

EMERGENCE HEALTH NETWORK  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
For the Year Ended August 31, 2025

EMERGENCE HEALTH NETWORK  
For the Fiscal Year Ended August 31, 2025

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Emergence Health Network  
Certificate of Board Approval  
Year Ended August 31, 2025

I, Annabell Perez, Chairman of the Board of Trustees of Emergence Health Network, do hereby certify that this audit report for fiscal year 2025 from Beasley Mitchell, & Co., LLP, was reviewed and approved at a meeting of the Board of Trustees held on the 29th day of January, 2026.

  
\_\_\_\_\_  
Chairman, Board of Trustees

January 29, 2026  
\_\_\_\_\_  
Date

Emergence Health Network  
Listing of Officials  
Year Ended August 31, 2025

**Board of Trustees**

Cindy Stout	Chair
Judge Annabell Perez	Vice-Chair
Silvina Tonarelli, M.D.	Secretary
Thomas B. Goldfarb	Trustee
Kellie Franco	Trustee
Monica Salaiz-Narvaez	Trustee
Donald R. (Dee) Margo	Trustee
Mark Paz	Trustee
Sgt. Guillermo Ramirez	Sheriff Rep. Ex - Officio

**Executive Staff**

Kristen Daugherty	Chief Executive Officer
Ashley Peterson	Deputy CEO & CFO
Rene Hurtado	Chief of Staff
Dr. Shawna Scully D.O.	Chief Medical Officer of Mental Health Services
Dr. Carrol Thornburg, D.O.	Chief Medical Officer Primary Care and Addiction Services
Tewiana Norris	Chief Nurse Practitioner Officer
Chrystal Davis	Chief Operating Officer
Valerie Arroyo	Chief of Compliance
Angelica Fechtmeyer	Chief of Human Resources
Michael Wyatt	Legal Counsel
Dr. Marcelo Rodriguez-Chevres	Chief Medical Consultant
Iris Sandoval	Chief Administrative Officer
Celeste Nevarez	Chief Clinical Officer

## Financial Section



# Beasley, Mitchell & Co.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Emergence Health Network  
El Paso, Texas

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Emergence Health Network (the Center) as of and for the year ended August 31, 2025 and the related notes to the financial statements which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as of August 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of the Center 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 opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement issue date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 8 through 17 and the budgetary comparison information on pages 55 through 56 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the Center's basic financial statements. The schedule of expenditures of federal and state awards and combining financial statements are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards and combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be material misstated. If based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is 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 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 Center's internal control over financial reporting and compliance.

*Beasley, Mitchell & Co. LLP*

Beasley, Mitchell & Co., LLP  
El Paso, Texas  
January 29, 2026

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

As management of Emergence Health Network ("the Center") we offer readers this discussion and analysis as an overview of the Center's financial activities for the fiscal year ended August 31, 2025. The MD&A should be read in conjunction with the basic financial statements and the notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

The assets of the Center fell short of liabilities at the close of FY 2025 by \$478,670. The Center's net position (government-wide) decreased by \$9,314,380 during FY 2025.

As of the close of the fiscal year, the Center's general fund reported a fund balance of \$27,494,298, decreased by \$1,717,317 during FY 2025.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$27,494,298.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-wide financial statements*

The Statement of Net Position presents information on all of the Center's assets and liabilities with the difference between the two reported as net position. Net position is equivalent to the equity section of a private-sector balance sheet. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The Statement of Activities includes all the revenue and expenses generated by the Center's operations during the year. The accrual basis of accounting is used, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of the timing of related cash flows.

The government-wide financial statements present the basic services provided by the Center. Services provided in governmental activities include mental health adult services, mental health children's services, and intellectual disabilities services.

Services provided in business-type activities represent two distinct activities: 1) an apartment housing project subsidized by the U. S. Department of Housing and Urban Development ("HUD") that provides housing for mentally ill individuals; 2) consulting services related to the business of network development and management of behavioral health services provided to organizations within the City of El Paso.

The government-wide financial statements can be found on pages 19 - 21 of this report.

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**Fund Financial Statements - Governmental Funds**

*Governmental funds*

The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

The Center adopts an annual budget for its general fund. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

*Proprietary Funds*

The Center maintains three proprietary funds. The Center maintains an internal service fund that accounts for the Center's self-insured health care benefits plan through charges to the Center's other funds and the administration of health care claims through a third party administrator. Because these services are predominately provided to support governmental activities, internal service activities are included in the governmental activities sections of the government-wide financial statements. The remaining two proprietary funds account for the same services described above that are presented in the business-type activities section of the government-wide financial statements.

*Custodial Funds*

Custodial funds are used to account for resources held by the Center for the benefit of consumers. Fiduciary funds are not reflected in the government-wide financial statements since the resources of these funds are not available to support Center operations.

The basic fund financial statements can be found on pages 22 - 29 of the report.

**Notes to the financial statements**

The notes to financial statements can be found beginning on page 30 of this report.

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets fell short of liabilities by \$478,670 at the close of the fiscal year. This is a decrease to the net position of \$9,314,380. A fairly large portion of the Center's net position reflects its investment in capital assets: land, buildings, vehicles, and electronic equipment, less any related debt outstanding that was used to acquire the assets. The Center uses these assets to provide services to the consumers that we serve; consequently, these assets are not available for future spending.

Emergence Health Network  
Comparative Statement of Net Position  
Government-Wide

	2025	2024
<b>Assets and Deferred Outflows</b>		
Current and other assets	\$ 37,526,169	\$ 41,347,622
Capital assets, net of depreciation	1,777,613	2,183,598
Right to use assets, net of amortization	31,227,101	32,980,234
Deferred outflows	2,752,919	3,409,852
<b>Total Assets and deferred outflows</b>	<b>\$ 73,283,802</b>	<b>\$ 79,921,306</b>
<b>Liabilities and Deferred Inflows</b>		
Other liabilities	\$ 12,776,032	\$ 13,373,829
Long-term liabilities:		
Due within one year	-	-
Due in more than one year	59,351,226	56,150,397
Deferred inflows	1,635,214	1,561,370
Total liabilities	73,762,472	71,085,596
<b>Net Position</b>		
Net investment in capital assets	-	599,141
Unrestricted	(478,670)	8,236,569
Total net position	(478,670)	8,835,710
<b>Total Liabilities and net position</b>	<b>\$ 73,283,802</b>	<b>\$ 79,921,306</b>

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**GOVERNMENTAL ACTIVITIES**

Revenues for the Center's governmental activities were \$74,572,356 while total expenses were \$83,626,237. The change for governmental activities was a decrease of \$9,053,881 compared to a decrease in 2024 of \$5,514,008.

Emergence Health Network  
Comparative Changes in Net Position  
Governmental Activities

	2025	2024
Revenues		
Program revenues:		
Charges for services	\$ 57,164,311	\$ 50,952,398
Operating grants and contributions	16,152,799	17,709,759
Operating revenue:		
Unrestricted investment earnings	1,255,246	1,504,454
Total revenues	74,572,356	70,166,611
Expenditures		
Current		
Behavioral health	28,046,048	34,127,371
Intellectual disabilities	20,306,983	9,199,637
Diversion	8,724,235	5,901,536
Crisis and emergency services	6,650,435	4,176,211
Collaborative care	8,740,341	7,930,723
Administration	11,158,195	14,345,141
Total expenses	83,626,237	75,680,619
Excess (deficiency) of revenues over expenditures	(9,053,881)	(5,514,008)
<b>Change in net position</b>	(9,053,881)	(5,514,008)
Net position- beginning of year	8,835,710	14,349,719
Restatement	(260,499)	-
Net position- beginning of year as previously stated	8,575,211	14,349,719
Net position (deficit) - end of year	\$ (478,670)	\$ 8,835,710

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**BUSINESS TYPE ACTIVITIES**

Revenues for the Center's business-type activities were \$78,170 while total expenses were \$119,423. The change in net position for business-type activities was a decrease of \$41,253 compared to an decrease in 2024 of \$85,427.

Emergence Health Network  
Comparative Changes in Net Position  
Business-type Activities

Revenues	2025	2024
Program revenues:		
Charges for services	\$ 5,014	\$ 4,960
Rental income	73,156	49,689
	78,170	54,649
Total revenues		
Expenses		
Subsidized housing	118,723	139,605
Consulting services	700	471
	119,423	140,076
Total expenses		
Operating income (loss)	(41,253)	(85,427)
<b>Change in net position</b>	(41,253)	(85,427)
Net position (deficit) - beginning of year	(122,802)	(37,375)
Net position (deficit) - end of year	\$ (164,055)	\$ (122,802)

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**FINANCIAL ANALYSIS OF THE CENTER'S FUNDS**

As mentioned earlier, the Center uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

*Governmental Funds*

The focus of the Center's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Center's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the Center. At the end of the current fiscal year, unassigned fund balance of the general fund was \$27,494,298 while total fund balance was \$27,494,298.

**General Fund**

Revenues	2025	2024
Local	\$ 21,048,722	\$ 13,589,536
State	41,091,040	35,360,838
Federal	12,142,848	20,043,080
Investment income	1,255,246	1,504,454
Total revenues and other financing sources	75,537,856	70,497,908
Expenses		
Current		
Behavioral health	22,090,769	28,952,928
Intellectual development disabilities	20,306,983	9,199,637
Diversion	8,724,235	5,901,536
Crisis and emergency services	6,650,435	4,176,211
Collaborative care	8,740,341	7,930,723
Administration	10,048,039	12,984,303
Capital outlay	694,371	860,248
Total expenses	77,255,173	70,005,586
<b>Change in net position</b>	(1,717,317)	492,322
Fund balances- beginning of year	29,211,615	28,719,293
Fund balances- end of year	\$ 27,494,298	\$ 29,211,615

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Center uses a conservative approach in its budgeting process. Revenues are budgeted based on Department of State Health Services ("HHS").

The Finance Committee of the Board of Trustees reviews the financial statements on a monthly basis and then forwards to the full Board for review and acceptance. The Center will seldom make budget amendments to its annual budget. During FY 2025, there were 12 budget adjustments.

General Fund revenues were bigger than budgeted by \$1.9 million, primarily due to a decrease in general revenue (PPB).

Expenditures were lower than budget by \$5 million, primarily due to decreases in contract expenses.

Capital assets - The Center's government-wide capital assets at August 31, 2025 amounts to \$1,833,230 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and vehicles.

**CAPITAL ASSETS**

	2025	2024
Land	\$ 36,898	\$ 36,898
Building improvements	793,480	783,375
Leasehold improvements	2,606,068	2,564,222
Equipment/ furniture	13,164,471	12,725,952
Vehicles	1,789,654	1,585,754
Less accumulated depreciation	(16,557,341)	(15,444,029)
Total capital assets	\$ 1,833,230	\$ 2,252,172

Additional information on the Center's capital assets by activity can be found in footnote 5 on pages 45 - 46 of this report.

Long-term liabilities

Please see Note 6 on page 47 of this report for additional information on long-term liabilities.

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

FY25 marked a year of significant growth and progress in EHN's culture. With the completion of the *Inspire Change* initiative, we've made meaningful strides in building a more engaged and efficient workforce, guided by the standards of efficiency, safety, connection, and innovation, all woven within a foundation of compassion. The work achieved through this initiative not only energized out teams but also strengthened the culture that supports impactful and sustainable performance.

As we continue to embed EHN's common purpose and service framework, momentum remains strong, driving enthusiasm, alignment, and a shared commitment to these core standards in everything we do.

FY26 will be a pivotal year to build on this progress, starting with a budget that reflects our dedication to strengthening our culture, enhancing efficiency, and achieving operational excellence.

Notable changes in the FY26 Budget include the launch of the Diversion Center initiative, covering facility construction and staffing, with total funding of \$5.3M. The Directed Payment Program (DPP) is budgeted at \$1.9M based on the state's payment schedule, and the Public Health Provider Charity Care Program is allocated \$7M. Additionally, we anticipate \$2.1M in rollover funds, pending confirmation from State and Federal grants, which would bring the budget-to-budget total into alignment.

The FY26 budget includes funding for 876 positions, with 124 currently vacant. Of these, 24 are newly created positions for FY26.

This budget was created based on operations and census projections utilizing May's year-to-date (YTD) annualized numbers.

Revenues	\$ 80,098,703
Expenses	<u>78,320,629</u>
Net Before Capital	1,778,074
Capital	<u>1,732,759</u>
Margin	<u>45,315</u>

**Fiscal Year 2025 Accomplishments**

- EHN received a notice of award from SAMSHA for a \$1 million Children's Mental Health Initiative (CMHI) award to expand school-based mental health services.
- The Texas Office of the Governor has awarded EHN two new grants for the expansion of School-Based CIT and for Forensic Assertive Community Treatment (FACT) totaling \$1 million.
- As a result of community referrals, Westside Clinic's primary care team has seen a 4% increase.
- Reached the highest employee count in organization history at 760+ employees.
- On track to reducing turnover from 27% prior year to 25% in current FY.

