Hazelden Betty Ford Foundation and Subsidiaries

Consolidated Financial Statements and Supplementary Information

December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Trustees of
Hazelden Betty Ford Foundation and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hazelden Betty Ford Foundation and Subsidiaries (the Foundation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

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

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

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

Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as referenced in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2024 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
April 23, 2024

HAZELDEN BETTY FORD FOUNDATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and 2022
(in thousands)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,055	$ 5,718
Patient and other receivables	33,508	26,621
Contributions receivable, net	4,241	3,452
Inventories	2,883	3,268
Prepaid expenses	2,321	1,630
Total current assets	51,008	40,689
PROPERTY AND EQUIPMENT, net	152,175	163,462
LONG-TERM INVESTMENTS	176,659	156,378
LONG-TERM CONTRIBUTIONS RECEIVABLE, net	11,256	13,738
BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS	1,401	1,283
GOODWILL	1,203	1,422
INTANGIBLE ASSETS, net	11,828	11,868
RIGHT TO USE ASSETS - OPERATING LEASES	4,457	4,861
RIGHT TO USE ASSETS - FINANCE LEASES	330	510
OTHER ASSETS, net	4,278	4,383
TOTAL ASSETS	$ 414,595	$ 398,594
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,007	$ 8,814
Accrued expenses	23,083	24,937
Current portion of long-term debt	16,240	12,140
Operating lease liabilities	1,455	1,435
Finance lease liabilities	215	142
Total current liabilities	48,000	47,468
LONG-TERM DEBT, net of current portion	43,580	45,952
OTHER LONG-TERM LIABILITIES		
Other long-term liabilities	2,846	2,765
Long-term credit agreement	395	-
Operating lease liabilities - non-current	3,253	3,706
Finance lease liabilities - non-current	172	388
Total other long-term liabilities	6,666	6,859
Total liabilities	98,246	100,279
NET ASSETS		
Without donor restrictions	261,243	246,929
With donor restrictions	55,106	51,386
Total net assets	316,349	298,315
TOTAL LIABILITIES AND NET ASSETS	$ 414,595	$ 398,594

See accompanying notes to the consolidated financial statements.

HAZELDEN BETTY FORD FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
OPERATING REVENUES		
Patient service revenue, net	$ 171,469	$ 162,850
Publishing revenue, net	31,936	25,419
Net graduate school tuition	2,591	2,560
Contributions	4,817	10,288
Grant revenue	-	223
Other	3,256	2,979
Net assets released from restrictions - operations	8,915	8,785
Total operating revenues	222,984	213,104
OPERATING EXPENSES		
Salaries and wages	118,962	114,708
Benefits	22,817	27,910
Cost of sales - publishing	6,333	6,207
Purchased services and professional fees	29,727	30,216
Other	33,106	33,177
Total expenses before interest, depreciation, amortization and accretion	210,945	212,218
Net Income before Interest, Depreciation, Amortization and Accretion	12,039	886
Interest	2,436	1,276
Depreciation, amortization and accretion	18,619	18,968
Total interest, depreciation, amortization and accretion expense	21,055	20,244
Operating Income (Loss)	(9,016)	(19,358)
NONOPERATING GAINS (LOSSES)		
Investment returns, net	20,969	(19,648)
Gain on extinguishment of debt	78	10,335
Other gains (losses)	60	(221)
Total nonoperating gains (losses), net	21,107	(9,534)
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	12,091	(28,892)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net assets released from restrictions - capital	2,223	3,191
Total other changes in unrestricted net assets	2,223	3,191
Change in Net Assets Without Donor Restrictions	14,314	(25,701)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	10,268	19,156
Investment income	4,590	(5,962)
Net assets released from restrictions - operations	(8,915)	(8,785)
Net assets released from restrictions - capital	(2,223)	(3,191)
Change in Net Assets With Donor Restrictions	3,720	1,218
Total Change in Net Assets	18,034	(24,483)
NET ASSETS, BEGINNING OF YEAR	298,315	322,798
NET ASSETS, END OF YEAR	$ 316,349	$ 298,315

See accompanying notes to the consolidated financial statements.

HAZELDEN BETTY FORD FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 18,034	$ (24,483)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, amortization and accretion	18,462	18,800
Realized and unrealized (gains) losses on investments	(23,325)	27,384
Gain from extinguishment of debt	(78)	(10,335)
Unrealized (gain) loss on split interest agreements	(18)	263
Loss on disposition of assets	-	141
Gain on settlement of ARO	(8)	(5)
Contributions restricted for endowment and plant	(15,951)	(4,964)
Provisions for credit losses	3,478	-
Provision for doubtful accounts	21	5,747
Patient and other accounts receivable	(10,386)	(6,211)
Accounts payable and accrued liabilities	(2,957)	(2,271)
Other asset and liability changes, net	2,558	(10,122)
Net cash flows from operating activities	(10,170)	(6,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment additions	(7,158)	(17,689)
Film and video additions	(712)	(402)
Increase in cash surrender value on life insurance policies	(15)	(4)
Proceeds from sales of long-term investments	35,883	35,252
Purchases of long-term investments	(32,839)	(29,775)
Net cash flows from investing activities	(4,841)	(12,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	4,000	14,000
Repayments of line of credit	-	(4,000)
Repayments of finance lease liabilities	(172)	-
Repayments of long-term debt	(2,140)	(2,469)
Contributions received restricted for endowment and plant	15,660	3,943
Net cash flows from financing activities	17,348	11,474
Change in cash and cash equivalents	2,337	(7,200)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,718	12,918
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,055	$ 5,718
SUPPLEMENTAL CASH FLOW INFORMATION		
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 1,432	$ 1,409
Capitalized interest	$ 586	$ 679
Noncash investing and financing activities		
Property and equipment acquired through accounts payable	$ 394	$ 1,020
Right of use assets obtained in exchange for operating lease liabilities	$ 1,002	$ 586

See accompanying notes to the consolidated financial statements.

1. Significant Accounting Policies

Nature of Organization

Founded in 1949, the Hazelden Betty Ford Foundation (the Foundation) is headquartered in Center City, Minnesota. The organization has helped millions of people change their lives and is recognized around the globe for expertise, leadership, innovation and advocacy.

The Hazelden Betty Ford mission:

"Harnessing science, love and the wisdom of lived experience, we are a force of healing and hope for individuals, families and communities affected by substance use and mental health conditions."

As a health care provider, Hazelden Betty Ford's recovery services have been accredited by the Joint Commission since 1974. Utilizing medicines, peer support and evidence-based practices such as motivational interviewing, cognitive-behavioral therapy and Twelve Step Facilitation, our organization merges behavioral and medical science with the transformative spirit of love and community in a holistic, multidisciplinary, model that has long been the gold standard for addiction care.

In addition to treatment centers and telehealth services across the United States, Hazelden Betty Ford has a network of collaborators throughout the healthcare industry. Our organization also includes a fully accredited graduate school of addiction studies, a publishing division, an addiction research center, recovery advocacy and thought leadership, professional and medical education programs and services, school-based prevention resources and a specialized program for children who grow up in families with addiction.

With the support of philanthropy, Hazelden Betty Ford is able to continuously advance and enhance care, research, programs and services, and invest in its commitment to being an inclusive organization that reflects and embraces differences, and that honors, serves and advocates for people from diverse and underrepresented backgrounds.

Hazelden Betty Ford obtained its tax-exempt status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) by a Determination Letter issued by the IRS in the year 1950. Accordingly, the organization is exempt from federal income taxation under Section 501(c) of the Code, and donations to it are tax deductible. Our website is HazeldenBettyFord.org.

The broad continuum of addiction-related services provided by the Foundation is represented in the table below:

Site Name/Location	Residential	Day Treatment	Out-Patient	Recovery Housing	Children's Program
Beaverton, OR			✓		
Bellevue, WA			✓		
Center City, MN	✓	✓		✓	✓
Chaska, MN			✓		
Chicago, IL		✓	✓		
Denver, CO					✓
Los Angeles, CA			✓		
Maple Grove, MN		✓	✓		
Naples, FL	✓	✓	✓	✓	
Newberg, OR	✓	✓		✓	
Plymouth, MN	✓	✓	✓	✓	
Rancho Mirage, CA	✓	✓	✓	✓	✓
San Diego, CA		✓	✓		
St. Paul, MN		✓	✓	✓	
Tribeca NYC, NY			✓		

The Foundation publishes and distributes educational material through the Hazelden Publishing division, provides consulting, prevention programs, skills training and technology tools to government, healthcare systems, behavioral health providers and schools through the Enterprise Solutions division of Hazelden Publishing, provides education and training programs for counselors and other professionals through the Hazelden Betty Ford Graduate School of Addiction Studies (the School), conducts various research and evaluation programs through the Butler Center for Research, and provides a number of community services, all related to long-term addictions and mental health conditions.

Representing our leadership in addiction treatment, the Foundation's Institute for Recovery Advocacy, as a National Voice and Thought Leader, serves to shape public policy and educate people everywhere about the problems of addiction, which currently affects more than 85 million Americans.

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of Hazelden Betty Ford Foundation and its wholly owned subsidiaries: Hazelden New York, a New York nonprofit corporation, Hazelden Chicago, an Illinois nonprofit corporation and Recovery Partners, P.C., a controlled, for-profit corporation (collectively, the Foundation). All significant intercompany transactions have been eliminated in consolidation.

Net Assets

The Foundation segregates its net assets into the following two categories according to the existence or absence of donor-imposed restrictions:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include all assets, liabilities, related revenues and expenses arising from the care of patients, the sales of books and educational materials, tuition from the School and other operating activities. Contributions without donor restrictions, investment income and restricted funds expended for operations are reflected in this category.

Net Assets With Donor Restrictions - Certain restricted net assets consist of unexpended gifts received from donors who have restricted their gifts for specific purposes or to use in a specific time period. When a donor restriction expires, that is, when a stipulated restriction ends or purpose restriction is accomplished, those restricted net assets are reclassified to net assets without donor restriction and reported as net assets released from restrictions.

Other restricted net assets consist of restricted gifts and pledges whose principal balance is required by the donor to remain intact in perpetuity. Investment earnings on these restricted net assets are expended as directed by the donor with the approval of the Board of Trustees.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions, (i.e., the donor-stipulated purpose has been fulfilled, the stipulated time period has elapsed and/or board appropriation) are reported as reclassifications between the applicable classes of net assets.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment

Contributions of land, buildings and equipment are reported as revenues of the net asset class without donor restriction. Contributions of cash or other assets to be used to acquire land, building and equipment are reported as revenues of the net asset class with donor restriction; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of 90 days or less, except for those held for long-term investment.

