SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP

FINANCIAL STATEMENTS
December 31, 2025 and 2024

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
TABLE OF CONTENTS
December 31, 2025 and 2024

INDEPENDENT AUDITORS' REPORT

Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Luis Valley Development Resources Group
Alamosa, Colorado

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of San Luis Valley Development Resources Group (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Organization has recorded the allowance for credit losses based on the requirements of granting agencies and various other methods. Accounting principles generally accepted in the United States of America require the allowance for credit losses be recorded in accordance with FASB ASC 326, whereby the Organization would apply the expected loss methodology by measuring expected credit losses on financial assets measured at amortized cost as well as off-balance sheet credit exposure. Quantification of the effects of the departure from U.S. generally accepted accounting principles on the accompanying financial statements of the Organization is not practicable.

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of activities, budgetary comparison, active loans, and the 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*, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of activities, budgetary comparison, active loans, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 July 23, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 23, 2026

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 2,167,975	$ 2,260,277
Cash and Cash Equivalents - With Donor Restrictions	1,862,945	1,783,984
Grants Receivable	46,040	39,518
Accrued Interest Receivable	19,685	29,139
Other Receivables	17,954	(8,815)
Other Assets	-	-
Total Current Assets	4,114,599	4,104,103
Noncurrent Assets		
Other Notes Receivable	481,764	566,308
Loans Receivable	6,859,355	6,641,272
Allowance for Loan Losses	(152,484)	(130,093)
Total Loans Receivable	6,706,871	6,511,179
Property and Equipment		
Land	90,270	90,270
Building	162,529	162,529
Equipment and Vehicles	106,040	106,040
Less: Accumulated Depreciation	(185,835)	(166,534)
Total Property and Equipment	173,004	192,305
Total Noncurrent Assets	7,361,639	7,269,792
TOTAL ASSETS	11,476,238	11,373,895
LIABILITIES		
Current Liabilities		
Accounts Payable	6,791	18,670
Deferred Revenue	2,500	20,699
Other Liabilities	45,201	68,506
Loans Payable - Current Portion	131,036	109,012
Total Current Liabilities	185,528	216,887
Noncurrent Liabilities		
Loans Payable	1,442,889	1,605,418
Deferred Gain on Sale	372,720	435,720
Total Noncurrent Liabilities	1,815,609	2,041,138
TOTAL LIABILITIES	2,001,137	2,258,025
NET ASSETS		
Net Assets Without Donor Restrictions		
Reserved for Property, Plant and Equipment	173,004	192,305
Reserved for Loans	5,068,753	4,867,118
Unrestricted	1,965,756	1,897,157
Net Assets With Donor Restrictions	2,267,588	2,159,290
TOTAL NET ASSETS	$ 9,475,101	$ 9,115,870

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Grant Revenues	$ 153,175	$ 364,234	$ 517,409
Business Contributions	-	-	-
Contract Services	168,268	-	168,268
Other Program Income	12,690	-	12,690
Interest on Deposits	33,414	-	33,414
Lease Income	6,600	-	6,600
Gain on Sale of Assets	63,000	-	63,000
Miscellaneous Revenue	15,539	-	15,539
Interest on DRG Loans Receivable	18,410	-	18,410
Revolving Loan Fund Program			
Interest on Loans	365,003	-	365,003
Amortization of Loan Discount	30,795	-	30,795
Loan Fees	34,802	-	34,802
Recovery of Legal and Collection Costs	2,967	-	2,967
In-Kind Service and Cash	201,635	-	201,635
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	255,936	(255,936)	-
TOTAL SUPPORT AND REVENUE	1,362,234	108,298	1,470,532
EXPENSES			
Program	949,174	-	949,174
Support Services:			
Management and General	162,127	-	162,127
TOTAL EXPENSES	1,111,301	-	1,111,301
CHANGES IN NET ASSETS	250,933	108,298	359,231
NET ASSETS AT BEGINNING OF YEAR	6,956,580	2,159,290	9,115,870
NET ASSETS AT END OF YEAR	$ 7,207,513	$ 2,267,588	$ 9,475,101

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Grant Revenues	$ 116,812	$ 173,163	$ 289,975
Business Contributions	-	-	-
Contract Services	100,677	22,500	123,177
Other Program Income	13,979	-	13,979
Interest on Deposits	24,704	18	24,722
Lease Income	9,127	-	9,127
Gain on Sale of Assets	67,000	-	67,000
Miscellaneous Revenue	500	-	500
Interest on DRG Loans Receivable	24,253	-	24,253
Revolving Loan Fund Program			
Interest on Loans	350,233	-	350,233
Amortization of Loan Discount	-	-	-
Loan Fees	12,104	-	12,104
Recovery of Legal and Collection Costs	2,152	-	2,152
In-Kind Service and Cash	352,167	1,470	353,637
Other In-Kind	-	-	-
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	581,004	(581,004)	-
TOTAL SUPPORT AND REVENUE	1,654,712	(383,853)	1,270,859
EXPENSES			
Program	1,219,861	-	1,219,861
Support Services:			
Management and General	190,851	-	190,851
TOTAL EXPENSES	1,410,712	-	1,410,712
CHANGES IN NET ASSETS	244,000	(383,853)	(139,853)
NET ASSETS AT BEGINNING OF YEAR	6,712,580	2,543,143	9,255,723
NET ASSETS AT END OF YEAR	$ 6,956,580	$ 2,159,290	$ 9,115,870

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 359,231	$ (139,853)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	19,301	17,283
(Increase) Decrease in Grants Receivable	(6,522)	81,866
(Increase) Decrease in Accrued Interest Receivable	9,454	9,048
(Increase) Decrease in Other Assets	(26,769)	48,690
Increase (Decrease) in Accounts Payable	(11,879)	(10,425)
Increase (Decrease) in Deferred Revenue	(18,199)	13,199
Increase (Decrease) in Deferred Gain on Sale	(63,000)	(67,000)
Increase (Decrease) in Other Liabilities	(23,305)	25,686
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	238,312	(21,506)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Change in Loans	(111,148)	753,619
Purchase of Property and Equipment	-	(14,724)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	(111,148)	738,895
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Long-Term Debt	(140,505)	(79,060)
Proceeds from USDA and CSFS Loans Payable	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	(140,505)	(79,060)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,341)	638,329
CASH, BEGINNING OF YEAR	4,044,261	3,405,932
CASH, END OF YEAR	$ 4,030,920	$ 4,044,261

SUPPLEMENTAL DISCLOSURES

	2025	2024
Reconciliation to the Statements of Financial Position		
Cash and Cash Equivalents	$ 2,167,975	$ 2,260,277
Restricted Cash and Cash Equivalents	1,862,945	1,783,984
	$ 4,030,920	$ 4,044,261

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The San Luis Valley Development Resources Group ("DRG") is organized to promote economic development within the San Luis Valley area by formulating and implementing development programs designed to create or retain full-time permanent jobs and income.

On January 1, 1994, the assets and liabilities of San Luis Valley Economic Development Council were absorbed by San Luis Valley Regional Development and Planning Commission, and the new name, San Luis Valley Development Resources Group, was adopted. The primary reason for the consolidation of these two organizations was the encouragement of their funding sources to combine their resources to increase efficiency and coordination in the delivery of services.

The San Luis Valley Development Resources Group operates a revolving loan fund, making loans to businesses in the San Luis Valley under strict guidelines that include job creation. The original revolving loan funds were obtained through federal grants.