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**Fiscal Year 2025 Accomplishments (continued)**

- Integration of the healthcare quality competencies via the National Association of Healthcare Quality (NAHQ) learning modules.
- The Restorative Care Division began providing Jail-Based Competency Restoration (JBCR) as part of our HHSC performance contract, with a total awarded funding of \$500,000.
- EHN was selected by HHSC as a pilot site for the new Transition Support Liaison position, adding \$211,277 to the performance contract to support individuals discharged from state hospitals.
- Completed integration of YCOT and hiring of staff to assist with referring children and adolescents to appropriate level of care and linkage to YCOT for 90-day services.
- Expand School-Based CIT to Clint ISD.
- In FY25, growth in Adolescent PHP and IOP services led to a 27% increase from FY24, enhancing the availability and effectiveness of mental health care for youth in our community.
- MFP Transition Support Team (TST) received a grant in the amount of \$522,281 to continue providing technical assistance for IDD providers, caretakers, Service Coordinators, and IDD Direct Care Professionals. Behavioral and medical recommendations were implemented through case reviews by Service Planning Treatments teams that service individuals with IDD. The initiative continued to provide services throughout the HUB region for high-risk cases.
- LIDDA Home and Community Based Services (HCS) program had a favorable fiscal impact of \$570k due to an increase in services from the HHSC HCS Interest List Slot releases to promote independence
- PHP CCP Cost Report was completed and submitted to HHSC for Year 4.
- The insurance billed collection rate stands at 93%.
- Deployed cybersecurity tools to protect our systems, data, and users.
- EHN secured continued funding of \$770,000 for the Coordinated Specialty Care (CSC) program, ensuring sustained support for young adults experiencing their first episode of psychosis.
- EHN received a five-year SAMHSA Healthy Transitions Grant award totaling \$750,000 annually to support services for transition-aged youth (ages 16–25).

**Fiscal Year 2026 Highlights**

- Utilize SMART grant outreach funds to design and launch effective informational campaigns for education families, educators, and the general community about EHN Child & Adolescent and Crisis services.
- Launch the Mobile Learning Library to achieve and surpass the operational goals as outlined in the First Light Federal Credit Union community sponsorship agreement.

Emergence Health Network  
Management's Discussion and Analysis  
For the Year Ended August 31, 2025

**Fiscal Year 2026 Highlights (continued)**

- Implement Supervisor 102 to provide specialized management training utilizing guest speakers and content.
- Leverage, measure, and improve the effectiveness of KPI quality dashboards.
- Scenario Planning and Forecasting: Developing robust models for financial forecasting and scenario analysis to navigate economic uncertainties.
- Standing up the Diversion Center initiative to include construction and staffing of facilities. Total funds allocated to this initiative are County Sobering \$2,000,000 and HHSC Diversion \$3,311,853 = Total \$5,311,853
- The IDD Learning Center projected \$650,000 for Individualized Skills and Socialization (ISS) and Day Hab services that will promote Community Integration for individuals accessing Community Setting activities of their choice.
- Unhoused programs were successfully re-awarded for FY25-FY26, bringing in a total of \$1,347,034.00 in funding.
- The Restorative Care Division received an HHSC SIM grant to expand Assisted Outpatient Treatment (AOT) services, bringing in an additional \$250,000 to support new positions and enhance programming.
- Replace aging core network equipment, modernize phone lines to enhance communication reliability, and a phased migration to cloud-based infrastructure to improve scalability, strengthen disaster recovery capabilities, and reduce on-premises hardware dependencies.
- Emergence Health Network, in partnership with El Paso County Juvenile Probation, secured \$1 million in TJJD Rider 37 funding to sustain Multisystemic Therapy (MST) services in the community over the next two fiscal years.
- Emergence Health Network has been awarded \$276,325 in consolidated funding to support its adolescent (TRY), adult (TRA), and female-specific (TRF) Substance Use Disorder (SUD) treatment programs.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizen's, taxpayers and customers a general overview of the Center's financial position and its accountability for the funds it receives. If you have any questions about this report or need any additional financial information, contact the Controller of Emergence Health Network, P.O. Box 9997, El Paso, Texas 79995.

## **BASIC FINANCIAL STATEMENTS**

EMERGENCE HEALTH NETWORK  
Statement of Net Position  
August 31, 2025

	Governmental Activities	Business-Type Activities	Total
<b>Assets and Deferred Outflows</b>			
Current assets			
Cash and cash equivalents	\$ 699,604	\$ 171,206	\$ 870,810
Reserved cash and cash equivalents	708,612	-	708,612
Investments	20,972,781	97,465	21,070,246
Accounts receivable, net	10,673,677	14,673	10,688,350
Prepaid expenses	1,040,834	-	1,040,834
Inventory	74,351	-	74,351
Total current assets	<u>34,169,859</u>	<u>283,344</u>	<u>34,453,203</u>
Noncurrent assets			
Capital assets, net	1,777,613	55,617	1,833,230
Right to use assets, net	31,227,101	-	31,227,101
Other assets	<u>3,356,310</u>	<u>7,072</u>	<u>3,363,382</u>
Total noncurrent assets	<u>36,361,024</u>	<u>62,689</u>	<u>36,423,713</u>
Total assets	70,530,883	346,033	70,876,916
Deferred outflows			
Employer contributions subsequent to the measurement date	2,087,232	-	2,087,232
Difference between expected and actual	272,522	-	272,522
Change of assumption	<u>393,165</u>	<u>-</u>	<u>393,165</u>
Total deferred outflows	<u>2,752,919</u>	<u>-</u>	<u>2,752,919</u>
Total assets and deferred outflows	<u>\$ 73,283,802</u>	<u>\$ 346,033</u>	<u>\$ 73,629,835</u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Statement of Net Position  
August 31, 2025

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities, Deferred Inflows, and net position</b>			
Current liabilities			
Accounts payable	\$ 2,177,117	\$ 449,829	\$ 185,358
Accrued payroll liabilities	2,423,065	-	2,423,065
Claims payable	760,000	2,866	762,866
Unearned revenue	4,703,367	-	4,703,367
Accrued compensated absences	1,525,109	-	1,525,109
Lease liability, current portion	1,187,374	-	1,187,374
Mortgage payable, current portion	-	34,429	34,429
Total current liabilities	<u>12,776,032</u>	<u>487,124</u>	<u>13,263,156</u>
Noncurrent liabilities			
Mortgage payable, noncurrent portion	-	22,964	22,964
Lease liability, noncurrent portion	32,402,843	-	32,402,843
Net pension liability	<u>26,948,383</u>	<u>-</u>	<u>26,948,383</u>
Total noncurrent liabilities	<u>59,351,226</u>	<u>22,964</u>	<u>59,374,190</u>
Total liabilities	72,127,258	510,088	72,637,346
Deferred inflows			
Change in assumption	6,173	-	6,173
Difference between expected and actual experience	99,580	-	99,580
Change in experience	<u>1,529,461</u>	<u>-</u>	<u>1,529,461</u>
Total deferred inflows	<u>1,635,214</u>	<u>-</u>	<u>1,635,214</u>
Total liabilities and deferred inflows	73,762,472	510,088	74,272,560
Net position			
Unrestricted	<u>(478,670)</u>	<u>(164,055)</u>	<u>(642,725)</u>
Total net position (deficit)	<u>(478,670)</u>	<u>(164,055)</u>	<u>(642,725)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 73,283,802</u>	<u>\$ 346,033</u>	<u>\$ 73,629,835</u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Statement of Activities  
For the Year Ended August 31, 2025

Functions / Programs	Expenses			Program Revenues		Net (Expense) Revenue and Change in Net Position		
	Expenses	Administration Allocation	Expenses After Allocation of Administration	Charges for Services	Operating goods, grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Governmental Activities :</b>								
Behavioral health	\$ 28,046,048	\$ 4,318,363	\$ 32,364,411	\$ 15,845,899	\$ 12,193,497	\$ (4,325,015)	\$ -	\$ (4,325,015)
Intellectual disabilities	20,306,983	3,126,748	23,433,731	12,602,463	2,879,778	(7,951,490)	-	(7,951,490)
Diversion	8,724,235	1,343,305	10,067,540	12,801,820	256,293	2,990,573	-	2,990,573
Collaborative care	6,650,435	1,023,994	7,674,429	8,865,182	52,159	1,242,912	-	1,242,912
Crisis and emergency services	8,740,341	1,345,785	10,086,126	7,048,947	771,072	(2,266,107)	-	(2,266,107)
Administration	11,158,195	(11,158,195)	-	-	-	-	-	-
Total governmental activities	83,626,237	-	83,626,237	57,164,311	16,152,799	(10,309,127)	-	(10,309,127)
<b>Business-Type Activities</b>								
Subsidized housing	118,723	-	118,723	73,156	-	-	(45,567)	(45,567)
Consulting services	700	-	700	5,014	-	-	4,314	4,314
Total business-type activities	\$ 119,423	\$ -	\$ 119,423	\$ 78,170	\$ -	-	(41,253)	(41,253)
<b>General Revenue and Transfers</b>								
Unrestricted investment earnings						1,255,246	-	1,255,246
Total general revenues						1,255,246	-	1,255,246
Change in net position						(9,053,881)	(41,253)	(9,095,134)
Net position (deficit), beginning						8,835,710	(122,802)	8,712,908
Restatement (Note 16)						(260,499)	-	(260,499)
Net position (deficit), beginning as previously stated						8,575,211	(122,802)	8,452,409
Net position (deficit), ending						\$ (478,670)	\$ (164,055)	\$ (642,725)

See independent auditors' report and accompanying notes

EMERGENGE HEALTH NETWORK  
 Balance Sheet  
 Governmental Funds  
 August 31, 2025

<b>Assets</b>	<u>General Fund</u>
Current assets	
Cash and cash equivalents	\$ 699,604
Reserved cash and cash equivalents	708,612
Investments	20,972,781
Accounts receivable, net	10,673,677
Prepaid expenses	1,040,834
Other assets	3,356,310
Inventory	<u>74,351</u>
Total assets	<u>\$ 37,526,169</u>
 <b>Liabilities, deferred inflows, and fund balance</b>	
Liabilities	
Current liabilities	
Accounts payable	\$ 2,157,056
Accrued payroll liabilities	2,423,065
Unearned revenue	4,703,367
Due to other funds	<u>748,383</u>
Total current liabilities	10,031,871
Fund balances	
Unassigned	<u>27,494,298</u>
Total fund balances	<u>27,494,298</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 37,526,169</u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Government Funds  
August 31, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Funds balances- total governmental funds	\$	27,494,298
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds		1,777,613
Right to use assets net of accumulated amortization		31,227,101
Assets and liabilities of Internal Service Funds reported in the Statement of Net Position are used by management to charge the costs of certain activities and resources to the general fund. These assets and liabilities are included in the governmental activities in the Statement of Net Position		(49,085)
Deferred outflows		
Contributions made after the measurement date, will be recognized as reduction of net pension liability		2,087,232
Difference between expected and actual		272,522
Change in assumption		393,165
Deferred inflows		
Net pension liability		(1,635,214)
Long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds :		
Deferred inflows		17,407
Some liabilities, and other long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds:		
Net pension liability		(26,948,383)
Lease liability		(33,590,217)
Accrued compensated absences		(1,525,109)
		(478,670)
Total net position of governmental activities	\$	(478,670)

See independent auditors' report and accompanying notes

EMERGENGE HEALTH NETWORK  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended August 31, 2025

	General Fund
<i>Revenues</i>	
Local	\$ 21,048,722
State grants	30,895,409
State other	10,195,631
Federal grants	1,682,592
Federal other	10,460,256
Investment income	1,255,246
<i>Total Revenues</i>	75,537,856
<i>Expenditures</i>	
Current	
Behavioral health	22,090,769
Intellectual developmental disabilities	20,306,983
Diversion	8,724,235
Collaborative care	6,650,435
Crisis and emergency services	8,740,341
Administration	10,048,039
Capital outlay	694,371
<i>Total Expenditures</i>	77,255,173
Excess (deficiency) of revenues over expenditures	(1,717,317)
Net change in fund balances	(1,717,317)
Fund balances- beginning of year	29,211,615
Fund balances- end of year	\$ 27,494,298

See independent auditors' report and accompanying notes

EMERGENGE HEALTH NETWORK  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended August 31, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances- total governmental funds	\$	(1,717,317)
Net change in net position of internal service funds		(9,799)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital expenditures recorded in capital outlay		694,371
Depreciation expense		(1,100,357)
Change in right to use asset		(1,753,132)
Change in deferred outflows		(656,933)
Change in lease liability		974,474
Change in deferred inflows		(73,844)
Change in net pension liability		(4,319,014)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).		
		(126,832)
Governmental grants that do not provide current financial resources, made available to pay for current periods expenditures, reported as deferred inflows in the funds.		
		<u>(965,498)</u>
Change in net position of governmental activities	\$	<u><u>(9,053,881)</u></u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Statement of Net Position  
Internal Service Funds  
August 31, 2025