(In Thousands)

Contributions Receivable

The following is a summary of contributions receivable at December 31:

	2023	2022
Without donor restrictions, operating	$ 877	$ 1,050
With donor restrictions:		
Patient Aid	1,215	1,242
Prevention	317	469
Research	229	182
Graduate School	0	44
Operations	3	6
Capital	4,000	4,193
Other	11,536	12,056
Endowments	518	544
Gross contributions receivable	18,695	19,786
Less allowance for uncollectible contributions receivable	(1,727)	(1,888)
Less unamortized discount	(1,471)	(708)
Net contributions receivable	$ 15,497	$ 17,190
Amounts due in:		
Within one year	$ 6,560	$ 5,256
One to five years	12,135	14,530
	$ 18,695	$ 19,786

Unconditional contributions receivable are recognized at fair value in the period pledged. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions are met. Annually, contributions receivable are discounted to the net realizable value as appropriate to reflect the estimated timing of receipt for contributions due more than one year from the date of receipt. Contributions receivable beyond one year are discounted primarily between 0.2 percent and 4.2 percent for 2023 and 0.2 percent and 4.3 percent for 2022. Contributions receivable due within one year are not discounted. The allowance for uncollectible contributions receivable is determined based on historical experience and specific identification.

Leases

The Foundation has entered into lease agreements principally for outpatient facilities. These leases provide the ability to conduct business operations in the locations in which the Foundation operates. The operating leases are included in operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheets.

Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and are recognized as lease expense on a straight-line basis over the lease term. The leases recorded on the consolidated balance sheets do not provide an implicit lease rate; therefore, the Foundation has utilized an incremental borrowing rate as the basis to calculate the present value of future lease payments at lease commencement. The incremental borrowing rate represents the rate that would have to be paid to borrow funds on a collateralized basis over a similar term and in a similar economic environment.

(In Thousands)

Beneficial Interest in Split Interest Agreements

The Foundation is the beneficiary of various split-interest agreements that provide for payment of interest income to designated beneficiaries and remainder interest upon the maturity of the agreements. Assets are recorded at fair value based on the present value of assets expected to be received in the future using actuarial and other assumptions. The donor life expectancy and the discount rate ranging from 1 percent to 4.2 percent, based on the risk of each agreement, are used to estimate the fair value.

The Foundation was gifted one new split interest agreement during 2023 and no new split interest agreements for 2022.

Inventories

Inventories are valued at the lower of average cost, determined on a first-in, first-out (FIFO) basis or net realizable value and consist principally of educational materials.

Property and Equipment

Property and equipment additions are recorded at cost if purchased and at fair value at the date of gift if contributed, and are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 to 35 Years
Buildings	7 to 40 Years
Equipment	3 to 15 Years
Leasehold improvements	5 to 8 Years

Property and equipment of the Foundation consist of the following at December 31:

	2023	2022
Land and land improvements	$ 27,976	$ 27,423
Buildings	252,934	250,891
Equipment	122,974	121,096
Leasehold improvements	3,246	3,233
Construction in progress	4,078	5,476
Subtotal	411,208	408,119
Less accumulated depreciation	(259,033)	(244,657)
Total	$ 152,175	$ 163,462

Depreciation expense totaled $17,819 and $18,294 for the years ended December 31, 2023 and 2022, respectively. The Foundation capitalizes property and equipment expenditures in excess of $5. Outstanding commitments on construction contracts totaled approximately $400 at December 31, 2023.

Carrying Value of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances require that a long-lived asset be tested for possible impairment. The Foundation first compares undiscounted cash flows expected to be generated by the use and eventual disposition of the asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, the fair value is determined through various valuation techniques including, but not limited to discounted cash flow models, quoted market values and independent third-party appraisals. To date, no such impairment losses have been recorded.

Long-Term Investments

Investments are managed centrally and are recorded at fair value. Investment returns, which consist of investment income and realized and unrealized gains and losses, are allocated to the various categories of net assets based upon their interest in the commingled investments at fair value.

Investments include funds without donor restrictions and funds with donor restrictions that are perpetual in nature and purpose or time restricted received from donors to help support Foundation services and other investments.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired, and is amortized on a straight-line basis over ten years. The Foundation tests goodwill annually for impairment or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more likely than not impaired.

Intangible Assets

Intangible assets consist principally of a favorable ground lease contract, an option to purchase land, the rights to use the Betty Ford Center name and associated marks, the Betty Ford Center licenses to operate as a chemical dependency hospital and a children's program with copyrighted marketing components (Beamers rights). The ground lease is amortized over the life of the lease of 84 years. The option to purchase land is amortized over 84 years and the children's program is amortized over 10 years.

Intangibles with indefinite lives, including the Betty Ford Center name and associated marks as well as the Betty Ford Center licenses are tested annually or more frequently if circumstances indicate potential impairment, by comparing their fair values to their carrying amounts.

Other Assets

Other assets consist principally of curricula costs, film and video product development costs, the cash surrender value of life insurance policies and artwork. Curricula costs are amortized over three years. Film and video product development costs are amortized over the estimated periods during which benefits are realized.

Fine Arts and Antiques

The Foundation has elected to recognize contributions of fine arts and antiques in the consolidated financial statements although they are held for public exhibition in furtherance of educational and patient service purposes rather than for financial gain. They are valued at appraised value at the date of the gift.

Asset Retirement Obligations

The Foundation owns certain buildings that contain encapsulated asbestos material. A liability is recognized for the asset retirement obligation (ARO) related to the estimated remediation cost of such material. Subsequent to initial recognition, the Foundation records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

The estimates of the losses that are probable from environmental remediation liabilities for asbestos removal were calculated using the expected cash flow approach based upon estimated current market prices to remove the asbestos and using appropriate discount and inflation rates. It is reasonably possible that changes in this estimate could occur in the near term and that actual results could differ from this estimate and could have an impact on the consolidated financial statements.

Changes in the accrual for asset retirement obligations, which is included in other long-term liabilities on the consolidated balance sheets, during the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Balance, Beginning	$ 184	$ 183
Abatements	(7)	(5)
Accretion expenses	6	6
Balance, Ending	$ 183	$ 184

Revenue Recognition

Patient service revenue is the primary source of revenue for the Foundation and is reported at the amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third party payers (including health insurers) and others. Generally, the Foundation bills the patients and third party payers after the services are performed and/or the patient is discharged from the level of care. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Foundation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Foundation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient residential care services. The inpatient residential services represent a bundle of services that are not distinct services. As such, payment for those services is based on the patient's diagnosis and encompasses all the services provided during the patient's stay. The Foundation measures the performance obligation from admission into a residential facility to the point of time when the patient is discharged. Outpatient services are traditionally provided on a daily basis for a specific service. The performance obligation is considered to be met each day that services are provided as the patient is not required to continue services in subsequent periods and reimbursement is not contingent on the patient's continued receipt of services.

The Foundation uses the portfolio approach as a practical expedient for contracts related to net patient service revenue. The Foundation accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. Based upon historical collection trends, the Foundation has concluded that revenue for a given portfolio would not be materially different than if revenue was accounted for on a contract-by-contract basis.

(In Thousands)

The Foundation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third party payers and discounts and/or implicit price concessions provided to patients in accordance with the Foundation's policy. Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Foundation also provides services to uninsured patients, and generally offers those uninsured patients a discount from standard charges. The Foundation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The Foundation determines its estimated contractual adjustments and discounts based on contractual agreements. Subsequent changes to the Foundation's estimate of the transaction price are recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of credit and collection issues that exceed the initial credit loss allowance as of the date of service are recognized as credit loss expense. Credit loss expense for the years ended December 31, 2023 and 2022 was not significant.

Net patient revenues are derived from the following payer sources during the years ended December 31:

	2023	2022
Blue Cross Blue Shield	36 %	36 %
United Behavioral Health	10	10
Health Partners	8	7
Other insurance contracts	36	36
Self-pay (includes out of network insurance)	10	11
	100 %	100 %

Credit is granted without collateral to patients, most of whom are residents in the communities that the Foundation serves and are insured under third-party payer agreements. The following table presents the mix of net patient accounts receivable as of December 31:

	2023	2022
Blue Cross Blue Shield	31 %	35 %
United Behavioral Health	25	16
Health Partners	5	11
Aetna	8	8
Cigna	7	2
Other insurance contracts	18	23
Self-pay (includes out of network insurance)	6	5
	100 %	100 %

The composition of net patient revenue based on service lines was as follows for the years ended December 31:

	2023	2022
Inpatient residential	$ 113,869	$ 109,921
Outpatient	57,600	52,929
Total	$ 171,469	$ 162,850

(In Thousands)

The Foundation has other sources of revenue which include publishing and educational services and higher education tuition. Those revenues are reported at the amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing goods and services. These amounts are due from customers, students and others. Revenue is recognized as performance obligations are satisfied, which for publishing is generally when the goods or services are provided. Higher education tuition revenue is recognized over time as the related performance obligation is satisfied.

Tuition revenues are reported net of scholarships and discounts that totaled $247 and $302 in 2023 and 2022, respectively. Publishing revenues are reported net of returns and allowances and shipping costs totaling $1,177 and $1,177 in 2023 and 2022, respectively.

	2023	2022
Publishing revenue	$ 31,936	$ 25,419
Tuition revenue	2,591	2,560

The Foundation has received support under the Coronavirus Aid, Relief and Economic Security (CARES) Act, including Provider Relief Funds (PRF) and Higher Education Emergency Relief Funds (HEERF). In accordance with the terms and conditions of the PRF, the Foundation could apply the funding against lost revenues and eligible expenses. Noncompliance with the terms and conditions could result in repayment of some or all of the support. The Foundation received $0 and $198 of PRF receipts in 2023 and 2022, respectively. Total PRF funds recognized as operating revenue were $0 and $198 in 2023 and 2022, respectively. The Foundation recognized HEERF receipts as revenue in the period in which funds were expended in accordance with the terms and conditions of the grant. The Foundation received $0 and $52 of HEERF receipts in 2023 and 2022, respectively. Total HEERF funds recognized as operating revenue were $0 and $52 in 2023 and 2022, respectively. The Foundation also received and recognized various grants from state and local government agencies in 2023 and 2022. Revenue recognized related to PRF, HEERF and other grants are presented as grant revenue on the statements of operations and changes in net assets.

Trade receivables

The Foundation operates in multiple industries and its accounts receivables are primarily derived from behavioral health patient services and publishing sales and services. At each balance sheet date, the Foundation recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Foundation’s historical credit losses as a percentage of the revenue generated by the pools of revenue for patient services and publishing sales and services within a 12 month timeframe. This estimate is adjusted for management’s assessment of current conditions, reasonable and supportable forecasts regarding future events over the next 6-12 months and any other factors deemed relevant by the Foundation. Management believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the pooled segment characteristics have remained consistent. Management also evaluated certain internal and external factors, including aging of receivables and macro-economic conditions to determine if additional adjustments were needed to the historical rate of losses. For the patient receivables pool, a slight increase to the loss rate was made based on these factors. Any factors beyond a 12 month period would not be regarded as useful due to the short term nature of the receivables and the Foundation would revert back to historical loss rates.