Basis of Accounting

The financial statements of the San Luis Valley Development Resources Group have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Departure from Generally Accepted Accounting Standards

The Financial Accounting Standards Board ("FASB") requires the allowance for credit losses to be recorded in accordance with FASB ASC 326. Under FASB ASC 326, the Organization would apply the expected loss methodology by measuring expected credit losses on financial assets measured at amortized cost as well as off-balance sheet credit exposure. The Organization has not adopted these provisions in these financial statements and continues to record the allowance for credit losses based on the requirement of granting agencies. The effects of this departure are unknown.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2025 and 2024, $3,257,076 and $3,288,189, respectively were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through the Public Deposit Protection Act.

Loans Receivable and Allowance for Credit Losses

The Organization originates, processes, and underwrites loan applications and also funds, holds and services the loan portfolio. Terms and rates of loans vary depending upon the borrower's capital requirements, management's assessment of risk, and the provisions of the specific loan program applied. Loans are stated at unpaid principal balances, less allowance for credit losses.

All loans are considered delinquent after 60 days of non-payment and in default after 90 days or when, based on current information, it is probable DRG will not be able to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered include payment status, collateral value, and business status i.e.: declaration of bankruptcy, store closing, etc. It has been management's practice to work diligently with said borrowers in an effort to bring them back into compliance including modifications to the promissory notes and other work out procedures. Charge off of the loan will be completed when it is determined that there is no chance for successful completion of the contractual agreement.

Interest income is accrued on the unpaid principal balance. The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become ninety (90) days past due, unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated to management the ability to make payments of principal and interest as scheduled.

The allowance for credit losses is estimated based on funding source terms and conditions as well as management's periodic review of the collectability of the loan portfolio in light of historical experience, nature of the loan, economic, and adverse situations that may affect the borrower's ability to repay, and the estimated value of any collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. This is not in accordance with the current expected credit losses methodology under generally accepted accounting principles.

The Organization participates with Colorado Housing and Finance Authority (CHFA) in the Colorado Credit Reverse (CCR) loan program. The CCR program is designed to encourage Organizations to extend credit to Colorado businesses by establishing a reserve account to cover losses on loans it registers under the program. Recoveries of loan losses are based on the amount of fees collected (1% of principal amount) on the registered loans and approval from CHFA. For all loans in CHFA CCR eligible programs, loans are enrolled at closing. In case of any losses on these loans the Organization will purse reimbursements from CHFA CCR before any loan loss reserve provisions. As of December 31, 2025 and 2024, the Organization had $43,753 and $2,741 respectively, available through the CHFA CCR program. Loans are secured by the borrower; however, the realizable value of the borrower's collateral is generally dependent upon the operating results of the borrower.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of cost or estimated fair value less estimated selling costs at the date of foreclosure. Any write-downs based on the asset's fair value at date of acquisition are either charged to the allowance for loan losses if an allowance was previously recorded, or directly to bad debt expense. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell.

Property and Equipment

Property and equipment are recorded at cost, or estimated acquisition value. Fixed assets over $500 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of three to thirty years. Cash grants or donations that must be used to acquire equipment or vehicles are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. If a donor stipulates how long the asset must be used for a specific purpose, the asset will remain in net assets with donor restrictions, depending on the time period.

Pension

The San Luis Valley Development Resources Group participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

The San Luis Valley Development Resources Group participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

With and Without Donor Restriction Revenue and Support

Contributions and grants received are recorded as either with or without donor restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Because of the inherent uncertainties in estimating the allowance for credit losses on loans, it is at reasonably possible that the estimates used will change within the near term.

Reclassifications

Certain amounts in 2024 have been reclassified to conform to the 2025 financial statement presentation.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2025, the Organization had cash of $2,167,975 and grants receivable of $46,040 available within one year of the statement of financial position date to meet cash needs for general expenses. The Organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily predicted since they are materially comprised of loan repayments and grant reimbursements. Cash outflows are planned accordingly so as not to exceed those expected inflows. A minimal amount of excess cash is on hand in the event of unexpected outflows.

NOTE 3 INCOME TAXES

The DRG is exempt from federal income taxes on income substantially related to the Organization's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado state statutes, any Organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

The DRG files federal income tax returns. The federal income tax returns are generally subject to examination by the Internal Revenue Service for three years after they are filed. The DRG's policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the DRG classifies interest and penalties as interest expense.

NOTE 4 CASH WITH DONOR RESTRICTIONS

Cash balances with donor restrictions represent amounts received in current and prior years restricted by donors and the board for specific purposes and which are reported as net assets with donor restrictions. The restricted cash of $1,862,945 and $1,783,984 as of December 31, 2025 and 2024, respectively, is used for the revolving loan fund programs.

NOTE 5 LOANS

The loans receivable are recorded on the statements of financial position at the unpaid principal balance less an allowance for loans deemed by management to be uncollectible.

The table below presents total outstanding loans and an age analysis at December 31, 2025 and 2024.

	2025				
	60-89 days past due	90 days or more past due	Total past due	Total current or less than 60 days past due	Total Outstanding
EDA RLF Cares	$ -	$ -	$ -	$ 552,126	$ 552,126
CDBG	-	-	-	707,099	707,099
Rural BLF Statewide	-	-	-	47,284	47,284
Energize Colorado	-	-	-	28,360	28,360
USDA IRP	-	-	-	429,661	429,661
CSFS FBLF	-	-	-	657,923	657,923
StartUp	-	150,000	150,000	343,041	493,041
Unrestricted	-	283,170	283,170	3,660,691	3,943,861
Total Loans	$ -	$ 433,170	$ 433,170	$ 6,426,185	6,859,355
Percentage Outstanding	0%	6%	6%	94%	
				Allowance for Loan Losses	(152,484)
				Net Loans Receivable	$ 6,706,871

	2024				
	60-89 days past due	90 days or more past due	Total past due	Total current or less than 60 days past due	Total Outstanding
EDA RLF Cares	$ -	$ -	$ -	$ 648,515	$ 648,515
CDBG	-	-	-	638,353	638,353
Rural BLF Statewide	-	-	-	66,542	66,542
Energize Colorado	-	18,258	18,258	31,132	49,390
USDA IRP	-	-	-	243,421	243,421
CSFS FBLF	-	98,781	98,781	665,604	764,385
StartUp	-	92,646	92,646	325,515	418,161
Unrestricted	-	19,066	19,066	3,793,439	3,812,505
Total Loans	$ -	$ 228,751	$ 228,751	$ 6,412,521	6,641,272
Percentage Outstanding	0%	3%	3%	97%	
				Allowance for Loan Losses	(130,093)
				Net Loans Receivable	$ 6,511,179

Credit Quality Indicators

The credit quality of each portfolio segment is monitored on the basis of aging/delinquency, and this information is provided in the table above.

Nonperforming Loans

The table below includes nonperforming loans and loans past due 90 days or more and still accruing interest at December 31, 2025 and 2024. See Note 1 – *Summary of Significant Accounting Policies* for further information on the criteria to determine if a loan is classified as nonperforming. There were no nonperforming loans at December 31, 2025 and one nonperforming loan at December 31, 2024. The DRG had two loans past due 90 days or more and still accruing interest at December 31, 2025 and three loans past due 90 days or more and still accruing interest at December 31, 2024.

	Nonperforming Loans		Accruing Past Due 90 Days or More	
	December 31,		December 31,	
	2025	2024	2025	2024
CDBG	$ -	$ -	$ -	$ -
Energize Colorado	-	-	-	18,258
CSFS FBLF	-	-	-	98,781
StartUp	-	92,646	150,000	-
Unrestricted	-	2,915	283,170	16,151
Total Loans	$ -	$ 95,561	$ 433,170	$ 133,190

The DRG has no commitments to loan additional funds to the borrowers whose loans have been modified.