	<u>Internal Service Fund-Self Insurance</u>
<i>Assets</i>	
Current assets	
Due from other funds	\$ 748,383
Total current assets	<u>748,383</u>
<i>Total assets</i>	<u>\$ 748,383</u>
<i>Liabilities and net position</i>	
<i>Liabilities</i>	
Current liabilities	
Accounts payable	\$ 20,061
Claims payable	<u>760,000</u>
Total current liabilities	<u>780,061</u>
Total liabilities	780,061
Deferred inflow	
Unearned revenue	17,407
<i>Net Position</i>	
Unrestricted	<u>(49,085)</u>
Total net position (deficit)	<u>(49,085)</u>
Total liabilities, deferred inflow and net position (deficit)	<u>\$ 748,383</u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
August 31, 2025

	Internal Service Fund-Self Insurance
Operating revenues	
Insurance charges from the general fund	\$ 5,203,500
Total operating revenues	5,203,500
Operating expenses	
Claims paid	3,867,586
Plan administration expense	1,345,713
Total operating expenses	5,213,299
Operating income (loss)	(9,799)
Change in net position	(9,799)
Net position (deficit), beginning of year	(39,286)
Net position (deficit), end of year	\$ (49,085)

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Statement of Cash Flows  
Internal Service Funds  
August 31, 2025

	Internal Service Fund- Self Insurance
<i>Cash flows from operating activities</i>	
Internal charges to general fund for insurance claims	\$ 5,203,500
Payments for medical claims and fees	<u>(5,203,500)</u>
Net cash provided (used) by operating activities	-
<i>Cash and cash equivalents - beginning of year</i>	<u>-</u>
<i>Cash and cash equivalents - end of year</i>	<u>-</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities	
Operating Income (loss)	(9,799)
Changes in assets and liabilities	
Due to/ from other funds	955,236
Deferred revenue	(965,498)
Accounts payable and other liabilities	<u>20,061</u>
Net cash provided (used) by operating activities	<u>\$ -</u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Statement of Custodial Net Position  
August 31, 2025

	Client Custodial Fund
Assets	
Cash and cash equivalents	\$ 277,266
Accounts receivable	<u>34,843</u>
Total Assets	<u>\$ 312,109</u>
Liabilities	
Due to clients	<u>\$ 312,109</u>
Total Liabilities	<u>\$ 312,109</u>

See independent auditors' report and accompanying notes

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies**

Emergence Health Network (the "Center") is a public entity, established under the Texas Mental Health and Mental Retardation Act of 1965. This act provided for the creation of a local Board of Trustees responsible for governing operations. The Center's seven (7) member Board of Trustees is appointed by the Commissioner's Court of El Paso County, Texas, and the El Paso County Hospital District by means of an interlocal agreement to develop and implement community-based mental health and intellectual disability services. The Center is governed by an independent board; has the authority to make decisions; appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. The Center is not included in any other governmental "reporting entity" as defined in Section 2100, codification of Governmental Accounting and Financial Reporting Standards.

This summary of significant accounting policies of the Center is presented to assist in the understanding of the Center's financial statements. The financial statements and notes are the representation of the Center's management that is responsible for the financial statements. The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

**A. Financial Reporting Entity**

In evaluating how to define the Center, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61 and subsequently issued guidance. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service.

Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

Based upon the application of these criteria, the Center is not a component unit of another governmental agency and has Sunnyside Apartments, Inc. and Sun City Behavioral Health Care as blended component units. Individual financial statements for these component units may be obtained by contacting the Controller of Emergence Health Network, 201 East Main, Suite 600, El Paso, Texas.

Sunnyside Apartments, Inc. - Sunnyside Apartments, Inc., a Texas non-profit corporation, was organized in 1979 to purchase and maintain real estate. Sunnyside Apartments, Inc. operates a multi-family property known as Sunnyside Apartments which provides residential living programs for the mentally ill.

The Center's Board of Trustees appoints the Board of Trustees for Sunnyside Apartments, Inc. and also has the ability to remove any trustees at will. As a result, the Center is financially accountable for Sunnyside Apartments, Inc. Accordingly, the financial information for Sunnyside Apartments, Inc. has been included in the Center's basic financial statements as a blended component unit as an enterprise fund because the Center has the ability to significantly influence its operations.

Sun City Behavioral Health Care - Sun City Behavioral Health Care ("Sun City") was organized as a non-profit corporation in 1999 under the provisions of the Texas Non-Profit Corporation Act. Sun City was organized to: 1) carry out scientific research projects in the public interest in the fields of medical science, medical economics, public health, sociology, and, related areas; 2) improve and develop the abilities of individuals and institutions studying, teaching, and practicing medicine; 3) provide delivery of health care to the public, and 4) promote other activities useful in the accomplishment of the foregoing. Sun City was organized with the Center as the sole member. Accordingly, the Center's Board of Trustees is responsible for appointing the entire Board of Directors of Sun City. Members of Sun City's Board of Directors must be licensed by the Texas State Board of Medical Examiners and actively engaged in the practice of medicine. Since the Center is responsible for the governance of Sun City, the financial information for Sun City has been included in the Center's basic financial statements as a blended component unit in an enterprise fund.

**B. Government-wide, business-type, and fund financial statements**

The government-wide and business-type financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government and business-type financial statements report financial information as a whole excluding custodial funds.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

The Center reports program revenues in the statement of activities as an offset to the expenses of a given function. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include 1) charges for services which report fees and other charges to users of services, 2) operating grants and contributions which finance annual operating activities including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Contributions from local governments and other revenue sources not properly included with program revenues are reported as general revenues.

The Center allocates indirect expenses primarily comprised of administrative services to operating functions and programs benefiting from those services. Administrative services include overall management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by each program's share of total costs.

Fund financial statements present information regarding funds – groupings of related accounts used to maintain control over resources segregated for specific activities or objectives. The Center, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The Center's funds consist of three (3) types 1) governmental funds and 2) proprietary funds and 3) fiduciary funds. The governmental funds are used to account for activities very similar to those included in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on how revenue flows into and out of specific funds and the balances available for spending at year-end.

The Board of Trustees approves an operating budget for the general fund annually. A budgetary comparison statement is provided for the governmental fund to demonstrate compliance with the approved budget. Governmental fund financial statements provide a detailed short-term view of the financial viability of general government operations and basic services provided and help determine the level of financial resources available to finance operations in the immediate future.

The Center's governmental fund financial statements include a presentation of reconciliation with the Government-Wide Financial Statements. Proprietary Funds are used

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

to account for two internal service funds for 1) computer infrastructure and 2) self-insured health and worker's compensation benefits. Fiduciary Funds are used to account for assets held in an agency capacity for some of the people served. Fiduciary Funds are not reflected in the government-wide financial statements, as the assets are not available to support operations.

Notes to the financial statements provide additional information essential to a full understanding of the Government-Wide and Fund Financial Statements.

*C. Measurement focus, basis of accounting, and financial statement presentation*

Government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges for services are recognized in the year for which they are provided while grant revenues and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center revenues are considered available if they are collected within 120 days of the end of the current fiscal period. Expenditures are generally recorded when liabilities are incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as long-term liabilities for compensated absences and other claims, are recorded only when payment is due.

Grant revenues are recognized only as expenditures are incurred to the extent that the expenditures are allowable and eligible for reimbursement.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other funds and employees for services. Operating expenses for internal service funds include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

The Center reports the following major governmental fund:

The general fund is the Center's primary operating fund. The general fund accounts for all financial resources of the general government, except those required to be accounted for in another fund (i.e., fiduciary fund and proprietary funds).

Additionally, the Center reports the following proprietary funds:

The Sunnyside Apartments, Inc. Enterprise Fund is used to account for operations of multi-family apartment complex maintained for the mentally ill.

The Sun City Behavioral Health Care Enterprise Fund is used to account for operations of behavioral health services provided to the Center and other local entities.

Additionally, the Center reports the following custodial funds:

The fiduciary fund is used to account for assets held in an custodial capacity for some of the people served. This fund is purely custodial (assets equal liabilities) and does not involve the measurement of the results of operations. Fiduciary funds are not reflected in the government-wide financial statements, as the assets are not available to support operations.

As a general rule, the effect of interfused activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the Center would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**C. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position or Equity**

Deposits and Investments: the Center's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of investment in a Texas public funds investment pool, Logic.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

Investments for the Center are stated at fair value. The Logic funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Accounts Receivable: interfused activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfused receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfused transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government wide financial statements.

Amounts from consumers and insurance carriers (for services rendered) are reduced by the amount of the billings deemed to be ultimately uncollectible. The Center provides for an amount of uncollectible patient fees using the reserve method based on past history. The allowance for uncollectible accounts in the General Fund as of August 31, 2025, is \$204,234.

Prepaid Assets: Include rent deposits and payments made to vendors for various expenses having benefit beyond the close of a fiscal year. Prepaid assets are equally offset by a fund balance classification of nonspendable in the governmental fund balance sheet. The amount does not constitute available/spendable resources, even though it is a component of the Center's current assets.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Center's as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchases of capital assets are recorded as expenditures in the governmental fund financial statements. Purchased capital assets are recorded at historical cost. Contributed capital assets are recorded at an estimated fair market value on the date received.

Costs of routine maintenance and repairs, not adding to the value of an asset or not materially extending the life of an asset, are not capitalized. Improvements are capitalized and depreciated over the useful life of the related asset, as applicable.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

Depreciation is computed using the straight-line method over the estimated useful life of an asset, based upon the following schedule:

<u>CAPITAL ASSET TYPE</u>	<u>ANTICIPATED USEFUL LIFE</u>
Buildings and improvements	40 years
Vehicles	5 years
Furniture and equipment	5-10 years

Compensated Absences: Full-time employees earn vacation leave for each month of work performed. The accrual of vacation leave is based on the number of years the individual is employed by the Center. For employees who have completed a conditional period, accrued vacation leave is paid upon termination of employment.

Full time employees accumulate approximately 8 hours of sick leave per month. An individual's sick leave may be accumulated but may never exceed 180 hours. Unused sick leave is not paid upon termination of employment. Compensated absences are reported as accrued when incurred in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and these are included in wages and benefits payable.

Accrued Payroll: In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year.

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the "governmental activities" column of the Statement of Net Position.

Fund Balance: In the fund financial statements, governmental funds reported the following classifications of fund balance:

Non-spendable Fund Balance: includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as Non-spendable at August 31, 2025 are non-spendable in form. The Center has not reported any amounts that are legally or contractually required to be maintained intact.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

Restricted Fund Balance: includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance: includes amounts that can be used only for the specific purpose by the Center's highest level of decision making authority, the Board of Trustees. Commitments may be changed or lifted only by the Center taking the same formal action that imposed the constraint originally. Examples may include capital expenditures.

Assigned Fund Balance: includes amounts that are intended to be used for specific purposes but which do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.

Unassigned Fund Balance: is the residual classification for the general fund and includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The Board of Trustees is the highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment or assignment is the approval of a motion by the Board of Trustees. The motion must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

When multiple categories of the fund balance are available for expenditure, the Center will use funds from the most restricted category first and then from the next category in the hierarchy of available funds.

The Center does not have a formal minimum fund balance policy.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 1. Summary of Significant Accounting Policies (continued)**

b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects".

c. Unrestricted Net Position: Net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the Center to make estimates and to use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from estimates.

**NOTE 2. Stewardship, Compliance and Accountability**

The Center's annual budget for the general fund is prepared based on estimated expenditures provided on a unit basis summarized by program category. The budget for the general fund is prepared on an accounting basis consistent with generally accepted accounting principles with certain adjustments to arrive at a budgetary basis. The budget is submitted to the Board of Trustees and the budget must have the Board of Trustee's approval. All annual appropriations lapse at the fiscal year end.

Budgetary control is maintained at the program level. Revisions that alter total revenue or total expenditures must be approved by the Board of Trustees.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. The Center's policy requires deposits to be fully secured by collateral valued at market or par whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 3. Deposits and Investments**

Deposits are fully insured or collateralized with securities held by the Center, its agent, or by the pledging financial institution's trust department or agent in the name of the Center.