(In Thousands)

The allowance for credit losses for accounts receivable by pooling segment and the related activity are as follows:

	Patient Receivables	Publishing Receivables	Total
Beginning balance, December 31, 2022	$ (1,355)	$ (23)	$ (1,378)
Provisions for credit losses	(3,452)	(26)	(3,478)
Write-offs	7,794	48	7,842
Recoveries	(4,315)	(33)	(4,348)
Misc adjustment	228	6	234
Ending balance, December 31, 2023	$ (1,100)	$ (28)	$ (1,128)

Allowance for Doubtful Accounts

Prior to the adoption of ASU 2016-13, the Foundation recognized an allowance for doubtful accounts for receivables arising from patient service revenue, publishing revenue, and other revenue streams. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts. At December 31, 2023, 2022, and 2021, the Foundation had receivables from contracts with customers of approximately $33,508, $26,621, and $26,157, respectively. The allowance for doubtful accounts was $0 and $1,378 as of December 31, 2023 and 2022, respectively.

Charity Care

The Foundation provides services to individuals and families who seek and qualify for care but are unable to pay the full cost. The Foundation refers to this charity care as patient aid. The patient aid policy provides that the Foundation will annually establish a target amount of aid based on a minimum of five percent of budgeted net adjusted patient service revenue (budgeted gross charges less budgeted contractual discounts).

The estimated costs of providing charity care are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Foundation's total recovery care expenses divided by gross patient service revenue. The estimated costs to provide charity care were $5,558 and $6,426 in 2023 and 2022, respectively. The Foundation released $1,491 and $1,358 of net assets with donor restrictions from donor contributions for patient aid in 2023 and 2022, respectively.

MNCare Tax

The Foundation pays state tax in the state of Minnesota (MNCare Tax) on receipts. The tax is 2.0 percent of all non-Medicare and non-Medicaid receipts. The Foundation recognized approximately $1,525 and $1,692 of MNCare tax in total operating expenses for the years ended December 31, 2023 and 2022, respectively.

Advertising

Advertising costs are charged to operating expenses when incurred. Advertising costs totaled $652 and $916 for the years ended December 31, 2023 and 2022, respectively.

Excess (Deficiency) of Revenues and Gains Over Expenses

The consolidated statements of operations and changes in net assets include the excess (deficiency) of revenues and gains over expenses as an indicator of operating performance. Changes in net assets without donor restrictions that are excluded from revenues and gains over expenses, consistent with industry practice, include investment return related to net assets with donor restrictions and contributions of (and assets released from donor restrictions related to) long-lived assets.

Tax Status

The Foundation and its subsidiaries have received notification that they qualify as tax-exempt organizations under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly are not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Foundation is not currently under examination by any taxing jurisdiction.

Recovery Partners, P.C. is a for-profit corporation subject to federal and state income tax. Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for deductible temporary differences and tax operating loss and tax credit carry forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Recovery Partners, P.C. continues to maintain a full valuation allowance against its deferred tax assets based on management's determination that the probability of their realization is not deemed to be more likely than not.

In accounting for uncertain tax positions, the Foundation recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of the Foundation and various tax positions related to potential sources of unrelated business taxable income. The Foundation had no uncertain tax positions as of December 31, 2023 and 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). On January 1, 2023, the Foundation adopted ASU No. 2016-13 (as amended) which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The Foundation adopted this standard using the modified retrospective method for financial assets measured at amortized cost. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Foundation applied these changes with no material impact on its consolidated financial statements.

Reclassification

Certain amounts have been reclassified in the 2022 financial statements to conform to the 2023 presentation. There was no change in the Foundation's net assets or excess (deficiency) of revenues and gains over expenses as a result of these reclassifications.

2. Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

(In Thousands)

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The tables within this note are not intended to indicate the volatility of the investments.

The following tables summarizes financial instruments measured at fair value on a recurring basis by classification within the three-level hierarchy for the years ended December 31, 2023 and 2022:

	2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Long-term investments:				
Cash and short-term equivalents	$ 6,198	$ 1,606	$ 4,592	$
Equity securities:				
U.S. equities	13,745	13,745		
Mutual funds:				
U.S. equity funds	44,652	44,652		
Non U.S. equity funds	33,051	33,051		
Fixed income funds	22,315	22,315		
Real assets funds	7,441	7,441		
Alternative investment:				
Private equity	2,992			2,992
Subtotal long-term investments	130,394	122,810	4,592	2,992
Beneficial interest in split-interest agreements	1,401		822	579
Total	$ 131,795	$ 122,810	$ 5,414	$ 3,571
Long-term investments measured at fair value	$ 130,394			
Alternative investments measured using net asset value	46,265			
Total	$ 176,659			

(In Thousands)

Alternative investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value.

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Long-term investments:				
Cash and short-term equivalents	$ 2,066	$ 1,357	$ 709	$
Equity securities:				
U.S. equities	10,505	10,505		
Mutual funds:				
U.S. equity funds	36,675	36,675		
Non U.S. equity funds	29,920	29,920		
Fixed income funds	20,903	20,903		
Real assets funds	7,207	7,207		
Alternative investment:				
Private equity	3,341			3,341
Subtotal long-term investments	110,617	106,567	709	3,341
Beneficial interest in split-interest agreements	1,283		712	571
Total	$ 111,900	$ 106,567	$ 1,421	$ 3,912
Long-term investments measured at fair value	$ 110,617			
Alternative investments measured using net asset value	45,761			
Total	$ 156,378			

Alternative investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Cash and Short-Term Equivalents

The fair value of short-term investments, consisting primarily of money market funds, are classified as Level 1 if they are traded in an active market for which closing prices are readily available and as Level 2 if the funds are not traded on a regular basis.

Equity Securities

Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

(In Thousands)

Mutual Funds

Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Alternative Investment

An investment in private equity for which there is no readily determinable fair value is classified as Level 3 as the valuations are based on significant unobservable inputs.

Beneficial Interest in Split Interest Agreements

Some of the beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Others are classified as Level 2 as the fair values are based on observable inputs, including interest rates, yield curves, life expectancy tables and contractual cash flows. The fair values are estimated using the income approach by calculating the present value of the future distributions the Foundation expects to receive over the term of the agreements.

While the Foundation 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 estimate of fair value at the reporting date.

The following tables present a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended December 31, 2023 and 2022:

	2023				
	Balances January 1, 2023	Realized and Unrealized Gains (Losses)	Purchases	Settlements	Balances December 31, 2023
Assets:					
Private equity	$ 3,341	$ (349)	$	$	$ 2,992
Beneficial interest in split-interest agreements	571	8			579
Total	$ 3,912	$ (341)	$	$	$ 3,571

	2022				
	Balances January 1, 2022	Realized and Unrealized Gains (Losses)	Purchases	Settlements	Balances December 31, 2022
Assets:					
Private equity	$ 3,223	$ 118	$ -	$ -	$ 3,341
Beneficial interest in split-interest agreements	756	(185)	-	-	571
Total	$ 3,979	$ (67)	$ -	$ -	$ 3,912

The fair value of certain funds has been estimated using the Net Asset Value (NAV) as reported by the management of the fund as a practical expedient.

(In Thousands)

The following table lists the investments in alternative investments by manager and category:

	Sona Credit Fund Limited Partnership (offshore)	Aurelius Capital International Fund II Limited Partnership (offshore)	Hudson Bay International Fund** Commingled Fund (Offshore)	Clear Lake Capital Partners VII* Limited Partnership	Silchester Intl Value Equity Commingled Fund
Fair value, December 31, 2023	$ 3,359	$ 917	$ -	$ 904	$ 12,541
Fair value, December 31, 2022	$ 2,824	$ 1,885	$ 166	$ 584	$ 10,418
Significant investment strategy	Hedge Fund Long/Short Credit	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy	Private Equity Value-oriented Buyout	International Value Equity Strategy
Remaining life	N/A	N/A	N/A	5 Years +	N/A
Dollar amount of unfunded commitments	None	None	None	$ 635	None
Timing to draw down commitments	N/A	N/A	N/A	5+ Years	N/A
Redemption terms	Quarterly with 45 days' notice	Quarterly with 65 days' notice; 18 month lock-up	Quarterly with 65 days' notice	N/A	Monthly with 10 days' notice
Redemption restrictions	Redemptions are subject to a 25% fund level gate, with at least 45 days notice	Redemptions are subject to a 25% investor level gate, with at least 65 days notice	Redemptions are subject to a 25% ratable quarterly investor level gate with at least 65 days' notice	Illiquid	Minimum redemption of $500
Redemption restrictions in place at year end	None	Fund is liquidating. Remaining balance expected to be received in 2024	None	Illiquid	None

* Valuation date: September 30, 2023
** Market value represents a holdback which is expected to be paid out in April/May 2023

(In Thousands)

	Energy Capital Partners Mezzanine** (Limited Partnership)	Wellington Emerging Markets Commingled Vehicle	Renaissance RIDGE Commingled Fund (Offshore)	Lead Edge Capital VI** Limited Partnership	Davidson Kempner Offshore Limited Partnership
Fair value, December 31, 2023	$ 29	$ 9,036	$ 0	$ 538	$ 2,944
Fair value, December 31, 2022	$ 35	$ 8,450	$ 1,760	$ 70	$ 3,531
Significant investment strategy	Mezzanine investments in energy infrastructure	Emerging Markets Equity	Hedge Fund Multi-Strategy	Private Equity Growth-oriented / Late Stage Venture	Hedge Fund Multi-Strategy
Remaining life	5 + years	N/A	N/A	5 Years +	N/A
Dollar amount of unfunded commitments	$ 96	None	None	$ 938	None
Timing to draw down commitments	19% of Commitment ($96) for remaining fund item	N/A	N/A	4+ Years	N/A
Redemption terms	N/A	Weekly with 10 days’ notice	Monthly with 60 days' notice	N/A	Quarterly with 65 days' notice
Redemption restrictions	Illiquid	None	None*	Illiquid	Redemptions are subject to a 10% fund level gate, with at least 65 days' notice
Redemption restrictions in place at year end	Illiquid	None	None	Illiquid	None

* No liquidity restraints. However, redemptions can be suspended or delayed in certain extraordinary circumstances.