Allowance for Credit Losses

The following is an analysis of the transactions in the allowance for loan losses account by portfolio segment:

	EDA Recap	CDBG	Unrestricted	StartUp	USDA	Total Allowance
Balance at December 31, 2023	$ -	$ 14,827	$ 217,944	$ -	$ -	$ 232,771
Provision charged to operating expense	-	-	16,209	60,000	14,606	90,815
Adjustments between programs	-	-	(193,493)	46,254	145,784	(1,455)
Loans charged off (net of recoveries)	-	-	-	(46,254)	(145,784)	(192,038)
Balance at December 31, 2024	$ -	$ 14,827	$ 40,660	$ 60,000	$ 14,606	$ 130,093
Provision charged to operating expense	-	-	-	11,216	11,175	22,391
Adjustments between programs	-	-	-	-	-	-
Loans charged off (net of recoveries)	-	-	-	-	-	-
Balance at December 31, 2025	$ -	$ 14,827	$ 40,660	$ 71,216	$ 25,781	$ 152,484

Noninterest Bearing Loan Receivable

During 1997 the Center Sanitation District received a grant and a loan from CDBG. The grant and loan were used to build a wastewater treatment facility. In accordance with the agreement, the Center Sanitation District began repaying the loan in 1998, upon completion of the facility. The original amount of the loan was $1,456,591. The loan is noninterest bearing. The note receivable was discounted to current market value by imputing an interest rate of 8%. At the inception of the loan $555,971 was reported as grant revenue and $900,620 was deferred.

At December 31, the noninterest bearing loan receivable consisted of the following:

	2025	2024
Note Receivable	$ 148,763	$ 197,363
Unamortized Discount on Note Receivable	(20,396)	(31,605)
Net Note Receivable	$ 128,367	$ 165,758

NOTE 6 FORECLOSED REAL ESTATE

At December 31, 2025 and 2024, SLV DRG had foreclosed real estate held for sale of $0 and $0, respectively. The assets are initially recorded at the lower of the related loan balance or fair value of the collateral less estimated selling costs, with any valuation adjustments charged to the allowance for loan losses. After their initial recognition, foreclosed assets are valued at the lower of the amount recorded at acquisition date or the current fair value less estimated costs to sell. Any resulting valuation adjustments, in addition to gains and losses realized on sales and net operating expenses, are recorded in non-interest expense. Foreclosure losses in 2025 and 2024 amounted to $0 and $0. Real estate taxes recognized in other expenses were approximately $0 in 2025 and $0 in 2024.

NOTE 7 REVOLVING LOAN FUND ACTIVITY

The San Luis Valley Revolving Loan Fund provides commercial financing to for-profit businesses located in the six counties encompassing the San Luis Valley including Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache. The financing is available for business expansion, start-ups, and retentions. Businesses must be able to provide permanent jobs in the assisted projects and fill a majority of those positions with low- or moderate-income persons.

The sources of funding for the loan fund program is derived from Community Development Block Grants (CDBG), Economic Development Administration (EDA) grants, Rural Business Loan Statewide Fund (RBLF), Energize Colorado, United States Department of Agriculture Intermediary Relending Program (USDA IRP), the Colorado State Forest Service Forest Business Loan Fund (CSFS FBLF), and the Colorado Startup Loan Fund (Startup). Loans disbursed follow the guidelines set forth by the respective program. Accordingly, the portfolio segments mirror the source of funds used for lending: EDA, CDBG, Energize Colorado, RBLF, USDA IRP, CSFS FBLF, Startup, and Non-Federal.

The San Luis Valley Micro Enterprise Loan Program (MEP) was created to assist eligible low- and moderate-income business owners with financing for business start-ups and expansions. In order to qualify, the micro enterprise business is defined as a “commercial enterprise with five or fewer employees, including owners.” The business owners must qualify as low-moderate income persons.

These loans partner with banks to mitigate risk to help spur economic activity and help support business operations. They remove some of the risk for the local lenders which, in many cases, will allow them to make loans that would otherwise be outside of their lending criteria. DRG is not a “lender of last resort” nor is their funding intended to compete with local lenders

The Organization operates several different revolving loan fund programs with specific requirements.

Economic Development Administration (EDA) Revolving Loan Fund (RLF) Cares loan principal repayments are recorded as net assets with donor restrictions permanently, since they will always have federal requirements. EDA

Title IX and Recap loan funds were defederalized in 2022 and are no longer subject to federal regulations. Interest income received on outstanding loans and loan principal repayments are recorded as net assets without donor restrictions.

Community Development Block Grants (CDBG) have been received at various times. These monies are subject to federal regulations until all funds from a specific CDBG grant have been loaned once. After all monies have been loaned out, per grant requirements, the repayments and interest income received by DRG no longer have any federal requirements. The Organization records all CDBG grants received as net assets with donor restrictions. After all amounts have been loaned once, and federal grantor requirements have been met, these amounts are reclassified as net assets without donor restrictions, where they may be used for administrative expenses or to make new loans, as determined by management and the board of directors.

Energize Colorado GAP Fund program assists the Organization in providing financial assistance to small businesses and nonprofits across Colorado needing disaster response and recovery funding.

Rural Business Loan Fund Statewide Collaboration was created to administer an Economic Development Commission Grant Program to provide loans to small businesses in rural areas around the State. Grant funds are used to provide loans to rural, underserved small businesses in Colorado. In order to qualify, the recipient businesses must have no more than 15 employees, be located in Colorado, and should include but not be limited to: women, minority and veteran owned businesses, start-up businesses, character-based loans, and those that do not currently meet bank underwriting standards. After all amounts have been loaned once these amounts are reclassified as net assets without donor restrictions, where they may be used for administrative expenses or to make new loans, as the board of directors determines.

United States Department of Agriculture Intermediary Relending Program (USDA IRP) provides 1 percent low-interest loans to local lenders or “intermediaries” that re-lend to businesses to improve economic conditions and create jobs in rural communities. The program is a loan agreement between USDA and SLV DRG which includes interest payments on the unpaid balance for the first three years of the IRP. This program began in March of 2021 and SLV DRG is required to strive to use the proceeds of the loan within 3 years of the beginning of the program in order to avoid cancellation of the approval of the funds not yet used. As of December 22, 2023, all funds had been loaned out to businesses as per the USDA IRP program requirements. Funds can be used for a variety of projects including to buy, build, expand jobs, cover start-up costs and purchase land or buy equipment and machinery as needed.

Colorado State Forest Business Loan Fund (CSFS FBLF) provides community-based financial lending loans to support businesses in the forest and wood industry helping these businesses maintain and/or increase local jobs, and contribute to the stability of local economies. CSFS loans function to fill the gap remaining after the primary lender determines it cannot lend all financing and to support the financial needs of the business when there is no other financing involved. CSFS funds are mostly used to finance equipment and provide working capital as needed but CSFS considers other business use cases as per each application.

Colorado Startup Loan Fund (Startup) is a revolving loan fund designed to offer capital to mission driven lenders for supporting Colorado entrepreneurs and small business owners who struggle to secure traditional financing. The fund is meant to provide micro loans under $150,000 with favorable terms to individuals in rural areas, non-native English speakers, and those with limited assets or prior loan history. The fund aims to facilitate access to capital for existing and new businesses, especially those impacted by COVD-19 or underserved communities. This is a revolving loan fund, meaning that as loans are repaid, the capital is recycled to support additional entrepreneurs. Interest income is used to support the operations of the SLVDRG as a facilitating lender.