At August 31, 2025, the carrying amount of the Center's deposits includes the following:

**Governmental:**

<b>Unrestricted Cash:</b>	
Petty Cash	\$ 700
JPMorgan Chase Operating	<u>698,904</u>
Total Unrestricted Cash	699,604
<b>Restricted Cash and Cash Equivalents:</b>	
Certificates of Deposit	<u>708,612</u>
Total Restricted Cash	<u>708,612</u>
Total Governmental Activities	<u>\$ 1,408,216</u>

**Proprietary:**

<b>Cash:</b>	
Petty Cash	\$ 100
Northgate Sunnyside	35,573
JPMorgan Chase New Vistas	3,709
Northgate Savings	45,479
SC Chase Checking	<u>86,345</u>
Total Proprietary Fund	171,206
<b>Total Government Cash and Cash Equivalents</b>	<b><u>\$ 1,579,422</u></b>

**Custodial:**

<b>Cash:</b>	
JPMorgan Chase Rep	<u>\$ 277,266</u>

Investment Policies

Credit risk In accordance with state law, investments in investment pools must be rated at least AAA by at least one nationally recognized rating service. LOGIC is an AAA rated investment

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 3. Deposits and Investments (continued)**

Investment Policies (continued)

program tailored to meet the needs of local governments in Texas. LOGIC is not registered with the Securities and Exchange Commission (SEC) as an investment Center. LOGIC securities are authorized in accordance with the Texas Public Funds Investment Act. The fair value of the position in LOGIC is the same as the value of the shares in the pool. Participation in LOGIC is voluntary.

TexPool is established as a trust fund with the Texas Comptroller of Public Accounts as trustee, segregated from all other trustors, investments, and activities of the Trust Center. Only local governments having contracted to participate in TexPool (Participants) have an undivided beneficial interest in its pool of assets. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company. TexPool securities are authorized in accordance with the Texas Public Funds Investment Act. TexPool is governed by an Advisory Board composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool accounts for its assets and liabilities on the accrual basis of accounting. Investment income is recorded when earned and expenses are recorded when incurred.

Net investment income is allocated to Participant accounts daily on a pro-rata basis. All gains or losses from sales of securities are determined on a specific identification basis and are allocated to Participant's accounts on the date on which the gains and losses are realized. Participants may redeem their accounts at any time based on the previous days balance of their account. Unrealized gains or losses are not allocated to Participant accounts.

TexPool deposits are carried at amortized cost, which approximates fair value. Investments are priced daily and compared to TexPool's carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, TexPool will sell investment securities, to maintain the ratio at a point between .995 and 1.005.

Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. Investment Policy - The Center's investment policy allows for investments in obligations of the United States, its agencies and instrumentalities; certificates of deposits issued by state or national banks domiciled in the state of Texas, fully collateralized direct repurchase agreements with defined termination dates; money market mutual funds that are registered and regulated by the Securities and Exchange Commission, have dollar weighted average stated maturity of 90 days or less, rated AAA by at least one nationally recognized rating service and seek to maintain a net assets value of \$1 per share; local government investment pools as allowed by the Texas Public Funds Investment Act; commercial paper with stated maturity of 270 days or less and are issued by US corporations rated A-1 by Moody's or P-1 by Standards & Poor's, or equivalent.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 3. Deposits and Investments (continued)**

Investment Policies (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Policy requires that the maturity of investments correspond to anticipated cash flows. Policy further specifies that the maximum maturity for any investment shall not exceed two years.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Center's investment in a single issuer. The investment policy requires that investments be diversified to minimize the risk of loss from the concentration of assets in a single issuer.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The policy provides that investment securities are held by a third party custodian in an account in the Center's name.

Fair Value Measurement (GASB 72)

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

The Center holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Center's mission, the Center determines that the disclosures related to these investments only need to be disaggregated by major type. The Center chooses a table format for the fair value disclosures.

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 3. Deposits and Investments (continued)**

Fair Value Measurement (GASB 72) (Continued)

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

Level 2

Are significant other observable inputs:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
  - 1) Interest rates and yield curves observable at commonly quoted intervals,
  - 2) Implied volatilities, and
  - 3) Credit spreads.
- d) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability. (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

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

These investments held by the Center are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Center are deemed to be actively traded.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 3. Deposits and Investments (continued)**

Fair Value Measurement (GASB 72) (Continued)

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

The Center has the following recurring fair value measurements as of August 31, 2025:

<b>Investment Type</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
LOGIC Participant Services	\$ 18,001,012	\$ -	\$ -	\$ 18,001,012
TexPool Participant Services	<u>3,069,234</u>	<u>-</u>	<u>-</u>	<u>3,069,234</u>
Total Investments	<u>\$ 21,070,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,070,246</u>

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 4. Receivables**

As of August 31, 2025, the Center's accounts receivable in the general fund consisted of accruals of amounts due from various federal, state and local sources. Accounts receivable consists of the following at August 31, 2025:

Patent accounts receivable, computed rate	\$	3,399,952
Less: allowance for contractual		<u>(204,234)</u>
Patent accounts receivable, net		3,195,718
<i>State and federal sources:</i>		
Client Fees/Trust Acct.		1,053
TCCOOMMI		562,432
Del Sol Medical		8,800
Housing and Urban Development -Rapid Re-Housing		35,986
Housing and Urban Development -Supported Housing		73,258
ICFMR-Casa Norton		51,023
Homeless Street Outreach		32,039
Medical Administrative Claiming		1,723,126
HUD - Permanent		31,017
Las Palmas Medical Center		6,463
Outreach, Screening, Assessment, and Referral Centers (OSAR)		95,858
CIT - SB/292		226,193
MAT-AUD		299,429
SAMHSA CARA		104,074
YCOT		148,654
Inspire Court		23,189
DSHS-CSC		135,757
Texas System of Care		76,738
MST Prevention		120,895
CRC		9,346
<i>Other local sources:</i>		
County- Court Assessment		113,990
MFP-Behavioral & Psych		30
Children's Mental		26,734
EPCSO - CIT		276,253
Miscellaneous Income		96,875
University Medical Center		100,250
City of Socorro CIT		7,418
City of El Paso		632,488
Sunnyside Apartments		458,761
UMC BHC		54,085
Correctional Health, UMC		658,798
Texas Veteran		21,468
MHFA Outreach Worker		22,292
Community Health Worker		60,982
NSPL		236,748
Total Governmental Activities		<u>10,673,677</u>
Proprietary:		
Sunnyside Apartments		<u>14,673</u>
Total	\$	<u>10,688,350</u>

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 5. Capital Assets**

The following is a summary of governmental activities capital assets and changes occurring during the year ended August 31, 2025:

Governmental Activities:	Balance September 1, 2024	Additions	Transfers/ Disposals	Balance August 31, 2025
Depreciable assets:				
Buildings and improvements	\$ 329,065	\$ 10,106	\$ -	\$ 339,171
Furniture and equipment	8,361,994	438,519	-	8,800,513
Software	4,140,097	-	-	4,140,097
Vehicles	1,585,754	203,900	-	1,789,654
Leasehold improvements	<u>2,544,986</u>	<u>41,846</u>	-	<u>2,586,832</u>
Total capital assets at historical costs	16,961,896	694,371	-	17,656,267
Less: accumulated depreciation				
Buildings and improvement	(308,433)	(18,275)	-	(326,708)
Furniture and equipment	(6,412,808)	(101,551)	-	(6,514,359)
Software	(4,821,458)	(674,032)	-	(5,495,490)
Vehicles	(1,039,765)	(144,765)	-	(1,184,530)
Leasehold improvements	<u>(2,195,835)</u>	<u>(161,732)</u>	-	<u>(2,357,567)</u>
Total accumulated depreciation	<u>(14,778,299)</u>	<u>(1,100,355)</u>	-	<u>(15,878,654)</u>
Total capital assets	<u>\$ 2,183,597</u>	<u>\$ (405,984)</u>	<u>\$ -</u>	<u>\$ 1,777,613</u>

In the government-wide financial statements, depreciation expense was charged to the Center's programs as follows:

Governmental Activities:	
Behavioral health	\$ 572,184
Intellectual disabilities programs	176,057
Diversion	77,025
Collaborative care	11,004
Crisis and emergency	11,004
Addiction	66,021
Administration	<u>187,060</u>
Total depreciation expense	<u>\$ 1,100,355</u>

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 5. Capital Assets (continued)**

The following is a summary of business-type activities capital assets and changes occurring during the year ended August 31, 2025:

Business-type activities	Balance September 1, 2024	Additions	Transfers/ Disposals	Balance August 31, 2025
Nondepreciable assets				
Land	\$ 36,898	\$ -	-	\$ 36,898
Depreciable assets:				
Buildings and improvements	454,309	-	-	454,309
Furniture and fixtures	62,616	-	-	62,616
Vehicle	161,246	-	-	161,246
Leasehold improvements	<u>19,236</u>	<u>-</u>	<u>-</u>	<u>19,236</u>
Total capital assets of historical costs	734,305	-	-	734,305
Less: accumulated depreciation				
Building and improvements	(422,633)	(12,957)	-	(435,590)
Furniture and fixtures	(62,616)	-	-	(62,616)
Vehicles	(161,246)	-	-	(161,246)
Leasehold improvements	<u>(19,236)</u>	<u>-</u>	<u>-</u>	<u>(19,236)</u>
Total accumulated depreciation	<u>(665,731)</u>	<u>(12,957)</u>	<u>-</u>	<u>(678,688)</u>
Total capital assets	<u>\$ 68,574</u>	<u>\$ (12,957)</u>	<u>\$ -</u>	<u>\$ 55,617</u>

In the business-type financial statements, depreciation expense is \$12,957 for the year ended August 31, 2025.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 6. Debt**

During the year ended August 31, 2025, the following changes occurred in the liabilities reported in the government-wide statement of net position:

<b>Governmental activities</b>	Obligations Outstanding September 1, 2024	Restatement GASB 101	Restated Obligations Outstanding September 1, 2024	Additions	Retirements	Obligations Outstanding August 31, 2025	Amount Due within One Year
<b>Compensated absences</b>	\$ 1,137,778	\$ 260,499	\$ 1,398,277	\$ 126,832 *	\$ -	\$ 1,525,109	\$ 1,525,109
	<u>\$ 1,137,778</u>	<u>\$ 260,499</u>	<u>\$ 1,398,277</u>	<u>\$ 126,832</u>	<u>\$ -</u>	<u>\$ 1,525,109</u>	<u>\$ 1,525,109</u>

\*The change in compensated absences liability is presented as net change.

<b>Business-type activities</b>	Obligations Outstanding September 1, 2024	Additions	Retirements	Obligations Outstanding August 31, 2025	Amount Due Within One year
<b>Mortgage payable</b>	\$ 86,263	\$ -	\$ (28,870)	\$ 57,393	\$ 34,429
	<u>\$ 86,263</u>	<u>\$ -</u>	<u>\$ (28,870)</u>	<u>\$ 57,393</u>	<u>\$ 34,429</u>
	<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>	
	2026	\$ 34,429	\$ 4,187	\$ 38,616	
	2027	<u>22,964</u>	<u>804</u>	<u>23,768</u>	
Totals		<u>\$ 57,393</u>	<u>\$ 4,991</u>	<u>\$ 62,384</u>	

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 7. Right to Use Asset**

	<b>Balance August 31, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance August 31, 2025</b>
9565 Diana	\$ 841,785	\$ -	\$ -	\$ 841,785
9609 Carnegie	831,747	-	-	831,747
Blanco	267,682	-	-	267,682
Borderplex	9,679,358	-	-	9,679,358
South Mesa Hills	662,403	-	-	662,403
1477 Lomaland	2,316,130	-	-	2,316,130
1551 Montana	2,228,794	-	-	2,228,794
1600 Montana	5,924,571	-	-	5,924,571
2400 Trawood	2,570,537	-	-	2,570,537
7760 Alabama	2,566,676	-	-	2,566,676
8500 Boeing	2,346,927	-	-	2,346,927
Spectrum Imaging	134,774	-	-	134,774
10737 Gateway Ste 250	1,944,365	-	-	1,944,365
10737 Gateway Ste 350	1,431,206	-	-	1,431,206
8730 Boeing	1,991,624	-	-	1,991,624
8139 Beatrix	<u>806,525</u>	<u>-</u>	<u>-</u>	<u>806,525</u>
Total right of use asset	36,545,104	-	-	36,545,104
Less accumulated amortization				
9565 Diana	126,267	42,089	-	168,357
9609 Carnegie	124,761	41,587	-	166,349
Blanco	40,152	13,384	-	53,536
Borderplex	967,936	483,968	-	1,451,904
South Mesa Hills	99,360	33,120	-	132,481
1477 Lomaland	115,806	115,806	-	231,613
1551 Montana	334,320	111,440	-	445,759
1600 Montana	296,229	296,229	-	592,457
2400 Trawood	128,527	128,527	-	257,054
7760 Alabama	385,002	128,334	-	513,335
8500 Boeing	234,692	117,346	-	352,039
Spectrum Imaging	134,774	67,387	-	67,387
10737 Gateway Ste 250	194,436	97,218	-	291,655
10737 Gateway Ste 350	143,120	71,560	-	214,681
8730 Boeing	199,162	99,581	-	298,744
8139 Beatrix	<u>40,326</u>	<u>40,326</u>	<u>-</u>	<u>80,652</u>
Total accumulated amortization	<u>3,564,870</u>	<u>1,887,902</u>	<u>-</u>	<u>5,318,003</u>
Net right to use asset	<u>\$ 32,980,234</u>	<u>\$ (1,887,903)</u>	<u>\$ -</u>	<u>\$ 31,227,101</u>

