>409,492</u>	\$ <u>304,650</u>

Contributed medical services are provided by therapists and psychiatrists who service clients of the Organization. Contributed medical services are used for program activities and are recognized at fair value based on current rates for similar medical services.

Contributed drugs, advertising, and public relations are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed drugs, advertising, and public relations are used in program services.

All contributed nonfinancial assets received during the years ended June 30, 2025 and 2024 were without donor restrictions.