NOTE 8 OTHER NOTES RECEIVABLE

On October 20, 2015, SLV DRG sold real estate in Monte Vista known as the Staley Plant for $1,800,000. SLVDRG agreed to carry back a $1,050,000 note at 5.5% interest for 120 months with 180 month amortization. The revolving loan funds provided $250,000 on similar terms. The down payment of $500,000 was used to repay late fees, attorney fees, taxes, accrued interest, and collection costs. The remainder was applied to the principal due to revolving loan funds. Principal payments of $79,665 and $73,350 were made in 2025 and 2024 leaving a balance of $474,106 and $553,771 at December 31, 2025 and 2024.

The Organization sold other real estate property and equipment owned in installment sales. The activity for the years ending December 31, 2025 and 2024 follows:

	2025	2024
Beginning Balance	$ 566,308	$ 641,658
Additions	-	-
Repayments	(84,544)	(75,350)
Write-offs	-	-
Ending Balance	$ 481,764	$ 566,308

NOTE 9 GRANT SUPPORT AND OTHER REVENUES

OEDIT Enterprise Zone Marketing Grant – This is a grant used to administer and promote the San Luis Valley/Upper Arkansas Valley Enterprise Zone. The grant provides funds for advertising and recruitment of companies that may want to relocate here, as well as the expansion of existing companies.

EDA Planning Grant – These monies are restricted for administrative uses where the scope of work includes enhancing the business environment by promoting federal, state, and local programs. Using this grant, SLVDRG has also supported business growth through regional market connections, educational collaboration, and strategic sector expansion.

CDOT – These grants are to assist with transportation planning in the transportation planning region, which includes the six counties in the San Luis Valley and Chaffee County. Grants will vary from year to year depending on the needs of the San Luis Valley but have included transit studies, multi-modal planning, and ongoing assistance to the Colorado Department of Transportation to address transportation needs of the San Luis Valley. Additional grants have been received to study transit needs of the San Luis Valley and establish a Local Coordinating Council to develop transit alternatives.

CDBG – This grant is subject to federal lending and reporting requirements until the entire amount has been fully loaned out.

Counties and Cities – The SLVDRG manages a range of projects for the SLV COG. City and Town dues cover the administrative and employee costs incurred by SLVDRG in executing these projects, ensuring ongoing support and progress for SLV COG initiatives.

San Luis Valley Council of Governments (SLVCOG) - SLVCOG was created to promote regional cooperation and coordination among local governments and between levels of government for the geographic area comprised of the counties of Alamosa, Conejos, Costilla, Mineral, Rio Grande and Saguache, referred to as the "Region". In order to assure the orderly development of the Region, and provide for the needs of future generations, the Council of Governments will serve as an advisory coordinating agency to harmonize the activities of federal, state, county, and municipal agencies within the Region, to render assistance and service, and create public interest and participation. The Council of Governments shall promote regional activities designed to strengthen local governments and their capacities to deal with local and regional issues.

NOTE 10 PROPERTY AND EQUIPMENT

Property and Equipment at December 31 are summarized as follows:

	2025	2024
Land	$ 90,270	$ 90,270
Construction in Progress	-	-
Building	162,529	162,529
Equipment and Vehicles	106,040	106,040
Less: Accumulated Depreciation	(185,835)	(166,534)
Property and Equipment, net	$ 173,004	$ 192,305

Depreciation charged to expense during 2025 and 2024 was $19,301 and $17,283.

NOTE 11 LOANS PAYABLE

Loans payable consisted of the following at December 31, 2025 and 2024:

	2025	2024
The Organization received a $100,000 Colorado Housing and Finance Authority (CHFA) loan, bearing interest of 0% on May 7, 2021. Funds from the loan may be used for assistance to small businesses and nonprofits across Colorado needing disaster response and recovery funding. The entire balance is due on the maturity date of December 31, 2036.	$ 100,000	$ 100,000
The Organization received a $750,000 USDA loan, bearing interest of 1% on March 1, 2021. Funds from the loan may be used solely for activities as set forth in the Intermediary Relending Program (IRP). Interest only will be paid on the unpaid balance for the first three years. Principal and interest will be paid in equal annual amortized installments beginning on March 1, 2024.	718,347	749,840
The Organization received a loan from the Board of Governors of the Colorado State University System for the use and benefit of the Colorado State Forest Service. The loan terminates upon repayment to the University of the amount provided as loan funding under this agreement or such lesser amount as may be repaid to the University due to defaulted loans. The purpose is to administer a business loan fund for eligible and qualified timber harvesting and manufacturing businesses and hazardous fuel or wildfire mitigation businesses in Colorado. This is not a fixed price loan, however the amount available for the program will not exceed $2,205,407. The borrower's repaid principal payments and/or prorated loan default recovered funds will be remitted back to the University on an annual basis.	755,578	864,590
Total Notes Payable	1,573,925	1,714,430
Less: Current Portion	131,036	109,012
Long-term Notes Payable	$ 1,442,889	$ 1,605,418

The annual debt service for the CHFA and USDA loans are as follows:

	Principal	Interest	Total
2026	$ 24,573	$ 7,255	$ 31,828
2027	24,819	7,010	31,829
2028	25,067	6,761	31,828
2029	25,317	6,511	31,828
2030	25,571	6,258	31,829
2031-2035	131,740	27,401	159,141
2036-2040	238,460	20,681	259,141
2041-2045	145,523	13,618	159,141
2046-2050	152,947	6,194	159,141
2051	24,330	315	24,645
	$ 818,347	$ 102,004	$ 920,351

NOTE 12 LOAN LEVERAGING

All loans approved by DRG are leveraged by local financial institutions and other sources. Leveraging requirements are an integral component of EDA Title IX, EDA Recap, Rural BLF Statewide, and CDBG contract agreements. The following schedule outlines the loans made during the periods with associated leveraging. Leveraged amounts may be included for more than one loan or funding source.

	2025		2024	
	Leveraged Participation	DRG Participation	Leveraged Participation	DRG Participation
CDBG	$ 165,000	$ 176,000	$ -	$ -
EDA CARES	-	-	-	-
StartUp	201,250	150,000	9,695	96,950
Energize Colorado	-	-	-	-
USDA IRP	-	250,000	-	-
CSFS FBLF	-	-	-	-
Unrestricted	1,667,563	718,850	308,512	503,703
	$ 2,033,813	$ 1,294,850	$ 318,207	$ 600,653

NOTE 13 SAN LUIS VALLEY ENTERPRISE ZONE

The San Luis Valley Development Resources Group certifies donations made through approved Enterprise Zone Contribution Projects within the San Luis Valley. The Executive Director of the DRG has been appointed as the Zone Administrator. When the EZ Contribution project receives monetary donations, the primary contact from the EZ Project submits record of receiving the donation on the States website. The DRG reviews the information input to certify the donation for the Department of Revenue. Once certified, an online certificate is sent to the EZ project administrator. The form is then forwarded to the donor for tax purposes.