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 8. Lease Liability**

A summary of changes in lease liability for the year ended August 31, 2025 was as follows:

	<u>Lease Liability</u>
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	\$ 736,955
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	728,167
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	246,302
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	8,873,841
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	579,912
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	2,179,625
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	1,951,235
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	5,575,401
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	2,419,039
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	2,416,275
Lease liability for a lease agreement for a rental property with an interest rate of 5.25%, and a maturity date of August 2041.	2,175,734
Lease liability for a lease agreement for various printers with an interest rate of 5.25% and a maturity date of August 2024.	69,191
Lease liability for a rental property with an interest rate of 5.25%, and a maturity date of August 2042.	1,767,706
Lease liability for a rental property with an interest rate of 5.25%, and a maturity date of August 2042.	1,301,172
Lease liability for a rental property with an interest rate of 5.25%, and a maturity date of August 2042.	1,810,672
Lease liability for a rental property with an interest rate of 5.25%, and a maturity date of August 2043.	<u>758,990</u>
Total lease liability	<u>\$ 33,590,217</u>

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 8. Lease Liability (continued)**

The following is a summary of the leases obligations and the activity for the year ended August 31, 2025:

	<b>Balance August 31, 2024</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance August 31, 2025</b>	<b>Due Within One Year</b>
9565 Diana	\$ 765,303	\$ -	\$ 28,348	\$ 736,955	\$ 29,907
9609 Carnegie	756,177	-	28,010	728,167	29,551
Blanco	252,666	-	6,364	246,302	7,119
Borderplex	9,127,256	-	253,415	8,873,841	274,907
South Mesa Hills	602,219	-	22,307	579,912	23,534
1477 Lomaland	2,249,703	-	70,078	2,179,625	73,933
1551 Montana	2,026,293	-	75,058	1,951,235	79,186
1600 Montana	5,754,659	-	179,258	5,575,401	189,117
2400 Trawood	2,496,815	-	77,776	2,419,039	82,054
7760 Alabama	2,464,751	-	48,476	2,416,275	56,663
8500 Boeing	2,234,578	-	58,844	2,175,734	65,720
Spectrum Imaging	134,774	-	65,583	69,191	69,191
10737 Gateway Ste 250	1,829,772	-	62,066	1,767,706	65,479
10737 Gateway Ste 350	1,346,857	-	45,685	1,301,172	48,198
8730 Boeing	1,874,246	-	63,574	1,810,672	67,071
8139 Beatrix	783,394	-	24,404	758,990	25,745
<b>Total</b>	<b>\$ 34,699,463</b>	<b>\$ -</b>	<b>\$ 1,109,246</b>	<b>\$ 33,590,217</b>	<b>\$ 1,187,374</b>

The annual requirements to amortize the lease of the building and clinic space outstanding as of August 31, 2025, including interest payments with interest rates of 5.25% as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 1,187,374	\$ 1,864,813	\$ 3,052,187
2027	1,197,119	1,800,878	2,997,997
2028	1,278,836	1,736,485	3,015,321
2029	1,365,328	1,667,683	3,033,011
2030	1,456,864	1,594,211	3,051,075
2031 - 2035	8,854,662	6,685,633	15,540,295
2036 - 2040	12,082,962	3,972,365	16,055,327
2041 - 2044	6,167,072	678,989	6,846,061
	<b>\$ 33,590,217</b>	<b>\$ 20,001,057</b>	<b>\$ 53,591,274</b>

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 9. Self-Insurance**

The Center has established a self-insurance plan for employee health and dental coverage. The Center purchases commercial stop-loss coverage for medical claims in excess of \$75,000 per employee, per year, with an aggregate annual policy limit of \$1,000,000 per year. Liabilities are calculated considering known claims and estimates of future claims (incurred but not reported claims, IBNR) based on the lag time of medical claims. The Center accounts for this risk management activity in the internal service fund. At year-end, the internal service fund and the statement of net position for governmental activities reflect an estimated liability of \$330,000 for known and IBNR claims. The Center does not discount its claim liabilities.

Changes in the balances of accrued claims liabilities during the last two years are as follows:

	2025		2024
Self- Insurance - Health			
Unpaid Claims, Beginning of Year	\$ 762,754	\$	764,890
Incurred Claims (Including IBNR's)	3,864,832		3,307,292
Claim Payments, Net of Reinsurance	(3,867,586)		(3,309,428)
Unpaid Claims, End of Year	\$ 760,000	\$	762,754

**NOTE 10. Risk Management**

The Center is exposed to various risks of loss related general liability: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; doctors' malpractice; and natural disasters. During fiscal year 2025, the Center was covered by insurance for these various risks at a cost it considered to be economically justifiable.

**NOTE 11. Concentrations of Credit Risks**

The Center receives a substantial portion of its revenue in the form of annual performance contracts with the Texas Department of State Health Services (DSHS) and for services related to intellectual disabilities. The Center is economically dependent on these contracts. These contracts have been continued through August 31, 2025.

**NOTE 12. Commitments and Contingencies**

The Center is the recipient of various federal and state-assisted grant programs. These programs are subject to financial and compliance audits by the grantors, their representatives or other regulatory authorities. The audits serve to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. The Center believes any liability for reimbursement, arising as a result of these types of audits, is immaterial. However, the Center is subject to certain penalties, sanctions and/or recumbent in the event of contract non-compliance. Periodically, in the normal course of business, the Center is named in lawsuits. To date, liability resulting from such lawsuits has not been material to the financial position.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 13. Compliance with Conditions of Awarding of General Revenue**

Management believes they have complied with the conditions of the awarding of the general revenue. Local support exceeded the minimum percent required.

**NOTE 14. Subsequent Events**

Management has performed an evaluation of the Center's activity through January 29, 2026, the date these financial statements were available for issuance and noted no items requiring further disclosure.

**NOTE 15. Subsequent Pronouncements**

New Pronouncements

In June 2022 GASB Statement No. 101, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The Center recognized a change in accounting principle that increased its liability for compensated absences. This required a prior period adjustment to restate beginning balances to reflect the cumulative effect of the new guidance.

In December 2023, GASB Statement No. 102, Certain Risk Disclosures, was issued. State and local governments face risks that could negatively affect the service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. The Center has reviewed this Statement and determined that it has no significant impact on the financial statements.

Future Pronouncements

In April 2024, GASB Statement No. 103, Financial Reporting Model Improvements, was issued. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

EMERGENCE HEALTH NETWORK  
Notes to Financial Statements (Continued)  
August 31, 2025

**NOTE 15. Subsequent Pronouncements (continued)**

Future Pronouncements (continued)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In September 2024, GASB Statement No. 104, Governmental Accounting Standards Series, was issued. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

Other Compliance Requirement Updates

The Uniform Guidance's single audit threshold is increasing from \$750,000 to \$1,000,000 for audits with periods beginning on or after October 1, 2024. This means that only entities that spend \$1 million or more of federal funds in their fiscal year will be subject to a Single Audit.

**NOTE 16. Restatement**

GASB Statement No. 101, Compensated Absences, was implemented for the fiscal year ending August 31, 2025. This statement requires governments to recognize a liability for compensated absences when the leave is earned, rather than when it is paid or becomes due. As a result of implementing this standard, the Center recognized a change in accounting principle that increased the compensated absences liability. Accordingly, a prior period adjustment was made to restate the beginning balances as follows:

Government-Wide:

The beginning net position was decreased by \$260,499 to reflect the cumulative effect of applying the new guidance.

This restatement had no impact on the current year's change in fund balance or net position.

**REQUIRED SUPPLEMENTARY INFORMATION**

EMERGENGE HEALTH NETWORK  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
General (Operating) Fund  
For the Year Ended August 31, 2025

<b>General (Operating) Fund</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>REVENUES:</b>				
Local sources				
Local government funds	\$ 8,701,885	\$ 8,701,885	\$ 6,063,007	\$ (2,638,878)
Patient fees	10,938,818	10,938,818	9,807,275	(1,131,543)
TCOMMI	1,569,278	1,569,278	3,382,693	1,813,415
Grant revenue	3,287,850	3,287,850	4,178,916	891,066
ICF upper payment	57,248	57,248	156,636	99,388
DPP	2,373,671	2,373,671	2,793,748	420,077
PHP CCP	8,000,000	8,000,000	7,845,652	(154,348)
Other income	<u>2,909,086</u>	<u>2,909,086</u>	<u>3,676,724</u>	<u>767,638</u>
Total Local Sources	<u>37,837,836</u>	<u>37,837,836</u>	<u>37,904,649</u>	<u>66,813</u>
State sources				
General revenue	<u>32,618,261</u>	<u>32,618,261</u>	<u>33,667,702</u>	<u>1,049,441</u>
Total State Sources	<u>32,618,261</u>	<u>32,618,261</u>	<u>33,667,702</u>	<u>1,049,441</u>
Federal Sources				
Medicaid administrative claiming	2,043,234	2,043,234	1,640,708	(402,526)
HUD	<u>1,124,043</u>	<u>1,124,043</u>	<u>1,069,551</u>	<u>(54,492)</u>
Total Federal Sources	<u>3,167,277</u>	<u>3,167,277</u>	<u>2,710,259</u>	<u>(457,018)</u>
Investment earnings	<u>-</u>	<u>-</u>	<u>1,255,246</u>	<u>1,255,246</u>
Total Revenues	<u>\$ 73,623,374</u>	<u>\$ 73,623,374</u>	<u>\$ 75,537,856</u>	<u>\$ 1,914,482</u>

See independent auditors' report.

EMERGENCE HEALTH NETWORK  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
General (Operating) Fund  
For the Year Ended August 31, 2025

<b>General (Operating) Fund</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
EXPENDITURES:				
Current				
Personnel	\$ 44,392,404	\$ 44,392,404	\$ 40,247,052	\$ 4,145,352
Employee benefits	12,848,968	12,848,968	10,872,506	1,976,462
Travel	1,004,679	1,004,679	804,969	199,710
Medications	982,145	982,145	1,647,761	(665,616)
Occupancy costs	4,272,680	4,272,680	4,067,020	205,660
Insurance	769,362	769,362	779,085	(9,723)
Client related costs	1,605,524	1,605,524	1,481,989	123,535
Supplies	649,924	649,924	631,802	18,122
Contracts	9,794,244	9,794,244	9,367,099	427,145
Equipment rent	92,757	92,757	90,157	2,600
Fleet	272,959	272,959	-	272,959
Staff development	363,679	363,679	210,268	153,411
Fees	3,082,558	3,082,558	3,414,846	(332,288)
Upper payment limit	21,955	21,955	62,605	(40,650)
Other	1,690,160	1,690,160	2,883,643	(1,193,483)
Capital outlay	-	-	694,371	(694,371)
	<u>81,843,998</u>	<u>81,843,998</u>	<u>77,255,173</u>	<u>4,588,825</u>
Net change in fund balance	<u>(8,220,624)</u>	<u>(8,220,624)</u>	<u>(1,717,317)</u>	<u>6,503,307</u>
Fund balance beginning of year			<u>29,211,615</u>	
Fund balance end of year			<u>\$ 27,494,298</u>	

See independent auditors' report.

**SUPPLEMENTARY INFORMATION**

EMERGENCE HEALTH NETWORK  
Combining Statement of Net Position  
Proprietary Funds  
For the Year Ended August 31, 2025

	<b>Sunnyside Apartments Inc.</b>	<b>Sun City Behavioral Health Care</b>	<b>Total</b>	<b>Internal Service Fund- Self Insurance</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 84,861	\$ 86,345	\$ 171,206	\$ -
Accounts receivable	14,673	-	14,673	-
Investments	-	97,465	97,465	-
Due from other funds	-	-	-	748,383
Total current assets	<u>99,534</u>	<u>183,810</u>	<u>283,344</u>	<u>748,383</u>
Non-current asset				
Capital assets	55,617	-	55,617	-
Other assets	<u>3,211</u>	<u>3,861</u>	<u>7,072</u>	<u>-</u>
Total noncurrent assets	<u>58,828</u>	<u>3,861</u>	<u>62,689</u>	<u>-</u>
Total assets	<u>\$ 158,362</u>	<u>\$ 187,671</u>	<u>\$ 346,033</u>	<u>\$ 748,383</u>
<b>Liabilities and net position</b>				
<b>Liabilities</b>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 449,829	\$ -	\$ 449,829	\$ 20,061
Claims payable	2,866	-	2,866	760,000
Current portion of mortgage payable	<u>34,429</u>	<u>-</u>	<u>34,429</u>	<u>-</u>
Total current liabilities	487,124	-	487,124	780,061
Non-current liabilities				
Mortgage payable, net of current portion	<u>22,964</u>	<u>-</u>	<u>22,964</u>	<u>-</u>
Total liabilities	510,088	-	510,088	780,061
Deferred inflow				
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,407</u>
<b>Net position</b>				
Unrestricted	<u>(351,726)</u>	<u>187,671</u>	<u>(164,055)</u>	<u>(49,085)</u>
Total net position (deficit)	<u>(351,726)</u>	<u>187,671</u>	<u>(164,055)</u>	<u>(49,085)</u>
Total liabilities and net position	<u>\$ 158,362</u>	<u>\$ 187,671</u>	<u>\$ 346,033</u>	<u>\$ 748,383</u>

See independent auditors' report.