** Valuation date: September 30, 2023

(In Thousands)

	Atalan Offshore Limited Partnership	HG Vora Offshore Limited Partnership	Shellback Offshore Limited Partnership	Silverpoint Offshore Limited Partnership
Fair value, December 31, 2023	$ 1,747	$ 1,851	$ 1,658	$ 2,259
Fair value, December 31, 2022	$ 1,453	$ 1,689	$ 1,386	$ 2,542
Significant investment strategy	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy
Remaining life	N/A	N/A	N/A	N/A
Dollar amount of unfunded commitments	None	None	None	None
Timing to draw down commitments	N/A	N/A	N/A	N/A
Redemption terms	Quarterly with 60 days' notice	Quarterly with 90 days' notice	Quarterly with 45 days' notice	Quarterly with 90 days' notice
Redemption restrictions	Redemptions are subject to a 25% investor level gate, with at least 60 days' notice	Redemptions are subject to a 25% investor level gate, with at least 90 days' notice	3% penalty for redemptions during the first year of investment	The first installment (25%) may be redeemed on the first quarter-end that occurs following the one-year anniversary of the effective date of the Subscription. The other installments may be redeemed on each of the three subsequent quarter-ends.
Redemption restrictions in place at year end	None	None	None	None

	Tudor Riverbend Offshore Limited Partnership	Arkkan Opportunities Fund Offshore Limited Partnership	Pelham Long/Short Fund Offshore Limited Partnership	Brevan Howard MB Macro Fund Offshore Limited Partnership
Fair value, December 31, 2023	$ 2,432	$ 2,515	$ 0	$ 3,535
Fair value, December 31, 2022	$ 2,573	$ 2,407	$ 927	$ 3,061
Significant investment strategy	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy	Hedge Fund Multi-Strategy
Remaining life	N/A	N/A	N/A	N/A
Dollar amount of unfunded commitments	None	None	None	None
Timing to draw down commitments	N/A	N/A	N/A	N/A
Redemption terms	Quarterly with 60 days' notice	Quarterly with 90 days' notice	Monthly with 180 days' notice	Monthly with 3 months' notice
Redemption restrictions	None	Redemptions are subject to a 25% investor level gate, with at least 90 days' notice	Redemptions are subject to a 10% Master-Fund level gate, with at least 180 days' notice	Redemptions are subject to a 12.5% investor level gate, with at least 3 months' notice
Redemption restrictions in place at year end	None	None	None	None

(In Thousands)

3. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions are available for the following purposes as of December 31:

	2023	2022
Restricted for donor specified purposes:		
Patient aid	$ 623	$ 734
Prevention	829	943
Student aid	383	348
Research	504	777
Operations	319	149
Special projects	4,183	4,555
Contributions receivable	15,397	14,586
	22,238	22,092
Subject to Foundation spending policy and appropriation		
Restricted in perpetuity (including amounts above original gift appropriated, is expendable to support):		
Patient Aid	18,294	17,783
Operations	9,204	9,203
Prevention	1,654	1,654
Student Aid	836	833
Research	4,518	4,497
Special projects and other	503	504
Contributions receivable	394	388
	35,403	34,862
Earnings/(Underwater endowments)	(2,535)	(5,568)
Total	$ 55,106	$ 51,386

4. Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors are as follows during the years ended December 31:

	2023	2022
Purpose restrictions accomplished:		
Patient aid	$ 1,491	$ 1,358
Prevention	1,647	1,747
Student aid	151	265
Research	720	1,084
Operations	765	485
Other	2,592	2,388
Release of appropriated endowment amounts with purpose restrictions	1,549	1,458
Total net assets released from restrictions - operations	$ 8,915	$ 8,785

(In Thousands)

	2023	2022
Release for various capital improvement projects	$ 2,223	$ 3,191
Total net assets released from restrictions - capital	$ 2,223	$ 3,191

5. Long-Term Investments

The following summarizes the fair value of the Foundation's investments at December 31:

	2023	2022
Cash and short-term equivalents	$ 6,198	$ 2,066
Equity securities	13,745	10,505
Mutual funds	116,495	103,156
Fund of mutual funds	12,541	10,418
Alternative investments:		
Private equity	2,992	3,341
Mezzanine energy infrastructure fund	29	34
Hedge funds	24,659	26,858
	$ 176,659	$ 156,378

The following summarizes the investment returns of the Foundation's investments at December 31:

	2023	2022
Interest and dividends	$ 2,233	$ 1,773
Realized (loss) gains on investments	(3,880)	3,520
Change in unrealized gain (loss) on investments	22,616	(24,941)
Investment income gain (loss), restricted investments	4,590	(5,962)
	$ 25,559	$ (25,610)

The Foundation's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to global and domestic equity, fixed income, commodities, real estate and private equity markets. The alternative investments were entered into to diversify the Foundation's portfolio, to manage exposure to volatility in overall earnings and to provide market neutral holdings.

The Foundation's endowment funds are included in long-term investments. See Note 15.

Investment returns are reported net of related expenses of $444 and $480 for the years ended December 31, 2023 and 2022, respectively.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

(In Thousands)

6. Intangible Assets

A majority of the intangible assets were acquired as part of the Foundation's merger with Betty Ford Center in 2014 and consist of the following at December 31:

	2023	2022
Ground lease, net	$ 529	$ 536
Options, net	2,102	2,130
Betty Ford trade name	5,741	5,741
Licenses	2,620	2,620
Betty Ford program	820	820
Beamer rights, net	16	21
	$ 11,828	$ 11,868

Accumulated amortization was $391 and $352 as of December 31, 2023 and 2022, respectively. Amortization expense was $40 in 2023 and 2022, respectively. Estimated future amortization expense is as follows:

Years ended:	
2024	$ 40
2025	40
2026	40
2027	40
2028	40
Thereafter	2,447
	$ 2,647

7. Debt

Short-Term Debt

The Foundation has a $25,000 revolving unsecured line of credit agreement through September 20, 2024. The interest rate is 1.5 percent plus the greater of (i) zero percent (0.0%) and (ii) the one-month LIBOR rate or any successor thereto which may be designated by Lender (effective rate of 5.4 percent at December 31, 2023 and 6.08 percent at December 31, 2022). At December 31, 2023, the amount outstanding was $14,000. As of December 31, 2022, the amount outstanding was $10,000.

In May 2021, the Foundation obtained two loans from U.S. Bank in the amount of $10,335 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security (CARES) Act as amended by the Economic Aid Act and the American Rescue Plan Act (the Acts). Per the terms of the loans, the amounts borrowed may be forgiven in part or in full to the extent proceeds of the loans are used for eligible expenditures such as payroll and other expenses described in the Acts. The loans were accounted for as debt instruments in accordance with ASC 470, Debt. Interest accrued on the loans at a rate of 1% per annum and totaled $78 at December 31, 2021. In February, 2022, the Foundation received notice of PPP forgiveness from the Small Business Administration (SBA) to the U. S. Bank, National Association indicating full forgiveness of the loans and accrued interest totaling $10,413. During 2022, the Foundation performed an analysis and concluded that it had met all conditions relative to applying for and receiving subsequent forgiveness of the loan. As such, the Foundation recognized a gain on extinguishment of the PPP loan in 2022 which is presented in nonoperating gains and losses on the consolidated statements of operations and changes in net assets. The PPP loan is subject to audit by the SBA for a period of 6 years.

(In Thousands)

Long-Term Debt

Long-term debt consists of the following at December 31:

	2023	2022
City of Center City, Minnesota Fixed Rate Health Care Facilities Revenue Bonds, Series 2014	$ 28,785	$ 30,375
City of Center City, Minnesota Fixed Rate Health Care Facilities Revenue Bonds, Series 2019	14,490	15,040
Line of credit, unsecured	14,000	10,000
	57,275	55,415
Bond premium	3,034	3,191
Less:		
Current portion	(16,240)	(12,140)
Deferred debt acquisition costs, net	(489)	(514)
Total	$ 43,580	$ 45,952

City of Center City, Minnesota Fixed Rate Health Care Facilities Revenue Bonds, Series 2014

On July 1, 2014, the City of Center City, Minnesota issued $38,730 in fixed rate health care facilities revenue bonds on behalf of the Foundation. The proceeds were used to construct and equip an addition to the existing St. Paul, Minnesota campus, to construct and equip a new patient unit at the existing Center City, Minnesota campus and to redeem the City of Center City Revenue Bonds Series 2000, 2002 and 2005. The bonds mature in serial increments or are otherwise subject to mandatory sinking fund redemptions, beginning November 1, 2015 through November 1, 2044 at fixed interest rates ranging from 2.0 percent to 5.0 percent. Under the loan agreement, serial maturities or mandatory sinking fund redemptions beginning on November 1, 2015 through 2044 range from $595 to $2,435.

City of Center City, Minnesota Fixed Rate Health Care Facilities Revenue Bonds, Series 2019

On August 5, 2019, the City of Center City, Minnesota issued $16,640 in fixed rate health care facilities revenue bonds on behalf of the Foundation. The proceeds were used to redeem the Series 2011 revenue bonds in full. The bonds mature in serial increments or are otherwise subject to mandatory sinking fund redemptions, beginning November 1, 2019 through November 1, 2041 at fixed interest rates ranging from 3.0 percent to 4.0 percent. Under the loan agreement, serial maturities or mandatory sinking fund redemptions beginning on November 1, 2019 through 2041 range from $40 to $5,975.

On July 1, 2016, the Foundation entered into a 6-year loan agreement with U.S. Bank to refinance other bank loans. The agreement specifies quarterly principal payments of $131. The unsecured loan bears a fixed interest rate of 2.97 percent per annum and was repaid in full in 2022.

Principal payments are due as follows (in thousands):

2024	$	16,240
2025		2,345
2026		2,460
2027		2,575
2028		2,695
Thereafter		30,960
	$	57,275

Interest expense totaled $2,436 and $1,276 for the years ended December 31, 2023 and 2022, respectively. Capitalized interest of $586 and $679 is included in interest paid for the years ended December 31, 2023 and 2022, respectively.

Costs of debt issuance are deferred and amortized on a straight-line basis over the term of the related indebtedness. Amortization expense of $26 and $25 was recorded for the years ended December 31, 2023 and 2022, respectively. The amount of accumulated amortization was $177 and $151 as of December 31, 2023 and 2022, respectively. The unamortized balance is included as a reduction to long-term debt on the consolidated balance sheets.

The debt agreements contain covenants which, among other matters, require the Foundation to maintain certain financial ratios. The Foundation was in compliance with all such covenants at December 31, 2023 and 2022.

8. Charity Care and Community Benefit

In meeting the Foundation's mission and underlying charitable purpose, the Foundation invests time, financial resources and energy to help people and communities understand and address addiction as a treatable disease and spread the word that recovery is possible. “Be of service” is an integral core value which the Foundation demonstrates in a variety of ways.

The Foundation provides treatment services to individuals and families who seek and qualify for care but are unable to pay the full cost. The Foundation's patient aid policy provides that the Foundation will annually establish a target amount of patient financial assistance. The estimated costs to provide charity care were $5,558 and $6,426 in 2023 and 2022, respectively.