NOTE 14 ASSETS RELEASED FROM RESTRICTIONS

Program restriction accomplished:

	2025	2024
CDBG Loan Principal Expenses	$ 107,255	$ 278,502
EDA CARES Interest Income Expense	-	1,535
SLV Broadband	-	67,806
Rural Business Loan Fund	19,259	45,050
Small Business Development Center	-	93,788
StartUp Loan Fund	75,121	30,085
LOR Foundation Expenses	40,535	47,197
NPI Grant	13,766	17,041
Total Assets Released from Restrictions	$ 255,936	$ 581,004

NOTE 15 NET ASSET RESTRICTIONS

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

	2025	2024
CDBG Loan Principal	$ 692,104	$ 623,359
SLV Broadband	41,343	41,343
Rural Business Loan Fund	47,991	67,250
StartUp Loan Principal	539,294	464,415
EDA CARES Interest Loan Fund	-	-
NPI Grant	44,307	39,874
LOR Foundation	17,501	38,001
EDA RLF Cares Loan Fund	885,048	885,048
Total	$ 2,267,588	$ 2,159,290

NOTE 16 CONCENTRATIONS

Virtually all of the Organization's support is provided by various federal, state, and local governmental grants. Lack of funding from these grantors would have an adverse impact on the Organization; however, the Organization does not expect such a decrease in funding. Approximately 12-13% of the organizations funding comes from revolving loan fund interest and fee income which helps to offset funding decreases from grantors for fiscal years ending December 31, 2025 and 2024.

NOTE 17 STATEMENT OF ACTIVITY - SCHEDULE OF EXPENSES

Expenses were incurred for the following in:

2025	PROGRAM	MANAGEMENT	TOTAL
Advertising	$ 1,271	$ -	$ 1,271
Auto	7,245	10,260	17,505
Contract Services	36,374	-	36,374
Telephone	1,654	(718)	936
Staff Training and Development	10,355	3,282	13,637
Conferences and Seminars	6,476	-	6,476
Office Expense	47,673	2,941	50,614
Office Rent	-	-	-
Dues and Subscriptions	21,180	(350)	20,830
Insurance	-	1,875	1,875
Miscellaneous	-	378	378
Personnel	474,394	121,969	596,363
Legal	2,778	-	2,778
Fringe Benefits	-	-	-
Bad Debt Expense	22,053	-	22,053
Travel	3,659	3,189	6,848
Depreciation	-	19,301	19,301
Project Expense	11,984	-	11,984
Grant Expense	53,498	-	53,498
Program/Meeting	2,316	-	2,316
Equipment	-	-	-
Pass-through Expense	40,535	-	40,535
Interest Expense	4,094	-	4,094
REO Expense	-	-	-
EDA Restriction Release	-	-	-
Principal Repayment Transfer to Unrestricted	201,635	-	201,635
Operating Income Transfer to Permanent	-	-	-
TOTAL	$ 949,174	$ 162,127	$ 1,111,301

2024	PROGRAM	MANAGEMENT	TOTAL
Advertising	$ 2,274	$ -	$ 2,274
Administration	2,978	-	2,978
Contract Services	169,635	300	169,935
Telephone	1,336	34	1,370
Consulting Services	-	-	-
Conferences and Seminars	4,429	-	4,429
Office Expense	41,631	26,573	68,204
Office Rent	-	-	-
Dues and Subscriptions	8,435	810	9,245
Insurance	-	343	343
Miscellaneous	-	987	987
Personnel	301,616	143,967	445,583
Taxes/Licenses	-	-	-
Fringe Benefits	-	-	-
Bad Debt Expense	92,511	-	92,511
Travel	14,080	554	14,634
Depreciation	-	17,283	17,283
Project Expense	168,488	-	168,488
Grant Expense	19,358	-	19,358
Program/Meeting	4,757	-	4,757
Equipment	-	-	-
Pass-through Expense	27,198	-	27,198
Interest Expense	7,498	-	7,498
REO Expense	-	-	-
CDBG Write-Off Restriction Released	-	-	-
Principal Repayment Transfer to Unrestricted	353,637	-	353,637
Operating Income Transfers	-	-	-
TOTAL	$ 1,219,861	$ 190,851	$ 1,410,712

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and wages which are allocated on the basis of estimates of time and effort.

NOTE 18 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Organization are provided with pensions through the LGDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Benefits provided as of December 31, 2024. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2025 and 2024. Eligible employees of, the Organization and the State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of January 1, 2024 through December 31, 2024 and for the period January 1, 2025 through December 31, 2025 are summarized in the table below:

	January 1, 2024 Through December 31, 2024	January 1, 2025 Through December 31, 2025
Employee contribution	9.00%	9.00%

**Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees are summarized in the table below:

	January 1, 2024 Through December 31, 2024	January 1, 2025 Through December 31, 2025
Employer Contribution Rate	11.00%	11.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	-1.02%	-1.02%
Amount Apportioned to the LGDTF	9.98%	9.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-4111	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-4111	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.08%	0.11%
Total Employer Contribution Rate to the LGDTF	13.76%	13.79%

**Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Organization were $69,172 and $55,181 for the years ended December 31, 2025 and 2024.

Pension Funding Status

At December 31, 2025 and 2024, the Organizations' proportionate share of the net pension liability (asset) was $250,340 and $294,726, respectively. The net pension liability for the LGDTF was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024. The Organization's proportion of the net pension liability was based on the Organization's contributions to the LGDTF for the calendar year 2024 relative to the total contributions of participating employers.

At December 31, 2024, the Organization proportion was 0.041%, which was an increase of 0.0006% from its proportion measured as of December 31, 2023. At December 31, 2023, the Organization proportion was 0.0402%, which was a decrease of 0.014% from its proportion measured as of December 31, 2022.

Actuarial assumptions. The TPL in the December 31, 2023, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price Inflation	2.30%
Real wage Growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% - 11.30%
Long-term investment rate of return, net of pension plan investment expensess, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	1.00%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were \$0.486 million and \$0.020 million, respectively.

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019.

	Mortality Rate	**Adjustments, as Applicable**
Pre-Retirement	PubG-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubG-2010 Healthy Retiree	**Males**: 94% of the rates prior to age 80/ 90% of the rates age 80 and older **Females**: 87% of the rated prior to age 80/ 107% of the rates age 80 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	**Males**: 97% of the rates for all ages **Females**: 105% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	99% of the rates for all ages

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation:	
Members other than Safety Officers	3.40%-13.00%

Salary scale assumptions were altered to better reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

	Mortality Rate	Adjustments, as Applicable
Pre-Retirement	PubG-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubG-2010 Healthy Retiree	**Males**: 90% of the rates for all ages **Females**: 85% of the rated prior to age 85/ 105% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	**Males**: 92% of the rates for all ages **Females**: 100% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long- term expected nominal rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were $0.486 million and $0.020 million, respectively.

Based on the above assumptions and methods, the LGDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Organization proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Discount rate net pension liability	$ 547,944	$ 250,340	$ 319

Pension plan fiduciary net position. Detailed information about the LGDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

NOTE 19 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the Organization are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 *et seq*. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the organization were $5,117 and $3,993 for the years ended December 31, 2025 and 2024.

OPEB Liabilities and OPEB Expense

At December 31, 2025 and 2024, the Organization reported a liability of $15,511 and $22,783 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TOL to December 31, 2024. The Organization proportion of the net OPEB liability was based on the Organization contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the Organization proportion was 0.00324%, which was an increase of 0.00005% from its proportion measured as of December 31, 2023.