EMERGENCE HEALTH NETWORK  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended August 31, 2025

	<b>Sunnyside Apartments Inc.</b>	<b>Sun City Behavioral Health Care</b>	<b>Total</b>	<b>Internal Service Fund- Self Insurance</b>
Operating revenues				
Insurance charges, from general fund	\$ -	\$ -	\$ -	\$ 5,203,500
Rental income, net	73,156	-	73,156	-
Fee for services	<u>-</u>	<u>5,014</u>	<u>5,014</u>	<u>-</u>
 Total operating revenues	 73,156	 5,014	 78,170	 5,203,500
Operating expenses				
Claims paid	-	-	-	3,867,586
Depreciation	12,957	-	12,957	-
Equipment rent and maintenance	1,803	-	1,803	-
Training	350	-	350	-
Miscellaneous fees and bad debt	2,554	700	3,254	-
Office expense	21,094	-	21,094	-
Plan administration expense	-	-	-	1,345,713
Rent expense	31,436	-	31,436	-
Salaries and benefits	<u>48,529</u>	<u>-</u>	<u>48,529</u>	<u>-</u>
 Total operating expenses	 <u>118,723</u>	 <u>700</u>	 <u>119,423</u>	 <u>5,213,299</u>
Operating income (loss)	<u>(45,567)</u>	<u>4,314</u>	<u>(41,253)</u>	<u>(9,799)</u>
Change in net position	(45,567)	4,314	(41,253)	(9,799)
Net position, beginning of year (deficit)	<u>(306,159)</u>	<u>183,357</u>	<u>(122,802)</u>	<u>(39,286)</u>
Net position, end of year (deficit)	<u>\$ (351,726)</u>	<u>\$ 187,671</u>	<u>\$ (164,055)</u>	<u>\$ (49,085)</u>

See independent auditors' report.

Emergence Health Network  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Total Expenditures
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Housing and Urban Development (HUD)</b>			
Supportive Housing (December 2023 - November 2024)	TX0128L6T032215	14.267	\$ 338,724
Supportive Housing (December 2024 - November 2025)	TX0128L6T032316	14.267	271,870
Permanent Supportive Housing (January 2024 - December 2024)	TX0553L6T032203	14.267	290,714
Permanent Supportive Housing (January 2025 - December 2026)	TX0553L6T032304	14.267	190,044
Rapid Re-Housing (May 2024 - April 2025)	TX0453L6T032307	14.267	321,881
Rapid Re-Housing (May 2025- April 2026)	TX0453L6T032408	14.267	120,176
Homeless Street Outreach (September 2023 - August 2024)	20-1039-1977	14.231	<u>107,900</u>
<b>Total US. Department of Housing and Urban Development</b>			<b>1,641,309</b>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Texas Department of Health and Human Services (DSHS) TANF			
Health Services (DSHS) (TANF)	HHS001324500016	93.958	240,709
Title XX - Social Services Block Grant	HHS001022200016	93.958	1,111,997
Health and Human Services Commission (HHSC) - Job Development Title XX	HHS001022200016	93.667	73,013
Supported Housing	HHS001022200016	93.667	128,436
Medicaid Administrative Claiming	HHS001022200016	93.958	233,675
Medicaid Administrative Claiming Project (MAC)	529-09-0032-0049	93.778	2,049,763
Children's Mental Health System Navigator Grant Program	529-09-0032-0049	93.778	1,640,708
Treatment for Adults (TRA)	HHS001491600004	93.958	124,805
Treatment for Youth (TRY)	HHS000663700065	93.959	114,407
Treatment for Youth (TRF)	HHS000663700143	93.959	14,384
MHFA Outreach Worker Funds	HHS001040100010	93.959	1,587
OSAR	HHS000186400017	93.958	138,050
OSAR COVID	HHS000782500008	93.959	306,683
Health and Human Services (HHSC) - Job Development	HHS000782500008	93.959	191,765
Texas Targeted Opioid Response (TTOR)	HHS001108400016	93.788	83,701
Community Health Workers (CHW)	HHS000782500008	93.788	77,684
National Suicide Prevention Lifeline (NSPL)	HHS000780500003	93.959	624,116
Outpatient Capacity Expansion (September 01, 2024 - April 30, 2025)	HHS000790600004	93.958	933,410
Crisis Hotline and Mobile Crisis Outreach Team (September 01, 2024 - April 30, 2025)	HHS001108400016	93.958	175,164
Advancing a Texas System of Care	HHS001108400016	93.958	39,202
SAMHSA CARA (October 01, 2024 - September 30, 2025)	HHS001099100001	93.104	315,957
SAMHSA Healthy Transitions (October 01, 2024 - September 30, 2025)	H1H79TI086357-01	93.243	447,455
Children Mental Health Initiative (CMHI)	1H79SM088569-01	93.243	384,194
	1H79SM089696-01	93.104	<u>517,834</u>
<b>Total Passed through HHSC</b>			<b><u>9,968,699</u></b>
MFP HUB-Transition Support (September 1, 2024 - December 31, 2024)	HHS001333300017	93.791	130,385
MFP HUB-Transition Support (January 1, 2025 - August 31, 2025)	HHS001333300017	93.791	310,869
MFP Enhanced Community Coordination (September 1, 2024 - December 31, 2024)	HHS001333300017	93.791	30,759
MFP Enhanced Community Coordination (January 1, 2025 - August 31, 2025)	HHS001333300017	93.791	<u>60,827</u>
<b>Total Direct Health &amp; Human Services</b>			<b><u>532,840</u></b>
<b>Total U.S. Department of Health &amp; Human Services</b>			<b><u>10,501,539</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 12,142,848</u></b>

See accompanying notes to the schedule of expenditures of federal and state awards and accompanying independent auditors report

Emergence Health Network  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Contract Number	Total Expenditures
<b>STATE AWARDS</b>		
<b>Texas Department of State Health Services:</b>		
DSHS		
General Revenue - Mental Health	HHS001022200016	\$ 9,993,109
Child and Adolescent Services	HHS001022200016	851,886
General Revenue - Crisis Redesign	HHS001022200016	1,057,680
General Revenue - PESC	HHS001022200016	1,440,805
Outpatient Competency Restoration	HHS001022200016	363,645
New Generation Medications	HHS001022200016	1,369,679
Veterans Services	HHS001022200016	87,730
PPB	HHS001022200016	5,243,234
ESC	HHS001022200016	105,054
CRC (October 2024 - August 2025)	9112020083558	80,439
MHFA - Training Funds	HHS000186400017	65,184
Medication Assisted Treatment Alcohol and Other Substance Use Disorder (MAT-AUD)	HHS001196700002	163,475
Youth Crisis Outreach Team Grant Program (YCOT) (May 1, 2024 - August 31, 2025)	HHS001442900004	1,021,922
Supporting Mental Health and Resiliency in Texas - SMART (July 1, 2024 - August 31, 2025))	HHS001513400005	2,263,170
Texas Veterans and Family Alliance (MH/TV+FA)	HHS001234000012	216,525
Grant Program for Justice Involved Individuals (SB292)	HHS000134400004	1,435,830
Coordinated Specialty Care (CSC) & COVID-19 Supplemental (CSF)	HHS001329300012	<u>734,179</u>
<b>Total Department of State Health Services</b>		<b><u>26,493,546</u></b>
<b>Texas. Department of Aging &amp; Disability Services (DADS)</b>		
American Rescue Plan Act (ARPA)	HHS000995700001	93,421
General Revenue - Intellectual Disabilities	HHS000995700001	1,737,367
General Revenue - Permanency Planning	HHS001333300017	13,189
Community Living Options Information Procedure (CLOIP)	HHS001333300017	115,563
IDC Crisis and Behavioral Support	HHS001333300017	369,884
IDC Crisis Respite Services	HHS001333300017	<u>125,222</u>
<b>Total (DADS)</b>		<b><u>2,454,646</u></b>
<b>Total Expenditures of State Awards</b>		<b><u>28,948,192</u></b>
<b>Total Expenditures of Federal and State Awards</b>		<b><u>\$ 41,091,040</u></b>

See accompanying notes to the schedule of expenditures of federal and state awards and accompanying independent auditors report

EMERGENGE HEALTH NETWORK  
Notes to the Schedule of Expenditures of Federal and State Awards  
August 31, 2025

NOTE A: GENERAL

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards of the Center. The Center's reporting entity is defined in Note 1 of the basic financial statements. Federal and state awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal and State Awards.

NOTE B: BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. State and federal grants are considered to be earned to the extent of expenditures made under the provision of the grant; and accordingly, when such funds are received, and they are recorded as unearned revenue until earned.

NOTE C: STATE AWARD GUIDELINES

State awards are subject to HHSC's Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers and Office of the Governor's State of Texas Single Audit Circular. Such guidelines are consistent with those required under the Uniform Guidance and Government Auditing Standards, issued by the Comptroller General of the United States.

NOTE D: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Certain state and federal programs have been excluded from the Schedule of Expenditures of Federal and State Awards, including monies received under vendor contract for the Texas Department of Criminal Justice for the Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI) program. These monies are included in total local revenues in the basic financial statements. The monies are excluded from the Schedule of Expenditures of Federal and State Awards are not considered financial assistance as defined in the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE E: INDIRECT COSTS

The Center has contracted with the respective granting agencies for indirect cost rates. Allowable indirect costs for each award are determined by the related terms and conditions developed by the awarding agency for each program. The Center has not elected to use the 15 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE F: SUB-RECIPIENTS OF FEDERAL AWARDS

The Center does not have any sub-recipients for their federal awards.

NOTE G: NON-CASH FEDERAL ASSISTANCE

The Center did not receive any noncash assistance.

## COMPLIANCE SECTION



# Beasley, Mitchell & Co.

Certified Public Accountants

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

The Board of Trustees  
Emergence Health Network  
El Paso, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Emergence Health Network (the "Center") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 29, 2026.

### **Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Beasley, Mitchell & Co. LLP*  
Beasley Mitchell & Co., LLP  
El Paso, Texas  
January 29, 2026



# Beasley, Mitchell & Co.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

The Board of Trustees  
Emergence Health Network  
El Paso, Texas

### **Report on Compliance for Each Major Federal and State Program**

#### **Opinion on Each Major Federal Program**

We have audited Emergence Health Network compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and State of Texas Single Audit Circular (TSAC) that could have a direct and material effect on each of Emergence Health Network's major federal programs for the year ended August 31, 2025. Emergence Health Network's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Emergence Health Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Emergence Health Network and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Emergence Health Network's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of

contracts or grant agreements applicable to Emergence Health Network's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Emergence Health Network's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Emergence Health Network's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Emergence Health Network's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Emergence Health Network's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Emergence Health Network's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Emergence Health Network's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Emergence Health Network's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Beasley, Mitchell & Co. LLP*

Beasley, Mitchell & Co., LLP

El Paso, Texas

January 29, 2026

EMERGENCE HEALTH NETWORK  
 Summary of Audit Results  
 August 31, 2025

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?  Yes  No
  - Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs

- Material weakness (es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Type of auditors' report issued on compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Administrative Claiming (MAC)
93.243	SAMHSA
93.104	Texas System of Care

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

Auditee qualified as low-risk auditee  Yes  No

See independent auditors' report and accompanying notes

EMERGENCY HEALTH NETWORK  
 Summary of Audit Results  
 August 31, 2025

**Section I - Summary of Auditors' Results**

**Financial Statements**

Internal control over financial reporting:

- Material weakness (es) identified?  Yes  No
  - Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No
- Noncompliance material to financial statements noted?  Yes  No

**State Awards**

Internal control over major programs

- Material weakness (es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Type of auditors' report issued on compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of Major Programs:

Name of Federal Program or Cluster

DSHS - Youth Crisis Outreach - HHS000134400004  
 DSHS - Supporting MENTAL HEALTH & Resiliency in Texas SMART  
 (July 1, 2024 - August 31, 2025) - HHS00015134000054  
 DSHS IDD Performance:  
 American Rescue Plan (ARDA) - HHS00099700001  
 American Rescue Plan (ARDA) HER - HHS000995700001  
 General Revenue - Intellectual Disabilities - HHS001333300017  
 General Revenue - Permanency Planning - HHS001333300017  
 Community Living Options Information Procedure (CLOIP) - HHS001333300017  
 IDD Crisis and Behavioral Support - HHS001333300017  
 IDD Crisis Respite Services - HHS001333300017