In addition to its annual provision for charity care (see Note 1), the Foundation provides a variety of other benefits for the public good including:

Graduate School of Addiction Studies

The Hazelden Betty Ford Graduate School of Addiction Studies prepares future leaders in addiction counseling through two available degrees: Master of Arts in Addiction Counseling: Advanced Practice and Master of Arts in Addiction Studies: Integrated Recovery for Co-Occurring Disorders. The School emphasizes public engagement as a means of serving constituent communities. In 2023, students provided approximately 40,800 hours of clinical services at agencies reaching underserved and economically disadvantaged populations.

The School offers a full scholarship each year to a student who works at Chisago County Health and Human Services, and we provide continuing education to these Chisago County professionals at no cost. In 2023, 44 students graduated from the School with master’s degrees. Overall, more than 92% of graduates who seek careers in the addiction treatment field find employment in their home communities or at regional or national treatment agencies. Faculty and graduate School leaders participate in public service events throughout the United States and make research, educational and scholarly contributions to the field of addiction treatment.

Butler Center for Research

The Butler Center for Research (BCR) is dedicated to improving recovery from addiction by conducting clinical and institutional research, program evaluation and quality improvement, collaborating with other research centers and community-based organizations, and communicating scientific findings. It is the Center's vision that sustained recovery for all who seek help will be achieved through advancements in knowledge and integration of research into practice.

In 2023, the BCR participated in the following activities:

- As part of the Hazelden Betty Ford Foundation's commitment to evidence-based practice, a variety of projects were conducted to inform clinical care and academic programming, identify programmatic and treatment needs, drive data-based decision-making, and contribute to the professional and public knowledge of addiction treatment and recovery services. Projects included data collection, data analyses, research-based collaborations, published journal articles, industry trend reports, on-going consultation and webinars, among others.

- ***The VIOP Study.*** At the time of the global novel coronavirus pandemic, very little was known about the efficacy of virtual group services for addiction. As a result, BCR scientists undertook an evaluation of the Foundation's intensive outpatient and partial hospitalization virtual services rollouts to better understand what type of patients benefit from in-person or virtual addiction care. Findings from this study have already helped inform the Foundation's approach to providing virtual care as a viable alternative to some in-person services, and have resulted in three (two published in 2022, one published in 2023) published journal articles to date

- Research collaborations with other academic and industry leaders in 2023:

    - In partnership with *Spark Biomedical*, the BCR continued the *RESTORE* study, funded by the National Institutes of Health HEAL Initiative. This multi-site randomized clinical trial will examine how TAN (transcutaneous auricular neurostimulation) therapy, delivered by an FDA-approved and -cleared non-invasive wearable device worn behind the ear, can improve relapse prevention for individuals with opioid use disorder. Recruitment first began in 2022 and will continue across the Betty Ford Center, Center City, MN, and Plymouth, MN sites well into 2024. *Findings from this study will ultimately help individuals stay engaged in their care, avoid returning to use, sustain their recovery, while contributing to one of the many safe, effective clinical treatment options for those struggling with opioid dependence.*

    - The BCR continued their multi-year collaboration with the *Mayo Clinic*. Funded by the National Institute on Alcohol Abuse and Alcoholism (NIAAA), Mayo & BCR researchers completed recruitment and data collection for this project examining the use of acamprosate, an FDA-approved medication targeting alcohol craving. This research study aimed to identify biomarkers that may predict patient response to the use of the medication, with the hope of finding new genes linked to alcoholism treatment response. The project which first began in 2019 ended recruitment and data collection in 2023. Of the total 378 patients who volunteered to participate, 308 were recruited from HBFF. *Findings from this study aim to be published in 2024 and will contribute to advancing precision addiction medicine and inform substance use treatment on a national scale.*

- In collaboration with *the Recovery Research Institute at Harvard Mass General,* BCR began recruitment in 2023 for a research study funded through the National Institutes of Health (NIH). This project will examine the role and influence of social identity and social networks in the development of recovery capital and substance use outcomes for adolescents with alcohol or other drug use disorder. Recruitment will continue into 2024. *Future study results will contribute to researchers and clinicians understanding of adolescent-specific recovery journey and the unique factors that help or hinder successful treatment and sustainable recovery.*

- BCR scientists continued their partnership with *Virginia Commonwealth University* researchers on a NIAAA grant-funded study, "Genes, Addiction, and Personality" (GAP). This research is part of a national genome-wide association study to learn more about the relationships between personality, mental health, substance use and genes. Data collection first began in 2018, continued in 2023 and will be ongoing in 2024.

Research Updates continue to be written and disseminated to professionals, educators, researchers, students and other stakeholders. These brief summaries of scientific findings from the field of addiction treatment research are provided at no cost as a community benefit to policymakers, treatment professionals and the public at large. Research Updates are also available on the BCR web page at https://www.hazeldenbettyford.org/research-studies/addiction-research.

Medical and Professional Education

The Professionals in Residence (PIR) program and the Summer Institute for Medical Students (SIMS) give medical students, residents, health care and legal professionals an in-depth experience with the dynamics of the disease of addiction. Intensive one-week programs blend classes presented by Hazelden Betty Ford Foundation physicians and expert clinicians with time spent interacting with patients and staff on residential and day treatment units. Participants learn about the latest research and evidence-based methods from our multidisciplinary faculty.

A rotation on addiction for psychiatry, family medicine and internal medicine residents is available in Minnesota and California. A one-year ACGME-accredited Addiction Medicine Fellowship is available at the Betty Ford Center in Rancho Mirage, California, and a Course on Addiction and Recovery Education (CARE) is available worldwide. The Minnesota, California and Oregon sites offer customized programming for larger groups. In 2023, our Medical and Professional Education programs trained a total of 338 participants.

Public Advocacy

By informing public audiences and key stakeholders about important issues, Hazelden Betty Ford seeks to diminish public stigma related to addiction and improve the formulation of policy at its earliest stages. Through its advocacy, the Foundation also supports each Hazelden Betty Ford facility, its employees and other interested stakeholders by responding to requests and providing information on relevant federal, state and local issues and legislation.

At the federal level, Hazelden Betty Ford continued contributions to the Partnership to Amend 42 CFR Part 2, a coalition that advocates for aligning conflicting federal laws related to the sharing of medical records to allow appropriate access to patient information that is essential for providing whole-person care. Additionally, Hazelden Betty Ford advocated for policy changes to improve access to quality prevention, treatment and recovery-related resources.

At the state level, Hazelden Betty Ford met and communicated with policymakers in California, Florida, Minnesota, New York, Oregon, and elsewhere related to organizational priorities to expand services to people across the country. The firm Fredrikson & Byron, P.A., was retained to help with lobbying efforts in Minnesota.

Hazelden Betty Ford's advocacy leaders sponsored or provided speakers for numerous events in 2023 and distributed a monthly Advocacy Update email to a national list of subscribers, while also producing blogs and audio-video content, providing or securing media interviews to support its advocacy agenda, and generating thousands of social media impressions and website visitors. The Foundation regularly receives requests for information on addiction, treatment and recovery issues from policymakers, the media and the public. By serving as a reliable resource to many, the Foundation was able to influence policy and public attitudes in diverse ways.

Through its advocacy, Hazelden Betty Ford provides a leading and trusted voice on emerging topics and public policy issues related to addiction and mental health, and facilitates conversation among those in recovery, those still suffering and society-at-large. The Foundation is and will remain committed to smashing stigma, shaping public policy and educating people everywhere about the problems of addiction and the promise of recovery.

Community Education and Relations

The Foundation continued to deliver both virtual and in person events to our alumni and the recovery community. Between alumni events and live and recorded webinars, more than 848,000 people were reached.

The Speakers Bureau helped place the organization's many spokespeople at events, with 87 different employees delivering 130 presentations in 44 locations, as well as virtual presentations available globally.

We also provided education and support at our free, open-to-the-public Caring Families groups, held online twice weekly for the Florida community. Educational scholarships from the Foundation totaling $5,200 were awarded to students at six high schools in the Twin Cities and Center City areas of Minnesota, as well as two western Wisconsin high schools.

Publishing

Hazelden Publishing is the leading publisher of state-of-the-art resources for preventing, treating and managing addiction and closely related issues. Translating research into practice, we help organizations treat the whole client by offering information, guidance, tools and support to meet their unique needs. Our publications continue to provide inspiration, guidance and encouragement to millions around the world every day. In 2023, Hazelden Publishing generated 27 new publications, nine new distributed products, one new e-book, one new translation right, two new subscriptions, 16 new and refreshed trainings, three new videos, and six new licenses. If not for our mission and commitment, much of this material would not be published and available to consumers because of its limited appeal to mainstream publishers. Hazelden Publishing's materials also reach underserved populations, including many customers in the community treatment, faith-based and corrections markets. Additionally, through its BookAid program, Hazelden Publishing sent out book packages that reached people through libraries that serve programs and institutions in need. BookAid resources were sent to individuals and organizations in the United States and around the world.

Hazelden Publishing's Training and Consulting Solutions team transforms organizational systems and culture, empowering educators and providers in health care, treatment and social services to deliver evidence-based, best-practice services throughout the continuum of care. The Building Assets and Reducing Risk division—a strengths-based program that provides schools with a comprehensive approach to meeting the academic, social, and emotional needs of all students through training and coaching—trained schools in 14 states in 2023, impacting the lives of 9,900 educators in a diverse range of communities. In addition, our Prevention Solutions division delivered intensive education to over 61,000 students across 34 states and 17 countries. Consultants and trainers in the Clinical and Medical Solutions division reached more than 3,000 professionals in 26 states in 2023, addressing stigma associated with addiction and helping communities embrace recovery as the expectation.

Children's Programs

The Hazelden Betty Ford Children's Program provides both virtual and in-person prevention and education services to children and families with addiction. Programs are located in California, Minnesota and Colorado. The program hosted 77 total programs and served 461 children both virtual and in-person. Virtual programming includes a two-day initial Virtual Children's Program, Stage II and caregiver workshops. The traditional in-person program is a 4-day comprehensive program that includes caregivers. An additional 1,460 children received support through virtual and in-person continuing care offered weekly on Wednesday evenings for alumni of the Children's Program. No child has ever been turned away because of lack of financial ability to pay: All of the virtual participants attended at no cost, due to the generous donations received through philanthropic support.

Collectively, the team provided program information and training through meetings, webinars and conferences to over 10,000 professionals and community members.

Web and Social Networks

The corporate website, www.HazeldenBettyFord.org, had 8.6 million sessions in 2023. "Thought for the Day" remained the most popular feature on the website, with 1.1 million visits. "Thought for the Day" provides daily inspirational readings from one of five Hazelden Publishing meditation books.

More than 3.5 million people from 259 countries visited the website seeking information on a variety of addiction-related topics, including treatment, recovery, education, public advocacy and products in our online bookstore. Seventy-one percent of all visits to the hazeldenbettyford.org website were from a mobile device. Twenty-six percent of sessions were from a desktop or laptop computer and only two percent were from a tablet.