Actuarial assumptions. The TOL in the December 31, 2023 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price Inflation	2.30%
Real wage Growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% - 11.30%
Long-term investment rate of return, net of OPEB plan investment expensess, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service based premium subsidy	0.00%
PERACare Medicare plans	16.00% in 2024, then 6.75% in 2025, gradually decreasing to 4.50% in 2034
MAPD PPO #2	105.00% in 2024, then 8.55% in 2025, gradually decreasing to 4.50% in 2034
Medicare Part A premiums	3.50% in 2024, gradually increasing to 4.50% in 2033

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were $0.020 million and $0.486 million, respectively.

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023, actuarial valuation, costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors were then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	**Annual Increase (Male)**	**Annual Increase (Female)**
65-68	2.20%	2.30%
69	2.80%	2.20%
70	2.70%	1.60%
71	3.10%	0.50%
72	2.30%	0.70%
73	1.20%	0.80%
74	0.90%	1.50%
75-85	0.90%	1.30%
86 and older	0.00%	0.00%

Sample Age	**MAPD PPO #1 without Medicare Part A**		**MAPD PPO #2 without Medicare Part A**		**MAPD HMO (Kaiser) without Medicare Part A**	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$1,710	$1,420	$585	$486	$1,897	$1,575
70	$1,921	$1,589	$657	$544	$2,130	$1,763
75	$2,122	$1,670	$726	$571	$2,353	$1,853

Sample Age	**MAPD PPO #1 without Medicare Part A** Retiree/Spouse		**MAPD PPO #2 without Medicare Part A** Retiree/Spouse		**MAPD HMO (Kaiser) without Medicare Part A** Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$6,536	$5,429	$4,241	$3,523	$7,063	$5,866
70	$7,341	$6,073	$4,764	$3,941	$7,933	$6,563
75	$8,110	$6,385	$5,262	$4,143	$8,763	$6,900

The 2024 Medicare Part A premium is $505 per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models, and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

Year	PERACare Medicare Plans	MAPD PPO #2	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

[1]Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

	Mortality Rate	**Adjustments, as Applicable**
Pre-Retirement	PubG-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubG-2010 Healthy Retiree	**Males**: 94% of the rates prior to age 80/ 90% of the rates age 80 and older **Females**: 87% of the rated prior to age 80/ 107% of the rates age 80 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	**Males**: 97% of the rates for all ages **Females**: 105% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	99% of the rates for all ages

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- Per capita health care costs in effect as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2024 plan year.

- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.

- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation:	3.40%-13.00%

The following health care costs assumptions were used in the roll forward calculation for the HCTF:

- Salary scale assumptions were altered to better reflect actual experience.

- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

- Participation rates were reduced.

- MAPD premium costs are no longer age graded.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	$ 1,824	$ 6,972
MAPD PPO #2	624	4,524
MAPD HMO (Kaiser)	2,040	7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. Note that in all categories, the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

	Mortality Rate	Adjustments, as Applicable
Pre-Retirement	PubG-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubG-2010 Healthy Retiree	**Males**: 90% of the rates for all ages **Females**: 85% of the rated prior to age 85/ 105% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	**Males**: 92% of the rates for all ages **Females**: 100% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Sensitivity of the Organization proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate[1]	5.75%	6.75%	7.75%
Ultimate PERACare Medicare Part A trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO #2 trend rate[1]	7.55%	8.55%	9.55%
Ultimate MAPD PPO #2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate[1]	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$15,093	$15,511	$15,984

[1]For the January 1, 2025, plan year.

Discount rate. The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the HCTF as of the current measurement date (December 31, 2024). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were $0.020 million and $0.486 million, respectively.

Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Organization proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 19,009	$ 15,511	$ 12,495

OPEB plan fiduciary net position. Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

NOTE 20 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description - Employees of the Organization that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Funding Policy

The Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Organization has agreed to match employee contributions up to 8% percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2025 and 2024 program members contributed $5,603 and $5,303 and employer matching contributions were $5,040 and $3,635, respectively.

NOTE 21 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Organization is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include irrevocable letters of credit, commitments to originate loans, and undisbursed balances to borrowers. Those instruments involve, to varying degrees, elements of credit and interest-rate risk. The contract or notional amounts of those instruments reflect the extent of the Organization's involvement in particular classes of financial instruments.

The Organization's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Organization uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Organization did not have any financial instruments, the contract amounts of which represent credit risks include loan commitments, at December 31, 2025 and 2024. There were no undisbursed funds at December 31, 2025 and December 31, 2024.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Organization evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Organization upon extension of credit, is based on management's credit evaluation of the counterparty.

NOTE 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The DRG's financial instruments are cash and cash equivalents, restricted cash and cash equivalents, grants receivable, accrued interest receivable, other receivables, other assets, loan principal receivable, accounts payable, deferred revenue, and other liabilities. The recorded value of all the financial instruments approximates the fair value due to their short-term nature, with the following exception. Loan principal receivable is recorded at cost which management believes approximates fair value.

Determination of Fair Value

The Organization uses fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC 820, fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in immediate settlement of the instruments.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Organization groups its financial assets and financial liabilities generally measured at fair value in three levels, based in the market in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value.

- Level 1- Valuation is based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2- Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

- Level 3- Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fair Value of Financial Instruments Measured and Adjusted on a Nonrecurring Basis

Following is a description of the Organization's valuation methodologies used for nonfinancial instruments measured at fair value on a nonrecurring basis:

Foreclosed Assets

Foreclosed assets consist of loan collateral which has been repossessed through foreclosure. This collateral is comprised of commercial property including equipment. Foreclosed assets are recorded as held for sale initially at the lower of the loan balance or fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically, and the assets may be marked down further, reflecting a new cost basis. The foreclosed assets have been valued using a market approach. The values were determined using market prices of similar real estate assets. Repossessed machinery and equipment was valued at management's estimate of recovery value.

The foreclosed real estate balance was zero at December 31, 2025 and 2024.

NOTE 23 COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the Organization expects such amounts to be immaterial.

NOTE 24 COMMON CONTROL

San Luis Valley Small Business Development Center (SLVSBDC) - The San Luis Valley Small Business Development Center offers business consulting and training that maximizes the economic potential of entrepreneurs within Southern Colorado. The SLV SBDC has a mission to help existing and new businesses grow and prosper. The goal at the Small Business Development Center is to help emerging and existing entrepreneurs gain control of their business operations. The SLV SBDC provides fee guidance and counseling in all aspects of funding and developing small business. The SLV SBDC strives to help grow and start businesses, working to minimize risk by helping clients write comprehensive business plans, conduct financial forecasts, strategize marketing tactics, apply for funding, and improve operations.

In 2024, the management of the SLV SBDC returned to Adams State University and the SLV Development Resources Group is no longer fiscally responsible for the organization.