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

- Auditee qualified as low-risk auditee  Yes  No

**STATISTICAL SECTION  
(UNAUDITED)**

**EMERGENCE HEALTH NETWORK**

**RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT  
FOR THE ENDED AUGUST 31, 2025 (UNAUDITED)**

Object of Expenditures	<u>Care Report III</u>	<u>Additions</u>	<u>Deletions</u>	<u>Audited Financial Statements</u>
Salaries	\$ 32,471,877	\$ 40,502	\$ -	\$ 32,512,379
Employee Benefits	8,761,458	21,027		8,782,485
Professional & Consultant Svc	8,453,667	325		8,453,992
Training & Travel	793,990	290		794,280
Debt Service				-
Capital Outlay	701,380	-	7,009	694,371
Pharmaceutical Expenses	1,645,747	2,014		1,647,761
Other Operating Expenditures	10,990,810	1,181,749		12,172,559
Central Administrative & Administrative Authority	12,160,114	37,232		12,197,346
<b>Total</b>	<u>\$ 75,979,043</u>	<u>\$ 1,283,139</u>	<u>\$ 7,009</u>	<u>\$ 77,255,173</u>
Total Expenses - General Fund	\$ 75,979,043			
Total Unallowable not included in Expenditures	<u>1,276,130</u>			
Total Expense Reported Above	<u>\$ 77,255,173</u>			

**EMERGENCE HEALTH NETWORK**

**RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT  
FOR THE ENDED AUGUST 31, 2025 (UNAUDITED)**

	REVENUES			Audited Financial Statements
	Care Report III	Additions	Deletions	
<b>Local Sources:</b>				
City Government	1,383,499			1,383,499
County Revenue	4,679,508			4,679,508
Patient Fees and Insurance	6,664,478	-		6,664,478
Transfers from Reserves	445,601		445,601	-
Miscellaneous	4,271,609	4,414		4,276,023
PAP Contributions	660,343			660,343
<b>Total Local Sources</b>	<u>18,105,038</u>	<u>4,414</u>	<u>445,601</u>	<u>17,663,851</u>
<b>State General Revenues</b>	30,895,409			30,895,409
<b>Other State Sources:</b>				
Medicaid Waiver and ICF Programs	7,053,150			7,053,150
Texas Council on Offenders with	1,622,891			1,622,891
Other State	1,759,803			1,759,803
<b>Total Other State Revenue</b>	<u>10,435,844</u>	<u>-</u>	<u>-</u>	<u>10,435,844</u>
<b>Total State Revenue</b>	<u>41,331,253</u>	<u>-</u>	<u>-</u>	<u>41,331,253</u>
<b>Federal Sources:</b>				
Mental Health Block Grant	1,111,997			1,111,997
Title XX - TANF	369,145			369,145
Title XX - Social Services	128,436			128,436
TANF CFDA #93.558.667	73,013			73,013
Other Federal	14,860,161			14,860,161
<b>Total Federal Sources</b>	<u>16,542,753</u>	<u>-</u>	<u>-</u>	<u>16,542,753</u>
<b>Total Revenue</b>	<u>\$ 75,979,043</u>	<u>\$ 4,414</u>	<u>\$ 445,601</u>	<u>\$ 75,537,856</u>

**EMERGENCY HEALTH NETWORK**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS - SCHEDULE BY FUNCTION  
FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

<b>Function</b>	<b>Land and Buildings</b>	<b>Furniture, Software and Equipment</b>	<b>Leasehold Improvements</b>	<b>Vehicles</b>	<b>Total Governmental Fund Capital Assets</b>
Behavioral Health	\$ 10,106	\$ 4,123,952	\$ 1,507,517	\$ 1,455,649	\$ 7,097,224
Intellectual Disabilities programs	329,065	403,414	126,936	255,527	1,114,941
Administrative	-	8,413,245	952,379	78,478	9,444,102
Total governmental fund capital assets	<u>\$ 339,171</u>	<u>\$ 12,940,611</u>	<u>\$ 2,586,831</u>	<u>\$ 1,789,654</u>	<u>\$ 17,656,267</u>

**EMERGENCE HEALTH NETWORK**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS - SCHEDULE BY SOURCES  
FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

Governmental Funds Capital Assets	
Land and Buildings	\$ 339,171
Furniture, Software, and Equipment	12,940,611
Leasehold improvements	2,586,831
Vehicles	1,789,654
	<hr/>
Total governmental funds capital assets	17,656,267
	<hr/>
Investment in governmental funds capital assets general fund	\$ 17,656,267
	<hr/>

**EMERGENCE HEALTH NETWORK**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS - SCHEDULE OF CHANGES BY FUNCTION FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

<b>Function</b>	<b>Balance September 1, 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance August 31, 2025</b>
Behavioral Health	\$ 6,525,708	\$ 571,516	\$ -	\$ 7,097,224
Intellectual Disabilities programs	1,065,339	49,602	-	1,114,941
Administrative	9,370,850	73,252	-	9,444,102
Total governmental fund capital assets	<u>\$ 16,961,897</u>	<u>\$ 694,370</u>	<u>\$ -</u>	<u>\$ 17,656,267</u>

**EMERGENCE HEALTH NEWTORK  
SCHEDULE OF BOND-INSURANCE COVERAGE  
FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

<b>Surety Company</b>	<b>Scope of Coverage</b>	<b>Amount</b>
Travelers Casualty and Surety Company of America	Public Employee Dishonesty Blanket September 01, 2024 - September 01, 2025	\$ 1,200,000
TDC Specialty Insurance Co./ Ascot Specialty Insurance Co	Professional Liability	\$ 1,000,000 per claim
	September 01, 2024 - September 01, 2025	\$ 3,000,000 aggregate
Houston Casualty Company	Directors & Officers Liability	\$ 1,000,000 per claim
	September 01, 2024 - September 01, 2025	\$ 1,000,000 aggregate

EMERGENCY HEALTH NETWORK  
SCHEDULE OF INSURANCE IN FORCE-GENERAL FUND AND NEW VISTAS,INC. ENTERPRISE FUND  
FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)

	Policy Period		Type of Coverage	Limits or Amounts	Premium Cost
	From	To			
Travelers Casualty and Surety Company of America	9/1/2024	9/1/2025	Crime Policy	Limit of Liability \$1,200,000 \$25,000 deductible	\$ 5,645
Fairly Consulting Group Houston Casualty Company	9/1/2024	9/1/2025	Director's & Officers Liability / Errors & Omissions  Cyber/Network Security Liability	Limit of Liability Occurrence/ Aggregate \$1,000,000; D&O named as part of Corp. \$10,000 deductible Employment practices claims \$35,000 deductible Limit of Liability \$1,000,000 Aggregate sublimit of liability (Reg defense & penalties) \$1,000,000 Aggregate sublimit (fines, expenses, costs) \$250,000 ea	\$ 67,429
Philadelphia Insurance Co.	9/1/2024	9/1/2025	Fire, EC, VMM, SEC/SEC Including Theft, Fire, EC, Physical Loss Inland Marine - Electronic Equipment	\$ 12,895,207 Building & Contents \$1,000 property/theft deductible  \$1,257,983 Electronic Equipment \$40,000 Medical Equipment \$1,000 deductible	\$ 54,160
Fairly Consulting Group Tokio Marine Specialty Insurance Company	9/1/2024	9/1/2025	Fire, EC, VMM, SEC/SEC Including Theft, Fire, EC, Physical Loss	Bagdad Location Only- Building & Contents \$500 property/theft deductible	\$ 4,812
Fairly Consulting Group TDC Specialty Insurance Co./ Ascot Specialty Insurance Co.	9/1/2024 11/5/2024	9/1/2025 11/5/2025	General Liability  Professional Liability	Limits of Liability, General Liability \$1,000,000 CSL and Professional Liability \$1,000,000 per claim and \$3,000,000 annual aggregate \$250,000 (ea) damage to premises rented to us/medical payments \$10,000 deductible \$1,000 deductible - Employee Benefits Liability	\$ 201,099 \$ 10,751
Philadelphia Insurance Co.	9/1/2024	9/1/2025	Comprehensive Automobile Liability	Limit of Liability \$1,000,000 CSL per occurrence and \$1,000 deductible collision / \$2,000 deductible comprehensive	\$ 156,148
Texas Mutual Insurance Co.	9/1/2024	9/1/2025	Worker's Compensation	Statute \$ 1,000,000 ea accident \$ 1,000,000 Disease - ea employee \$ 1,000,000 Disease - Policy limit	\$ 158,546
Fairly Consulting Group	9/1/2024	9/1/2025	Commercial	\$1,000,000 each occurrence \$250,000 damage to rented premises (ea occurrence) \$25,000 med exp (any one person) \$1,000,000 personal & adv injury \$3,000,000 general aggregate \$3,000,000 products completed-operations aggregate	\$ 18,596
Fairly Consulting Group TDC Specialty Insurance Company	9/1/2024	9/1/2025	Umbrella	\$1,000,000 each occurrence \$1,000,000 general aggregate \$10,000 self-insured retention	\$ 53,708
Fairly Consulting Group Evanston Insurance Company	9/1/2024	9/1/2025	Executive Risk Package	\$3,000,000 aggregate policy limit of liability	\$ 58,406

**EMERGENCE HEALTH NETWORK  
SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND CONTRACTED PROVIDER SERVICES  
FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

NAME	CITY	TYPE OF SERVICE	TOTAL
Advanced Behavioral Health	El Paso, TX	Therapy Services	3,899.00
Affordable El Paso Family Dental, PLLC	El Paso, TX	Dental Care	3,542.00
Aguilar Gloria	El Paso, TX	Foster Care	18,574.85
Alarcon Maria E	El Paso, TX	Consultant	6,225.00
Anzures Juan E	El Paso, TX	Consultant	3,080.00
Anzures Juan E	El Paso, TX	Physician Psychiatric Services	35,640.00
Arellano Estella	El Paso, TX	Foster Care	7,379.46
Arellano Sandra G	El Paso, TX	Foster Care	17,242.60
Arias Cynthia C	El Paso, TX	Foster Care	1,368.29
Arias Martha	El Paso, TX	Foster Care	16,997.26
Armendariz Hilda	El Paso, TX	Foster Care	17,242.60
Avara Ana A	El Paso, TX	Foster Care	8,268.00
Badillo Armando	El Paso, TX	Foster Care	43,829.20
Banuelos Ernestina	El Paso, TX	Foster Care	3,155.18
Barranc Martha A	El Paso, TX	Foster Care	10,014.88
BEK Medical Inc	El Paso, TX	Contract Agency	4,480.00
Benavidez Lourdes	El Paso, TX	Foster Care	17,242.60
Benitez Aurora	El Paso, TX	Foster Care	18,574.85
Blancas Magdalena	El Paso, TX	Foster Care	18,218.62
Blanco Eunice	El Paso, TX	Foster Care	15,878.27
Blanco Luz M	El Paso, TX	Foster Care	2,928.88
Boys & Girls Club of El Paso	El Paso, TX	Supported Employment	33,340.00
Bruce Gopin DDS MS PLLC	El Paso, TX	Dental Care	615.00
Calderon Francisco J	El Paso, TX	Foster Care	25,185.16
Cardoza de Reyes Martha	El Paso, TX	Foster Care	34,605.65
Care Ronald W DDS Inc	El Paso, TX	Dental Care	3,938.00
Carrasquel Home Remodeling and Roofing	El Paso, TX	Contract Agency	15,150.00
Castro Daniel DDS	El Paso, TX	Dental Care	1,743.00
Cervantes Mariquel	El Paso, TX	Foster Care	4,681.88
Chaparro de Aranda Socorro	El Paso, TX	Foster Care	25,115.97
Chavez Jaime V	El Paso, TX	Foster Care	13,051.25
Cognitive Behavioral Institute of El Paso	El Paso, TX	Therapy Services	7,725.00
Community Options Inc.	El Paso, TX	Supported Employment	105,203.00
Compadres Therapy Inc.	El Paso, TX	Therapy Services	11,035.20
Complete Therapies LLC	Dallas, TX	Therapy Services	696.96
Concho Valley	Houston, TX	Contract Agency	1,851.88
Crossroads Dental Clinic, PA	El Paso, TX	Dental Care	804.00
De la Cruz Maria I	El Paso, TX	Foster Care	17,242.60
Delcid Ricardo MD PLLC	Houston, TX	Consultant	105,050.00
Delgado Magdalena	El Paso, TX	Foster Care	10,381.56
Diaz Maria G	El Paso, TX	Foster Care	10,788.68
Dominguez Gloria G	El Paso, TX	Foster Care	25,254.35
Doporto Anna	El Paso, TX	Foster Care	18,574.85
Dr. Sergio Rodarte	El Paso, TX	Physician Psychiatric Services	264,000.00
Duarte Maria del Rocio	El Paso, TX	Foster Care	8,119.07
Dyer Family Dental	El Paso, TX	Dental Care	390.00
Eastridge Dental Care	El Paso, TX	Dental Care	848.00
El Paso Behavioral Hospital LLC	El Paso, TX	Adult Mental Health Services	2,608,065.00
El Paso Oral & Facial Surgeons, PLLC	El Paso, TX	Dental Care	1,017.50
El Paso Sli Sign Language Interpreters, LLC	El Paso, TX	Interpreting Services	1,955.00
El Paso Speech and Language Service Excellence	El Paso, TX	Therapy Services	4,884.60
Elizondo Elizabeth	El Paso, TX	Foster Care	18,574.85
Enjoy your Life Recreation Therapy LLC	El Paso, TX	Therapy Services	28,461.00
Estrada Michelle	El Paso, TX	Foster Care	9,858.00
Evans Three Bears Consulting	San Antonio, TX	Consultant	49,800.00
Evolving Mind Counseling Services PLLC	El Paso, TX	Consultant	375.00
Exydoc LLC	Palmyra, PA	Contract Agency	123,518.00
Eyemart Express LLC	El Paso, TX	Contract Agency	839.80
Family Services of El Paso	El Paso, TX	Therapy Services	3,215.00
Fernandez Guadalupe	El Paso, TX	Foster Care	17,242.60
Flores Alpha Alicia	El Paso, TX	Foster Care	8,550.44