Hazelden Betty Ford produced 53 new episodes of the award-winning Let's Talk Addiction & Recovery and Recovery Equity educational podcast series, which generated 562,100 engagements and 141,367 downloads; since July 2018, total podcast engagement is nearly 1.9 million worldwide. More than 259 Recovery Road episodes have been created with helpful excerpts from leading authors in addiction recovery and mental health, surpassing well over 363,500 downloads since the podcast began in May 2020 to provide support during the early days of the pandemic.

Mobile apps provided free of charge between March 2020 and January 2023 had over 354,000 downloads in that time with nearly 95% of reviews rating the apps with four stars or higher. Weekly *Living in Recovery* emails continued in 2023, reaching out with nearly five million emails that shared helpful resources, news, and tools to help alumni and those in recovery continue their healing journey. Almost 18 million *Today's Gift* daily email meditations reached inboxes with a 77% open rate.

TheDailyPledge.org is an online support community for people in recovery and those who care about them. It is provided free of charge by the Hazelden Betty Ford Foundation. The Daily Pledge is built around the idea of pledging to stay sober one day at a time. It also offers chat recovery meetings, forum-style discussions, and other ways for people to interact and support each other in recovery.

Traffic to the site remained steady in 2023. Total users reached about 24,000 with over 75,000 page views. The community offered more than 600 meetings during the year with an approximate attendance of roughly 1,500 participants. Total daily pledges made during the year came in at about 6,500, which was up from the previous two years.

The Hazelden Betty Ford Foundation's Facebook, Twitter, Instagram, YouTube, LinkedIn and other social media accounts (combined for more than 25 million impressions) along with its award-winning mobile apps—including several available at no cost—offered additional access to recovery resources, providing daily inspiration, information and fellowship.

Resource Center

In 2023, Hazelden Betty Ford's Resource Center and Referent Relations received over 163,000 calls from people seeking or referring to substance use disorder and mental health treatment, as well as many more seeking information, assistance and products related to substance use and addiction.

(In Thousands)

Hazelden Betty Ford Library

In addition to its core mission of fulfilling the informational needs of the Foundation's staff and students, our Addiction Research Library-accessible at www.hazeldenbettyford.org/education/bcr/addiction-research-library serves the public by:

- Working daily with information sharing and advocacy efforts in the regional Minitex, national Docline and international SALIS (Substance Abuse Librarians and Information Specialists) networks.

- Facilitating on our website the preservation and access of archived versions of the ETOH and CORK addiction-related journal databases, free to all internet users and available nowhere else online.

- Providing scholarships, via the A.A. Heckman Endowed Fellowship Fund, to help individuals study the addiction-related archives housed on our campus in Center City, Minnesota.

Patient financial assistance and other costs to the Foundation of providing charity care and community benefits are as follows for the years ended December 31:

	2023	2022
Patient aid estimated cost	$ 5,558	$ 6,426
Minnesota Care Tax	1,525	1,692
Butler Center for Research	819	755
Information center	254	234
Institute for Recovery Advocacy	675	718
Professionals in residence, BFC Med Ed, BFC Institute	584	767
Children's Programs	1,427	1,037
Graduate School scholarships	207	302
	$ 11,049	$ 11,931

(In Thousands)

9. Functional Expenses

The Foundation provides healthcare services, publishing and educational services, and operates the School. Expenses by nature and function related to the Foundation's services are as follows for the years ended December 31, 2023 and 2022:

	2023							
	Program Activities				Supporting Activities			
	A	B	C	Programs Subtotal	General and Administration	Philanthropy	Supporting Subtotal	Total Expenses
Salaries and benefits	$ 93,848	$ 9,929	$ 1,726	$ 105,503	$ 31,457	$ 4,819	$ 36,276	$ 141,779
Purchased service and professional fees	12,772	4,585	96	17,453	11,575	699	12,274	29,727
Interest	403	-	-	403	2,033	-	2,033	2,436
Depreciation	12,954	385	111	13,450	4,970	199	5,169	18,619
Other	26,551	8,694	198	35,443	3,118	878	3,996	39,439
Total expenses	$ 146,528	$ 23,593	$ 2,131	$ 172,252	$ 53,153	$ 6,595	$ 59,748	$ 232,000

	2022							
	Program Activities				Supporting Activities			
	A	B	C	Programs Subtotal	General and Administration	Philanthropy	Supporting Subtotal	Total Expenses
Salaries and benefits	$ 92,944	$ 12,847	$ 1,782	$ 107,573	$ 30,517	$ 4,528	$ 35,045	$ 142,618
Purchased service and professional fees	11,554	5,236	66	16,856	11,693	1,667	13,360	30,216
Interest	447	-	-	447	829	-	829	1,276
Depreciation	15,368	860	235	16,463	2,289	216	2,505	18,968
Other	25,539	9,199	234	34,972	3,849	563	4,412	39,384
Total expenses	$ 145,852	$ 28,142	$ 2,317	$ 176,311	$ 49,177	$ 6,974	$ 56,151	$ 232,462

Program A - Recovery services;

Program B - Publishing and educational services;

Program C - Higher education and professional training.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest and insurance which are allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

10. Concentration of Risk

Financial instruments that potentially subject the Foundation to concentrations of market risk consist principally of cash and cash equivalents, marketable securities and other investments; the Foundation is potentially subject to credit risk relating to collectability of accounts receivable. The Foundation places substantially all of its cash and liquid investments with financial institutions and limits the amount of exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. At December 31, 2023 and 2022, approximately 97 percent of the Foundation's investments are held with one custodian. Patient receivables are due from a variety of sources located throughout the world, but primarily in the United States of America.

11. Commitments and Contingencies

The Foundation is subject to asserted and unasserted claims encountered in the normal course of its operations. In the opinion of management and legal counsel, disposition of these matters will not have a material effect on the Foundation's financial condition or results of operations.

The Foundation is self-insured for employee health insurance and has obtained specific and aggregate stop-loss coverage to limit their ultimate exposure. The reserve for claims incurred, but not yet reported, was $1,535 and $4,413 as of December 31, 2023 and 2022 and is included in accrued expenses in the consolidated balance sheets. The reserve had previously been estimated at an amount expected to include increased medical claims during and after the pandemic. As the anticipated increased medical claims did not materialize, an adjustment was made in 2023 to reduce the carrying value of the reserve. The adjustment was accounted for prospectively as a change in accounting estimate, and as a result, the benefits expense for the current year has been decreased by $3,753.

The Foundation has a self-insured worker's compensation program for its California operations and has acquired reinsurance for claims in excess of $250 per occurrence on a claims-made basis. The reserve for claims incurred, but not yet reported was $350 and $685 as of December 31, 2023 and 2022 and is included in accrued expenses in the consolidated balance sheets.

The Foundation entered into a cancellable ground lease with Eisenhower Medical Center (EMC) in the amount of $1 per year with the lease term expiring in 2099. As part of the cancellable ground lease, EMC bills the Foundation for additional common area operating expenses. In addition, EMC provides certain services to support the Center's normal business operations.

The Foundation entered into a license agreement with Elizabeth B. Ford Charitable Trust (Licensor) which granted an exclusive royalty-free license to utilize the name, full name, portrait, photograph or other likeness, the voice, autograph, the initials or other nicknames, if any, of the Licensor.

12. Retirement Plans

The Foundation has a 401(k) plan with a safe harbor clause which includes employer matching contributions, in addition to employee contributions. The plan covers substantially all employees. Total employer contributions related to the plan were $4,394 and $5,751 in 2023 and 2022, respectively.

The Foundation has a 457(b) plan which is employer-funded. The balance of the plan was $2,389 and $2,215 in 2023 and 2022, respectively.

13. Lease Obligations

The Foundation leases space to support its operations in various locations throughout the country. The terms of the Foundation's leases require monthly payments and expire in varying dates ranging from 2023 through 2030.

Most of the operating leases are subject to annual changes on a fixed percentage basis and are therefore treated as fixed lease payments. Most leases include options to renew, with renewal terms that can extend the lease term from one to 10 years or more. The exercise of lease renewal options is at the Foundation's sole discretion. The amounts disclosed in the consolidated balance sheet at December 31, 2023, pertaining to the right-of-use assets and lease liabilities, are measured based on current expectations of not exercising the available renewal options. The existing leases are not subject to any restrictions or covenants which preclude the Foundation's ability to obtain financing or enter into additional leases. As of December 31, 2023, the Foundation has not entered into any leases, which have not yet commenced, that would entitle the Foundation to significant rights or create additional obligations.

(In Thousands)

Total lease costs incurred during the years ended December 31, 2023 and 2022 were $1,611 and $1,616, respectively. Amortization of the right to use asset for the finance lease was $180 and interest expense was $12 for the year ended December 31, 2023. The weighted average lease term for operating leases at December 31, 2023 was 4.2 years and for the finance lease was 1.8 years. The weighted average discount rate for operating leases and the finance lease at December 31, 2023 was 4.0 percent.

Cash paid for amounts included in the measurement of lease liabilities included in the consolidated statements of cash flows was $1,799 and $1,571 for the years ended December 31, 2023 and 2022, respectively.

The following table presents the future undiscounted maturities of operating and finance leases at December 31, 2023 and for each of the next five years and thereafter:

Years ending December 31:	
2024	$ 1,885
2025	1,355
2026	896
2027	786
2028	424
Thereafter	314
Total lease payments	5,660
Less interest	(565)
Present value of lease liabilities	$ 5,095

14. Liquidity and Availability

The Foundation's financial assets available within one year of December 31 for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	$ 8,055	$ 5,718
Patient and other receivables	33,508	26,621
Contributions receivable	4,241	3,452
Investments available for current use	117,089	100,962
	$ 162,893	$ 136,753

The Foundation's net assets with donor restrictions consist of funds restricted by donors with time or purpose restrictions not available for general expenditures, and donor-restricted endowments. See Note 15 for information regarding the Foundation's endowments and spending policy. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short term investments. To help manage unanticipated liquidity needs, the Foundation has a line of credit in the amount of $25,000, which it could draw upon (See Note 7).

15. Endowments

The Foundation's endowment consists of 60 individual funds established for a variety of purposes. Endowment funds are classified and reported based upon donor-imposed restrictions as net assets with donor restrictions. This footnote does not include endowment contributions receivable and therefore contributions and endowment net assets are reported below based on cash transactions, which differs from the presentation in the consolidated statements of operations and changes in net assets.