NOTE 25 SUBSEQUENT EVENTS

The DRG is subject to the provisions of FASB ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. The DRG has evaluated subsequent events through July 23, 2026, the date the financial statements were available to be issued.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

SUPPLEMENTARY INFORMATION

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
NET ASSETS WITHOUT DONOR RESTRICTIONS
For the Year Ended December 31, 2025

	UNRESTRICTED FUND	NONFEDERAL LOANS PRINCIPAL	ENTERPRISE ZONE	EDA PLANNING GRANTS	CDOT ADMIN GRANT	WITHOUT DONOR RESTRICTIONS TOTALS
SUPPORT AND REVENUES						
Grant Revenues	$ 57,500	$ -	$ 11,236	$ 70,000	$ 14,439	$ 153,175
Business Contributions	-	-	-	-	-	-
Contract Services	168,268	-	-	-	-	168,268
Other Program Income	-	-	12,690	-	-	12,690
Interest on Deposits	33,414	-	-	-	-	33,414
Rent Income	6,600	-	-	-	-	6,600
Gain on Sale of Assets	63,000	-	-	-	-	63,000
Miscellaneous Revenue	15,539	-	-	-	-	15,539
Interest on DRG Loans Receivable	18,410	-	-	-	-	18,410
Revolving Loan Fund Program						
Interest on Loans	365,003	-	-	-	-	365,003
Amortization of Loan Discount	30,795	-	-	-	-	30,795
Loan Fees	34,802	-	-	-	-	34,802
Recovery of Legal and Collection Costs	2,967	-	-	-	-	2,967
Operating Transfers	-	201,635	21,020	30,000	4,083	256,738
TOTAL SUPPORT AND REVENUES	796,298	201,635	44,946	100,000	18,522	1,161,401
EXPENSES						
Program Expenses						
Auto	7,245	-	-	-	-	7,245
Advertising	-	-	1,271	-	-	1,271
Contract Services	25,698	-	3,176	7,500	-	36,374
Telephone	1,551	-	103	-	-	1,654
Conferences and Seminars	6,476	-	-	-	-	6,476
Office Expense	39,591	-	4,644	175	1,464	45,874
Dues and Subscriptions	18,146	-	-	2,000	-	20,146
Payroll Expense	336,331	-	32,438	87,325	16,727	472,821
Bad Debt Expense	22,053	-	-	-	-	22,053
Travel	328	-	-	3,000	331	3,659
Project Expense	11,984	-	-	-	-	11,984
Grant Expense	53,498	-	-	-	-	53,498
Program/Meeting	(3)	-	2,319	-	-	2,316
Staff Training and Development	-	-	995	-	-	995
Legal	2,778	-	-	-	-	2,778
Interest Expense	4,094	-	-	-	-	4,094
REO Expense	-	-	-	-	-	-
Total Program Expenses	529,770	-	44,946	100,000	18,522	693,238
Management and General						
Advertising	-	-	-	-	-	-
Administration	10,260	-	-	-	-	10,260
Staff Training and Development	3,282	-	-	-	-	3,282
Office Expense	2,941	-	-	-	-	2,941
Dues and Subscriptions	(350)	-	-	-	-	(350)
Depreciation	19,301	-	-	-	-	19,301
Insurance	1,875	-	-	-	-	1,875
Miscellaneous	378	-	-	-	-	378
Payroll Expense	121,969	-	-	-	-	121,969
Travel	3,189	-	-	-	-	3,189
Telephone	(718)	-	-	-	-	(718)
Utilities	-	-	-	-	-	-
Operating Transfers	55,103	-	-	-	-	55,103
Total Management & General Expenses	217,230	-	-	-	-	217,230
TOTAL EXPENSES	747,000	-	44,946	100,000	18,522	910,468
CHANGE IN NET ASSETS	49,298	201,635	-	-	-	250,933
NET ASSETS, BEGINNING OF YEAR	2,089,462	4,867,118	-	-	-	6,956,580
NET ASSETS, END OF YEAR	$ 2,138,760	$ 5,068,753	$ -	$ -	$ -	$ 7,207,513

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
NET ASSETS WITH DONOR RESTRICTIONS
For the Year Ended December 31, 2025

	CDBG LOAN PRINCIPAL	START UP LOAN PRINCIPAL	EDA CARES OPERATING	LOR FOUNDATION	NPI GRANT	SLV BROADBAND	RURAL BUSINESS LOAN FUND	EDA CARES REVOLVING LOAN FUND	WITH DONOR RESTRICTIONS TOTALS
SUPPORT AND REVENUES									
Grant Revenues	$ 176,000	$ 150,000	$ -	$ 20,035	$ 18,199	$ -	$ -	$ -	$ 364,234
Business Contributions	-	-	-	-	-	-	-	-	-
Contract Services	-	-	-	-	-	-	-	-	-
Other Program Income	-	-	-	-	-	-	-	-	-
Interest on Deposits	-	-	-	-	-	-	-	-	-
Revolving Loan Fund Program									
Interest on Loans	-	-	-	-	-	-	-	-	-
Loan Fees	-	-	-	-	-	-	-	-	-
Recovery of Bad Debts	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
In-Kind Service and Cash	-	-	-	-	-	-	-	-	-
Operating Transfers	-	-	-	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUES	176,000	150,000	-	20,035	18,199	-	-	-	364,234
EXPENSES									
Program Expenses									
Consulting Services	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Office Expense	-	-	-	-	1,799	-	-	-	1,799
Dues and Subscriptions	-	-	-	-	1,034	-	-	-	1,034
Staff Training and Development	-	-	-	-	9,360	-	-	-	9,360
Program/Meetings	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Payroll Expense	-	-	-	-	1,573	-	-	-	1,573
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Project Expenses	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Pass Through Expenses	-	-	-	40,535	-	-	-	-	40,535
Grant Expenses	-	-	-	-	-	-	-	-	-
Transfer to Other Programs	107,255	75,121	-	-	-	-	19,259	-	201,635
TOTAL EXPENSES	107,255	75,121	-	40,535	13,766	-	19,259	-	255,936
CHANGE IN NET ASSETS	68,745	74,879	-	(20,500)	4,433	-	(19,259)	-	108,298
NET ASSETS, BEGINNING OF YEAR	623,359	464,415	-	38,001	39,874	41,343	67,250	885,048	2,159,290
NET ASSETS, END OF YEAR	$ 692,104	$ 539,294	$ -	$ 17,501	$ 44,307	$ 41,343	$ 47,991	$ 885,048	$ 2,267,588

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
ECONOMIC DEVELOPMENT ADMINISTRATION GRANT NO. ED23DEN3020018
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2025

	2025		
	Budget	**Actual**	**Variance**
SUPPORT AND REVENUES			
Federal EDA Grant	$ 70,000	$ 70,000	$ -
Local Matching Fund			
Cash	30,000	30,000	-
TOTAL SUPPORT AND REVENUES	100,000	100,000	-
EXPENSES			
EDA Grant Expenses			
Personnel	67,858	66,004	1,854
Fringe Benefits	18,000	21,321	(3,321)
Travel	3,000	3,000	-
Supplies	52	175	(123)
Contractual	2,000	7,500	(5,500)
Indirect Costs	9,090	-	9,090
Other	-	2,000	(2,000)
TOTAL GRANT EXPENSES	100,000	100,000	-
CHANGE IN NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF ACTIVE LOANS
December 31, 2025 and 2024

	12/31/2024 LOAN BALANCES	2025 NEW LOANS	2025 PRINCIPAL PAYMENTS	2025 LOANS WRITTEN OFF	12/31/2025 TOTAL LOANS RECEIVABLE	LESS: ALLOWANCE FOR UNCOLLECTIBLE	12/31/2025 NET LOANS RECEIVABLE
WITH DONOR RESTRICTIONS:							
EDA RLF CARES	$ 648,515	$ -	$ (96,389)	$ -	$ 552,126	$ -	$ 552,126
RURAL BLF STATEWIDE FUND	66,543	-	(19,259)	-	47,284	-	47,284
ENERGIZE COLORADO	49,390	-	(21,032)	-	28,358	-	28,358
USDA IRP	243,420	250,000	(63,760)	-	429,660	(25,780)	403,880
CSFS (Forest Service)	764,385	-	(106,463)	-	657,922	-	657,922
STARTUP LOAN FUND	418,161	150,000	(75,121)	-	493,040	(71,216)	421,824
2024 CDBG RLF	-	176,000	(8,811)	-	167,189	-	167,189
2019 CDBG RLF	505,509	-	(76,813)	-	428,695	-	428,695
2014 CDBG RLF	91,766	-	(18,059)	-	73,707	(14,827)	58,880
2012 CDBG RLF	41,078	-	(3,570)	-	37,508	-	37,508
Total CDBG RLF	638,353	-	(107,253)	-	707,099	(14,827)	692,272
WITHOUT DONOR RESTRICTIONS RLF	3,812,505	718,850	(587,489)	-	3,943,866	(40,661)	3,903,205
TOTAL	$ 6,641,272	$ 1,294,850	$ (1,076,766)	$ -	$ 6,859,355	$ (152,484)	$ 6,706,871