Flores Amalia	El Paso, TX	Foster Care	37,149.70
Flores Hannah M	El Paso, TX	Foster Care	2,778.36
Flores Marisela	El Paso, TX	Foster Care	18,574.85
Forefront Brandt Medical Services PC	Hamilton, NJ	Telemed Services	117,900.00
Forma Group LLC	El Paso, TX	Contract Agency	95,081.00
Fragoso María	El Paso, TX	Foster Care	18,574.85
Gallegos Elida	El Paso, TX	Foster Care	18,574.85
Garay María G	El Paso, TX	Foster Care	25,254.35
Garcia Karen	El Paso, TX	Foster Care	18,320.40
Gateway Family Dental	El Paso, TX	Dental Care	14,252.98
Gaytan de Ortiz Rosario	El Paso, TX	Foster Care	18,574.85
Gaytan María A	El Paso, TX	Foster Care	18,574.85
Gema Pathways, PLLC	El Paso, TX	Consultant	61,781.00
Genoa Healthcare of Texas LLC	El Paso, TX	Contract Agency	555.22
Girasol Support Services LLC	El Paso, TX	Contract Agency	11,055.68
Goad Christina M	El Paso, TX	Foster Care	4,770.00
Gomez Beatriz	El Paso, TX	Foster Care	18,015.06
Gomez de Granados Erika	El Paso, TX	Foster Care	7,274.96
Gomez Felix	El Paso, TX	Foster Care	6,060.60
Gomez Karla D	El Paso, TX	Foster Care	18,574.85
Gonzalez Irma	El Paso, TX	Therapy Services	390.00
Guerra María P	El Paso, TX	Foster Care	18,574.85
Guerra Norma A	El Paso, TX	Foster Care	18,574.85
Gutiérrez Franciscas	El Paso, TX	Foster Care	17,242.60
Haddad Fred	El Paso, TX	Foster Care	7,130.91
Hanger Clinic	El Paso, TX	Prosthetics & Orthotics	3,130.96
Harre Jr John C	El Paso, TX	Therapy Services	3,638.74
Hernandez Wilfred	El Paso, TX	Foster Care	18,574.85
Herrera Sylvia LPC	El Paso, TX	Consultant	14,175.00
Holguin Linda	El Paso, TX	Foster Care	18,574.85
Homeward Bound Inc	Dallas, TX	Adult Mental Health Services	368,051.53
Inter America Interpreting	El Paso, TX	Interpreting Services	4,830.00
Jimenez Martha M	El Paso, TX	Foster Care	40,901.56
Jimenez Ruby R	El Paso, TX	Foster Care	2,928.88
Jimenez Silvia	El Paso, TX	Foster Care	17,242.60
Johnson, Mirmiran & Thomson, Inc	El Paso, TX	Contract Agency	5,887.50
Kasallis Westside Dental PLLC	El Paso, TX	Dental Care	457.00
Kirk David M	El Paso, TX	Foster Care	596.61
Kirk Norma	El Paso, TX	Foster Care	13,791.19
Language Line Services	El Paso, TX	Interpreting Services	1,880.49
Ledesma Evangelina	El Paso, TX	Foster Care	17,242.60
Lewis Realty Group, Inc	El Paso, TX	Consultant	15,000.00
Life Tree Pharmacy Services, INC	Collegeville, PA	Consultant	13,000.00
Lookung Teodora	El Paso, TX	Foster Care	34,605.65
Lopez Andrea	El Paso, TX	Foster Care	2,027.25
Macias Araceli	El Paso, TX	Foster Care	25,254.35
Maese Norma L	El Paso, TX	Foster Care	18,574.85
Marcel Samuel LPC	El Paso, TX	Therapy Services	4,725.00
Marco Jose	El Paso, TX	Foster Care	18,554.85
Marroquin Angelina	El Paso, TX	Foster Care	37,149.70
Martinez Anastacia	El Paso, TX	Consultant	1,875.00
Martinez Berta A	El Paso, TX	Foster Care	12,366.27
Martinez Luz E	El Paso, TX	Foster Care	18,574.85
Martinez William B	El Paso, TX	Foster Care	6,259.47
Medina Jocelyn PMHNP-BC	El Paso, TX	Consultant	17,215.00
Mejia Irene	El Paso, TX	Foster Care	16,997.26
Melendez Blanca E	El Paso, TX	Foster Care	17,242.60
Mendoza María L	El Paso, TX	Foster Care	12,366.27
Mind Forward Health Center	El Paso, TX	Therapy Services	24,750.00
Molina Graciela	El Paso, TX	Foster Care	14,668.28
Montes Eustolia	El Paso, TX	Foster Care	1,577.59
Morales María L	El Paso, TX	Foster Care	18,574.85
Moreno Ruben LCSW, PC	El Paso, TX	Therapy Services	1,200.00
Motivo Consulting, INC.	Richmond, VA	Consultant	17,190.00
Najera Yesica	El Paso, TX	Foster Care	21,973.80
Nevarez Morales Elsa	El Paso, TX	Foster Care	10,737.79
Oasis Dental	El Paso, TX	Dental Care	26,276.44

Open Minds	Gettysburg, PA	Consultant	124,040.74
Ordaz Alma	El Paso, TX	Foster Care	4,052.80
Osorio Maria del Carmen	El Paso, TX	Foster Care	18,574.85
Paez Rios Maria A	El Paso, TX	Therapy Services	15,375.00
Paloma Wellness & Rehabilitation PLLC	El Paso, TX	Therapy Services	200.00
Pena Lourdes	El Paso, TX	Foster Care	25,254.35
Perez Manuela	El Paso, TX	Foster Care	35,817.45
Permian Basin Community Centers	Houston, TX	Contract Agency	2,423.40
Pineda Nieto Lidia E	El Paso, TX	Foster Care	22,055.95
Pinon Sandra	El Paso, TX	Foster Care	34,605.65
Positive Perspective Counseling Services	El Paso, TX	Therapy Services	5,625.00
Proactive Motion Therapy LLC	El Paso, TX	Therapy Services	39,795.69
Quintana Ampora	El Paso, TX	Foster Care	18,574.85
Ramirez Emilio C	El Paso, TX	Foster Care	16,534.00
Ramirez Rafael	El Paso, TX	Foster Care	17,242.60
Redd Road Family Dental	El Paso, TX	Dental Care	197.00
Region 19 Education Service Center	El Paso, TX	Consultant	13,797.86
Reynolds John W DDS	Houston, TX	Dental Care	25,254.35
Rivera Cynthia D	El Paso, TX	Physician Psychiatric Services	3,740.00
Rivera Maria	El Paso, TX	Foster Care	17,242.60
Roberto Rodriguez Jr	El Paso, TX	Foster Care	25,254.35
Rodriguez Amira Cefally	El Paso, TX	Foster Care	7,784.76
Rodriguez Angel M	El Paso, TX	Consultant	150,056.25
Rodriguez Elizabeth	El Paso, TX	Foster Care	5,810.52
Rodriguez Robles Susana	El Paso, TX	Foster Care	34,036.79
Rodriguez Rosa I	El Paso, TX	Foster Care	34,605.65
Rodriguez Ted	El Paso, TX	Foster Care	11,876.80
Roman Elsa Margarita LPC	Hidalgo, TX	Consultant	250.00
Rosales Laura M	El Paso, TX	Dietitian Services	519.88
Rosales Mayra D	El Paso, TX	Foster Care	6,259.47
Rowayda Haddad	El Paso, TX	Foster Care	18,574.85
Salas Norma	El Paso, TX	Foster Care	17,242.60
Samaniego Armandina	El Paso, TX	Foster Care	34,605.65
Sanchez Alfredo	El Paso, TX	Foster Care	15,454.27
Sanchez Sergio F	El Paso, TX	Foster Care	18,574.85
Sandoval Luz E	El Paso, TX	Foster Care	5,878.22
Sandoval Luz M	El Paso, TX	Foster Care	25,254.35
Saucedo Guadalupe	El Paso, TX	Foster Care	25,254.35
Serene Life Services, LLC	El Paso, TX	Therapy Services	3,525.00
Serrano Gloria	El Paso, TX	Foster Care	17,242.60
Silva Debbie	El Paso, TX	Foster Care	18,574.85
Simpson Geoffrey W	El Paso, TX	Foster Care	17,242.60
Soriano Velasquez Yolanda	El Paso, TX	Foster Care	10,788.68
Soto & Soto Dental Prtns PLLC	El Paso, TX	Dental Care	4,654.15
Soto Martha	El Paso, TX	Foster Care	18,574.85
SRN Speech Therapy PC	El Paso, TX	Therapy Services	55,265.96
Stedt Irma H	El Paso, TX	Foster Care	18,574.85
Stevenson Dental Clinic	El Paso, TX	Dental Care	738.00
Taverna Cynthia A	El Paso, TX	Foster Care	9,363.76
Terry Maria S	El Paso, TX	Foster Care	32,912.65
Texas Tech Univ. Health Sciences Center	El Paso, TX	Physician Psychiatric Services	26,625.00
The Nadd	Kingston, NY	Contract Agency	3,500.00
Trawood Family Dental	El Paso, TX	Dental Care	4,818.90
University Behavioral Health	Denton, TX	Adult Mental Health Services	2,002,498.00
University of Colorado	Aurora, CO	Consultant	32,145.47
Vasquez Martha P	El Paso, TX	Foster Care	17,781.83
Vital Personal Assistant Services LLC	El Paso, TX	Consultant	120,582.00
Viva Transcription Corporation	Los Angeles, CA	Consultant	935.32
West Texas Centers	El Paso, TX	Consultant	2,220.93
West Texas Therapeutic Services	El Paso, TX	Consultant	80,808.03
Zambrano Raquel	El Paso, TX	Foster Care	18,574.85
Zapata Maria Elena	El Paso, TX	Foster Care	18,574.85
Zaragoza Family Dentistry	El Paso, TX	Dental Care	1,458.00
Zmark Health LLC	Palmyra, PA	Consultant	262,956.51
			<b>9,108,417.88</b>

**EMERGENCE HEALTH NEWTORK  
 SCHEDULE OF PROFESSIONAL LEGAL AND AUDIT FEES  
 FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

<b>NAME</b>	<b>CITY</b>	<b>TYPE</b>	<b>TOTAL</b>
<b>GENERAL FUND:</b>			
Beasley, Mitchell & Co.	Las Cruces, NM	Audit	45,858
Ray Pena McChristian PC	El Paso, TX	Legal	\$ 12,806
Other	El Paso, TX	Legal	150
			<u>\$ 58,814</u>

**EMERGENCY HEALTH NETWORK**

**INDIRECT AND ADMINISTRATIVE COST SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)**

	Total Costs	Non-Allowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Salaries	\$ 32,471,877	\$ -	\$ -	\$ 32,471,877		
Employee Benefits	8,761,458	-	-	8,761,458		
Capital Outlay	694,371	(694,371)		-		
Depreciation	-		1,100,357	1,100,357		
Other Operating Expenditures	35,327,467	-	-	35,327,467		
General And Administration & Authority Administration		-		-		\$ 12,197,346
Total Direct Costs	-				\$ 65,463,813	
Total Expenditures	<u>\$ 77,255,173</u>	<u>\$ (694,371)</u>	<u>\$ 1,100,357</u>	<u>\$ 77,661,159</u>	<u>\$ 65,463,813</u>	<u>\$ 12,197,346</u>
Indirect Costs						\$ 12,197,346
Direct Costs						\$ 65,463,813
Indirect Cost Rate						18.63%