The Board of Trustees of the Foundation has interpreted the Minnesota enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanent endowments (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(In Thousands)

Change in endowment net assets for December 31, 2023 and 2022 is as follows:

	With Donor Restrictions	Original Gifts	Total
Endowment net assets, December 31, 2021	$ 1,617	$ 34,380	$ 35,997
Investment return:			
Investment income	447		447
Net appreciation (realized and unrealized)	(6,409)		(6,409)
Total investment return	(5,962)		(5,962)
Contributions		94	94
Appropriation of endowment assets for expenditure	(1,458)		(1,458)
Endowment net assets, December 31, 2022	(5,803)	34,474	28,671
Investment return:			
Investment income	464		464
Net depreciation (realized and unrealized)	4,126		4,126
Total investment return	4,590		4,590
Contributions		535	535
Appropriation of endowment assets for expenditure	(1,549)		(1,549)
Endowment net assets, December 31, 2023	$ (2,762)	$ 35,009	$ 32,247

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies exist in 47 donor-restricted endowment funds, which together have an original gift value of $32,920, a current fair value of $29,143 and a deficiency of $3,777 as of December 31, 2023. These deficiencies resulted primarily from unrealized losses from investments during 2022. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of December 31, 2022, deficiencies exist in 56 donor-restricted endowment funds, which together have an original gift value of $33,971, a current fair value of $27,406 and a deficiency of $6,565. The governing board appropriated expenditures of $1,463 and $1,451 from underwater funds during the years ended December 31, 2023 and 2022, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that outperform a custom benchmark (the Allocation Index) consisting of the appropriate indices of each asset class and their proportional weighting in the portfolio.

The Allocation Index is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI EAFE, etc.) and assigning beginning of the quarter weightings by asset class. The total return of the invested assets is expected to exceed the total return of the Allocation Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters ended September 30, 2022 and 2021, respectively. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate sufficient to meet the Foundation's spending needs, while maintaining the inflation-adjusted principal of the endowment funds. The spending rate is only taken on the donor-restricted endowment funds. If actual earnings for any year are less than the current year spending rule, the deficiency is drawn from prior years' amounts that have accumulated but not yet spent.

16. Related Parties

As discussed in Note 1, the Foundation has multiple locations and wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The Foundation has a policy of independence for members of the Board of Trustees, which includes annual conflict of interest certifications required for all members. Contributions made by non-compensated members of the Board of Trustees totaled approximately $1,166 and $526 for the years ended December 31, 2023 and 2022, respectively. Outstanding contribution receivables from members of the Board of Trustees totaled approximately $4,744 and $2,763 as of December 31, 2023 and 2022, respectively. There are no other unsecured or secured related party receivables at December 31, 2023 and 2022.

(In Thousands)

17. Subsequent Events

Effective March 30, 2024, the Foundation agreed to a termination of an operating lease which had an original lease term date of May 30, 2025. The Foundation will pay $161 to terminate the lease which will result in reduced minimum lease payments of approximately $179 through May 2025.

Effective February 26, 2024, the Foundation has entered into an operating lease agreement for space to be utilized as an outpatient facility. The initial term of the lease is for 5 years, with a lease commencement date of June 1, 2024. The lease includes two renewal option periods of five years each. The total estimated base rent amount for the initial term of the lease is approximately $299.

The Foundation has evaluated subsequent events through April 23, 2024 which is the date that the financial statements were issued.

18. Department of Education Financial Responsibility

The Department of Education (ED) revised the regulations for financial responsibility, which became effective July 1, 2020 and necessitated the Foundation's implementation as of December 31, 2019. The regulations require the Foundation to provide additional disclosures, including a financial responsibility supplemental schedule, to assist the ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 1 provides information on the Foundation's land, buildings and equipment, net of accumulated depreciation, but does not provide a breakout by the implementation date of December 31, 2019. The following table provides a breakdown at December 31, 2023 based on the implementation date.

	2023
Total property and equipment, net - pre-implementation	100,742
Total post-implementation property and equipment, net - with debt	4,787
Total post-implementation property and equipment, net - without debt	47,355
Total construction in progress	4,078
Total property and equipment, net of accumulated depreciation	$ 156,962

Note 7 provides information on the Foundation's long-term debt but does not provide a breakout by the implementation date of December 31, 2019. The following table provides a breakdown at December 31, 2023 based on the implementation date.

	2023
Pre-implementation:	
Long-term debt as of December 31, 2022	$ 48,092
Less current year repayment	(2,140)
Less current year amortization of debt issuance costs	(132)
Total long-term debt, pre-implementation included in the supplement schedule	45,820
Long-term debt - operations	14,000
Total long-term debt per the consolidated balance sheet (long-term and current portions)	$ 59,820

SUPPLEMENTARY INFORMATION

HAZELDEN BETTY FORD FOUNDATION AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
As of December 31, 2023
With Comparative Totals for December 31, 2022
(in thousands)

	2023							
ASSETS	**Hazelden Foundation**	**Hazelden New York**	**Hazelden Chicago**	**Recovery Partners P.C.**	**Sub-Total**	**Eliminations**	**Consolidated**	**2022 Comparative Totals**
CURRENT ASSETS								
Cash and cash equivalents	$ 7,852	$ 145	$ -	$ 58	$ 8,055	$ -	$ 8,055	$ 5,718
Patient and other receivables, net of allowance	32,717	445	346	-	33,508	-	33,508	26,621
Contributions receivable, net	4,196	45	-	-	4,241	-	4,241	3,452
Inventories	2,883	-	-	-	2,883	-	2,883	3,268
Prepaid expenses	2,321	-	-	-	2,321	-	2,321	1,630
Total current assets	49,969	635	346	58	51,008	-	51,008	40,689
PROPERTY AND EQUIPMENT, net	140,498	10,908	769	-	152,175	-	152,175	163,462
INTER-COMPANY ACCOUNTS RECEIVABLE	188,912	46,286	63,795	38,559	337,552	(337,552)	-	-
LONG-TERM INVESTMENTS	176,659	-	-	-	176,659	-	176,659	156,378
LONG-TERM CONTRIBUTIONS RECEIVABLE, net	11,173	83	-	-	11,256	-	11,256	13,738
SPLIT INTEREST AGREEMENTS	1,401	-	-	-	1,401	-	1,401	1,283
GOODWILL	1,203	-	-	-	1,203	-	1,203	1,422
INTANGIBLE ASSETS, net	11,828	-	-	-	11,828	-	11,828	11,868
RIGHT TO USE LIABILITIES - OPERATING LEASES	4,457	-	-	-	4,457	-	4,457	4,861
RIGHT TO USE LIABILITIES - FINANCE LEASES	330	-	-	-	330	-	330	510
OTHER ASSETS, net	4,270	-	8	-	4,278	-	4,278	4,383
Total Assets	$ 590,700	$ 57,912	$ 64,918	$ 38,617	$ 752,147	$ (337,552)	$ 414,595	$ 398,594

HAZELDEN BETTY FORD FOUNDATION AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
As of December 31, 2023
With Comparative Totals for December 31, 2022
(in thousands)

	2023							
LIABILITIES AND NET ASSETS	**Hazelden Foundation**	**Hazelden New York**	**Hazelden Chicago**	**Recovery Partners P.C.**	**Sub-Total**	**Eliminations**	**Consolidated**	**2022 Comparative Totals**
CURRENT LIABILITIES								
Accounts payable	$ 6,969	$ 27	$ 11	$ -	$ 7,007	$ -	$ 7,007	$ 8,814
Accrued expenses	22,779	104	42	158	23,083	-	23,083	24,937
Current portion of long-term debt	16,240	-	-	-	16,240	-	16,240	12,140
Operating lease liabilities	1,455	-	-	-	1,455	-	1,455	1,435
Finance lease liabilities	215	-	-	-	215	-	215	142
Total current liabilities	47,658	131	53	158	48,000		48,000	47,468
INTER-COMPANY PAYABLES	145,564	79,723	73,561	38,704	337,552	(337,552)	-	-
LONG-TERM DEBT, net of current portion	43,580	-	-	-	43,580	-	43,580	45,952
OTHER LONG-TERM LIABILITIES								
Other long-term liabilities	2,846	-	-	-	2,846	-	2,846	2,765
Long-term credit agreement	395	-	-	-	395	-	395	-
Operating lease liabilities	3,253	-	-	-	3,253	-	3,253	3,706
Finance lease liabilities	172	-	-	-	172	-	172	388
Total other long-term liabilities	6,666	-	-	-	6,666	-	6,666	6,859
Total liabilities	243,468	79,854	73,614	38,862	435,798	(337,552)	98,246	100,279
NET ASSETS (DEFICIT)								
Without donor restrictions	292,747	(22,423)	(8,836)	(245)	261,243	-	261,243	246,929
With donor restrictions	54,485	481	140	-	55,106	-	55,106	51,386
Total net assets (deficit)	347,232	(21,942)	(8,696)	(245)	316,349	-	316,349	298,315
Total Liabilities and Net Assets	$ 590,700	$ 57,912	$ 64,918	$ 38,617	$ 752,147	$ (337,552)	$ 414,595	$ 398,594

HAZELDEN BETTY FORD FOUNDATION AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022
(in thousands)