	12/31/2023 LOAN BALANCES	2024 NEW LOANS	2024 PRINCIPAL PAYMENTS	2024 LOANS WRITTEN OFF	12/31/2024 TOTAL LOANS RECEIVABLE	LESS: ALLOWANCE FOR UNCOLLECTIBLE	12/31/2024 NET LOANS RECEIVABLE
WITH DONOR RESTRICTIONS:							
EDA RLF CARES	737,541	-	(89,026)	-	648,515	-	648,515
RURAL BLF STATEWIDE FUND	112,173	-	(45,630)	-	66,543	-	66,543
ENERGIZE COLORADO	74,221	-	(24,831)	-	49,390	-	49,390
USDA IRP	572,667	-	(183,463)	(145,784)	243,420	(14,605)	228,815
CSFS (Forest Service)	872,929	-	(108,544)	-	764,385	-	764,385
STARTUP LOAN FUND	397,550	96,950	(30,085)	(46,254)	418,161	(60,000)	358,161
2019 CDBG RLF	763,494	-	(257,985)	-	505,509	-	505,509
2014 CDBG RLF	108,860	-	(17,094)	-	91,766	(14,827)	76,939
2012 CDBG RLF	44,334	-	(3,256)	-	41,078	-	41,078
Total CDBG RLF	916,688	-	(278,335)	-	638,353	(14,827)	623,526
WITHOUT DONOR RESTRICTIONS RLF	3,738,449	504,333	(430,277)	-	3,812,505	(40,661)	3,771,844
TOTAL	$ 7,422,219	$ 601,283	$ (1,190,191)	$ (192,038)	$ 6,641,272	$ (130,093)	$ 6,511,179

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

SINGLE AUDIT SECTION

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

Federal Grantor/Program or Cluster Title	*Assistance Listing Number*	*Pass-through Grantor and Number*	*Federal Expenditures ($)*
Economic Development Cluster			
U.S. Department of Commerce			
COVID-19 Economic Adjustment Assistance - EDA RLF	11.307		$ 901,607
Total U.S. Department of Commerce			901,607
Total Clusters			901,607
Other Programs			
U.S. Department of Commerce			
Economic Development Support for Planning Organizations	11.302		70,000
Total U.S. Department of Commerce			70,000
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Colorado Department of Local Affairs and Rio Grande County	176,000
Total U.S. Department of Housing and Urban Development			176,000
U.S. Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	Colorado Department of Local Affairs and Community Foundation of the San Luis Valley	13,766
Total U.S. Department of Treasury			13,766
Total Other Programs			259,766
Total Expenditures of Federal Awards			$ 1,161,373

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Luis Valley Development Resources Group under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of San Luis Valley Development Resources Group, it is not intended to and does not present the financial position, changes in net assets or cash flows of San Luis Valley Development Resources Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. San Luis Valley Development Resources Group did not elect to use the 10-percent de minimis or 15-percent de minimis indirect cost cost rate as allowed under the Uniform Guidance for the year ended December 31, 2025. The Organization did not pass-through federal funds to subrecipients.

NOTE 3 ECONOMIC DEVELOPMENT CLUSTER LOAN CALCULATION

The expenditures reported on the Schedule for the Economic Development Cluster were calculated as follows:

Loan Balance	$	552,126
Adjusted Cash Balance		349,355
Admin Expenses		126
Total Federal Expenditures	$	901,607

Wall,
Smith,
Bateman Inc.

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

To the Board of Directors
San Luis Valley Development Resources Group
Alamosa, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Luis Valley Development Resources Group (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2026. In our report, our opinion on the financial statements was qualified because, as described in the "Basis for Qualified Opinion" section in the report on the financial statements, the organization does not recognize the allowance for credit losses in accordance with FASB ASC 326.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Organization's Response to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 23, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Luis Valley Development Resources Group
Alamosa, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Luis Valley Development Resources Group's (a nonprofit organization) 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 each of the Organization's major federal programs for the year ended December 31, 2025. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization'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 Organization's federal programs.

Certified Public Accountants
3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization'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 Organization'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 Organization'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.

Report on Internal Control over Compliance

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

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

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 23, 2026

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes ______ no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? ______ 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 deficiency(ies) identified that are **not** considered to be material weakness(es)? ______ yes __X__ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ______ yes __X__ no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
11.307	Economic Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $1,000,000

Auditee qualified as a low-risk auditee? ______ yes __X__ no

Section II – Financial Statement Findings

Finding 2025-001: Internal Control over Financial Reporting

Type of Finding: Internal Control (material weakness)

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, non-routine transactions, and financial statement preparation.

Condition: Accounting activities of the Organization involve complex accounting considerations that require appropriate technical accounting knowledge, review, and oversight to support accurate recording, classification, and reporting in accordance with generally accepted accounting principles.

Cause: The Organization's year-end reconciliation and review processes did not fully identify transactions requiring adjustment or reclassification prior to the audit.

Effect: Audit adjustments were proposed to properly state the financial statements for the year ended December 31, 2025, in accordance with generally accepted accounting principles.

Recommendation: The Organization should continue enhancing its internal controls over year-end reconciliations and complex accounting transactions. This may include strengthening the level of review and oversight applied to significant or nonroutine transactions and continuing to provide relevant technical accounting training and support for senior accounting staff to promote accurate recording, classification, review, and reporting in accordance with generally accepted accounting principles.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None

CORRECTIVE ACTION PLAN

Oversight Agencies: U.S. Department of Commerce

San Luis Valley Development Resources Group respectfully submits the following corrective action plan for the year ended December 31, 2025.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended December 31, 2025

The findings from the December 31, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2025-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Recommendation: The Organization should continue enhancing its internal controls over year-end reconciliations and complex accounting transactions. This may include strengthening the level of review and oversight applied to significant or nonroutine transactions and continuing to provide relevant technical accounting training and support for senior accounting staff to promote accurate recording, classification, review, and reporting in accordance with generally accepted accounting principles.

Management's Response:

Management agrees with the recommendation and has already begun implementing measures to strengthen internal controls over financial reporting. During 2026, the Organization enhanced its review processes by performing more detailed monthly reconciliations, correcting prior payroll journal entry procedures, and improving documentation supporting significant accounting transactions.

Going forward, management will continue to strengthen year-end reconciliation procedures, increase supervisory review of significant and non-routine transactions, and work closely with the Organization's CPA and auditors to ensure transactions are recorded and reported in accordance with generally accepted accounting principles (GAAP). In addition, the Senior Accounting Manager will continue to participate in professional training to enhance technical accounting knowledge and support ongoing improvements to the Organization's financial reporting processes.

If there are any questions regarding this plan, please call the responsible party at (719) 589-6099.

Sincerely yours,

Shawn Pagnotta

Shawn Pagnotta, Sr. Accounting Manager
San Luis Valley Development Resources Group

San Luis Valley
Colorado Genuine