	2023									
	Hazelden Foundation									
	HF Excluding Graduate School of Addiction Studies	Graduate School of Addiction Studies	Total Hazelden Foundation	Hazelden New York	Hazelden Chicago	Recovery Partners P.C.	Subtotal	Eliminations	Consolidated	2022 Comparative Totals
OPERATING REVENUES										
Patient service revenue, net	$ 164,773	$ -	$ 164,773	$ 2,937	$ 3,760	$ (1)	$ 171,469	-	$ 171,469	$ 162,850
Publishing revenue, net	31,936	-	31,936	-	-	-	31,936	-	31,936	25,419
Net graduate school tuition	-	2,591	2,591	-	-	-	2,591	-	2,591	2,560
Contributions	4,817	-	4,817	-	-	-	4,817	-	4,817	10,288
Grant revenue	-	-	-	-	-	-	-	-	-	223
Other	3,011	234	3,245	6	5	5,625	8,881	(5,625)	3,256	2,979
Net assets released from restrictions - operations	8,312	321	8,633	231	51	-	8,915	-	8,915	8,785
Total operating revenues	212,849	3,146	215,995	3,174	3,816	5,624	228,609	(5,625)	222,984	213,104
OPERATING EXPENSES										
Salaries and wages	110,015	1,473	111,488	1,923	1,186	4,365	118,962	-	118,962	114,708
Benefits	20,448	390	20,838	506	312	1,161	22,817	-	22,817	27,910
Cost of sales - publishing	6,333	-	6,333	-	-	-	6,333	-	6,333	6,207
Purchased services and professional fees	34,676	94	34,770	183	367	32	35,352	(5,625)	29,727	30,216
Other	32,385	148	32,533	242	265	66	33,106	-	33,106	33,177
Corporate costs allocation	(3,899)	770	(3,129)	1,573	1,556	-	-	-	-	-
Corporate subsidy	434	(434)	-	-	-	-	-	-	-	-
Total expenses before interest, depreciation, amortization and accretion	200,392	2,441	202,833	4,427	3,686	5,624	216,570	(5,625)	210,945	212,218
Net Income (Loss) before Interest, Depreciation, Amortization and Accretic	12,457	705	13,162	(1,253)	130	-	12,039	-	12,039	886
Interest	2,621	-	2,621	(185)	-	-	2,436	-	2,436	1,276
Depreciation, amortization and accretion	17,519	110	17,629	856	134	-	18,619	-	18,619	18,968
Total interest, depreciation, amortization and accretion expense	20,140	110	20,250	671	134		21,055		21,055	20,244
Operating Income (Loss)	(7,683)	595	(7,088)	(1,924)	(4)	-	(9,016)	-	(9,016)	(19,358)
NONOPERATING GAINS (LOSSES)										
Investment returns, net	20,969	-	20,969	-	-	-	20,969	-	20,969	(19,648)
Gain on extinguishment of debt	75	-	75	-	3	-	78	-	78	10,335
Other gains (losses)	60	-	60	-	-	-	60	-	60	(221)
Total nonoperating gains (losses), net	21,104	-	21,104	-	3	-	21,107	-	21,107	(9,534)
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	$ 13,421	$ 595	14,016	(1,924)	(1)	-	12,091	-	12,091	(28,892)
NET ASSETS WITHOUT DONOR RESTRICTIONS										
Net assets released from restrictions - capital			2,166	-	57	-	2,223	-	2,223	3,191
Total other changes in net assets without donor restrictions			2,166	-	57	-	2,223	-	2,223	3,191
Change in Net Assets Without Donor Restrictions			16,182	(1,924)	56	-	14,314		14,314	(25,701)
NET ASSETS WITH DONOR RESTRICTIONS										
Contributions			9,965	246	57	-	10,268	-	10,268	19,156
Investment income			4,560	17	13	-	4,590	-	4,590	(5,962)
Net assets released from restrictions - operations			(8,508)	(366)	(41)	-	(8,915)	-	(8,915)	(8,785)
Net assets released from restrictions - capital			(2,223)	-	0	-	(2,223)	-	(2,223)	(3,191)
Change in Net Assets With Donor Restrictions			3,794	(103)	29	-	3,720	-	3,720	1,218
Total Change in Net Assets			19,976	(2,027)	85	-	18,034		18,034	(24,483)
NET ASSETS, BEGINNING OF YEAR			327,256	(19,915)	(8,781)	(245)	298,315	-	298,315	322,798
NET ASSETS, END OF YEAR			$ 347,232	$ (21,942)	$ (8,696)	$ (245)	$ 316,349	$ -	$ 316,349	$ 298,315

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*

Independent Auditors' Report

To the Board of Trustees of
the Hazelden Betty Ford Foundation and Subsidiaries

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 (*Government Auditing Standards*), the consolidated financial statements of the Hazelden Betty Ford Foundation and Subsidiaries (the Foundation), which comprise the Foundation's consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 entity'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Milwaukee, Wisconsin
April 23, 2024

Report on Compliance
for the Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Trustees of
the Hazelden Betty Ford Foundation and Subsidiaries

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Hazelden Betty Ford Foundation and Subsidiaries's (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2023. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation 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 the major federal program. Our audit does not provide a legal determination of the Foundation'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 the Foundation's federal programs.

Auditors' 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 the Foundation'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 GAAS, *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 the Foundation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Foundation'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 the Foundation'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 the Foundation'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 an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Foundation'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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures the Foundation's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Foundation'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.

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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
April 23, 2024

(In Thousands)

Financial Statement and Line Name or Note Location			
	Primary Reserve Ratio:		
	Expendable Net Assets:		
Consolidated Balance Sheets	Net assets without donor restrictions	$	261,243
Consolidated Balance Sheets	Net assets with donor restrictions		55,106
Note 3	Net assets with donor restrictions - restricted in perpetuity		35,403
Note 3 (includes earnings/underwater endowment - ($2,535))	Net assets with donor restrictions - time or purpose		19,703
Note 1 and Note 17	Property, plant and equipment - pre-implementation	$	100,742
Note 13 and Note 17	Property, plant and equipment - post-implementation with outstanding debt for original purchase		4,787
Note 1 and Note 17	Property, plant and equipment - post-implementation without outstanding debt for original purchase		47,355
Note 1 and Note 17	Construction in progress		4,078
Consolidated Balance Sheets	Total property, plant and equipment, net (including CIP)	$	156,962
Not applicable for 2023	Lease right-of-use assets, net		-
Not applicable for 2023	Lease right-of-use assets - pre-implementation		-
Not applicable for 2023	Lease right-of-use assets - post-implementation		-
Consolidated Balance Sheets - Goodwill ($1,203) and Intangible Assets ($11,828)	Intangible assets		13,031
Note 7 and Note 17	Long-term debt for long-term purposes - pre-implementation	$	45,820
Consolidated Balance Sheets - Operating and Financing Lease Liabilities and Note 13	Long-term debt for long-term purposes - post implementation		5,095
Not applicable for 2023	Line of credit for construction in progress		-
Not applicable for 2023	Lease right-of-use asset liability, net		-
Not applicable for 2023	Lease right-of-use asset liability - pre-implementation		-
Not applicable for 2023	Lease right-of-use asset liability - post-implementation		-
	Total Expenses and Losses Without Donor Restrictions		
Consolidated Statement of Operations and Changes in Net Assets - total expenses plus interest, depreciation, amortization and accretion ($210,945 + 21,055)	Total expenses without donor restrictions	$	232,000
Not applicable for 2023	Non-Operating and Net Investment (loss)		-
Not applicable for 2023	Net Investment losses		-
Not applicable for 2023	Adjustment of actuarial liability		-
	Equity Ratio		
	Modified Net Assets		
Consolidated Balance Sheets	Net assets without donor restrictions	$	261,243
Consolidated Balance Sheets	Net assets with donor restrictions		55,106
Consolidated Balance Sheets - Goodwill ($1,203) and Intangible Assets ($11,828)	Intangible assets		13,031
	Modified Assets		
Consolidated Balance Sheets	Total assets	$	414,595
Not applicable for 2023	Lease right-of-use asset pre-implementation		-
Not applicable for 2023	Lease right-of-use asset liability pre-implementation		-
Consolidated Balance Sheets - Goodwill ($1,203) and Intangible Assets ($11,828)	Intangible assets		13,031
	Net Income Ratio		
Consolidated Statement of Operations and Changes in Net Assets	Change in net assets without donor restrictions	$	14,314
	Total Revenues and Gains Without Donor Restrictions		
Consolidated Statements of Operations and Changes in Net Assets (revenue plus net assets released from restrictions - capital - $222,984 + $2,223)	Total operating revenue and other additions (gains)	$	225,207
Not applicable for 2023	Investment return appropriated for spending		-
Consolidated Statement of Operations and Changes in Net Assets	Non-operating revenue and other gains		21,107

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Number	Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Direct Student Loans	84.268	Not applicable	Not applicable	$ 2,454,586
Total Student Financial Assistance Cluster				2,454,586
Total U.S. Department of Education				2,454,586
U.S. Department of Health and Human Services				
Alcohol Research Programs	93.273	Mayo Clinic	5U1AA027487-05	343,982
Drug Abuse and Addiction Research Programs	93.279	Spark Biomedical, Inc.	1R44DA053876-01	164,861
Drug Abuse and Addiction Research Programs	93.279	The General Hospital Corp (Massachusetts General Hospital)	5K01AA028536-04	20,026
Total Drug Abuse and Addiction Research Programs - 93.279				184,887
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	Not applicable	Not applicable	197,767
Total U.S. Department of Health and Human Services				726,636
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 3,181,222

See accommpanying notes to the schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hazelden Betty Ford Foundation and Subsidiaries (the Foundation) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Foundation, it is not intended to and does not present the financial position, changes in net position or cash flows of the Foundation.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Foundation has not elected to use the 10% de minimis indirect cost rate.

4. Provider Relief Fund

Due to reporting guidance from the U.S. Department of Health and Human Services (HHS), amounts related to the Provider Relief Fund (PRF), Assistance Listing Number 93.498, that are reported on the Schedule include expenditures totaling $197,767, all of which relates to the year ending December 31, 2022. Over the course of 2022 and 2021, HHS identified funding periods and directed auditees to report PRF expenditures for Periods 5 and 6 on the Schedule for the year ended December 31, 2023 that correlate with the amounts reported in the HHS PRF Reporting Portal.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness (es) identified?	____ yes	X no
Significant deficiency (ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	X yes	____ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance	X yes	____ no
Auditee qualified as low-risk auditee?	X yes	____ no
Dollar threshold used to distinguish between type A and type B programs:	$750,000	

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.268	Student Financial Assistance Cluster

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

None.

Section III - Federal Awards Findings and Questioned Costs

Finding 2023-001: Significant Deficiency - Enrollment Reporting

Federal Program - Student Financial Assistance Cluster
Federal Agency - U.S. Department of Education
Pass-Through Entity - Not Applicable
Assistance Listing Number - 84.268
Federal Award Number - P268K235904
Federal Award Year - December 31, 2023

Criteria: Title IV regulations (34 CFR 685.309(b)) require that upon receipt of an enrollment report from the Secretary, institutions must update all information included in the report and return the report to the Secretary: (i) in the manner and format prescribed by the Secretary; and (ii) within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that: (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (ii) a student who is enrolled at the institution and who received a loan under Title IV of the Act has changed his or her permanent address.

Condition: Current controls did not prevent inaccuracy of the student loan records.

Cause: The Foundation failed to follow its procedures for reporting student status changes correctly and/or within the required timeframe.

Effect: The accuracy of Title IV student loan records depends heavily on the accuracy of the enrollment information reported by institutions. If an institution does not review, update, and verify student enrollment statuses, effective dates of the enrollment status, and the anticipated completion dates, then the Title IV student loan records will be inaccurate.

Questioned costs: Not applicable.

Context: For two out of a sample of 25 students, the effective date reported to NSLDS for a status change student was not updated in a timely manner at the program level. The sample was not a statistically valid sample.

Recommendation: It is recommended that policies, procedures and effective controls are put in place to verify that the correct program level effective dates and enrollment statuses are reported to the NSLDS within the required timeframes after the information has been submitted through the servicer (National Student Clearinghouse). This could include a review of withdrawal, change in status, or graduation dates compared to the effective dates and enrollment statuses reported to the NSLDS to make sure they are accurate.

Management Response: The Foundation will ensure that policies and procedures are in place to both verify the correct program level effective dates and enrollment statuses are reported timely and are also reviewed by a second person to ensure the accuracy of the data as well as the timeliness of reporting the data. The initial reporting and the subsequent reviews will be documented with names of staff and dates of work/reviews.

Section IV – Schedule of Prior Audit Findings

None.