NEXUS – KINDRED FAMILY HEALING

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 AND 2023

NEXUS – KINDRED FAMILY HEALING
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nexus – Kindred Family Healing
Plymouth, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nexus – Kindred Family Healing (the Organization), which comprise the statement of financial position as of December 31, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the change in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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 Nexus – Kindred Family Healing's ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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.

Report on 2023 Financial Statements

The financial statements of Nexus – Kindred Family Healing as of December 31, 2023, were audited by other auditors whose report dated April 30, 2024, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 30, 2025

NEXUS – KINDRED FAMILY HEALING
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 181,676	$ 301,506
Accounts Receivable	745,456	453,931
Grants Receivable	173,353	124,002
Prepaid Expenses	13,646	5,332
Total Current Assets	1,114,131	884,771
NONCURRENT ASSETS		
Equipment, Net	13,384	26,587
Right-of-Use Assets	158,739	256,829
Other	2,019	2,119
Total Noncurrent Assets	174,142	285,535
Total Assets	$ 1,288,273	$ 1,170,306
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts Payable	$ 187,486	$ 176,988
Due to Affiliates	3,578,860	3,237,663
Accrued Salaries and Benefits	204,596	168,827
Refundable Advances	13,682	63,383
Current Maturities of Lease Liabilities	68,768	110,853
Other Accrued Expenses	21,005	20,396
Total Current Liabilities	4,074,397	3,778,110
NONCURRENT LIABILITIES		
Lease Liabilities, Less Current Maturities	89,970	145,976
Total Liabilities	4,164,367	3,924,086
NET DEFICIT		
Without Donor Restrictions	(2,904,167)	(2,753,780)
With Donor Restrictions	28,073	-
Total Net Deficit	(2,876,094)	(2,753,780)
Total Liabilities and Net Deficit	$ 1,288,273	$ 1,170,306

See accompanying Notes to Financial Statements.

NEXUS – KINDRED FAMILY HEALING
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Contract Revenue, Net	$ 4,279,959	$ -	$ 4,279,959
Grant and Contribution Revenue	801,406	50,916	852,322
Other	132,666	-	132,666
Net Assets Released from Restrictions	22,843	(22,843)	-
Total Revenues, Support, and Gains	5,236,874	28,073	5,264,947
EXPENSES			
Program Services Expense:			
Foster Care and Adoption Services	4,179,789	-	4,179,789
Support Services Expense:			
Management and General	1,172,124	-	1,172,124
Fundraising	35,348	-	35,348
Total Expenses	5,387,261	-	5,387,261
CHANGE IN NET ASSETS (DEFICIT)	(150,387)	28,073	(122,314)
Net Deficit - Beginning of Year	(2,753,780)	-	(2,753,780)
NET DEFICIT – END OF YEAR	$ (2,904,167)	$ 28,073	$ (2,876,094)

See accompanying Notes to Financial Statements.

NEXUS – KINDRED FAMILY HEALING
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Contract Revenue, Net	$ 4,896,175	$ -	$ 4,896,175
Grant and Contribution Revenue	602,691	-	602,691
Other	20,869	-	20,869
Net Assets Released from Restrictions	12,467	(12,467)	-
Total Revenues, Support, and Gains	5,532,202	(12,467)	5,519,735
EXPENSES			
Program Services Expense:			
Foster Care and Adoption Services	4,462,058	-	4,462,058
Support Services Expense:			
Management and General	1,352,591	-	1,352,591
Fundraising	30,731	-	30,731
Total Expenses	5,845,380	-	5,845,380
CHANGE IN NET DEFICIT	(313,178)	(12,467)	(325,645)
Net Deficit - Beginning of Year	(2,440,602)	12,467	(2,428,135)
NET DEFICIT – END OF YEAR	$ (2,753,780)	$ -	$ (2,753,780)

See accompanying Notes to Financial Statements.

NEXUS – KINDRED FAMILY HEALING
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services	Support Services		
	Foster Care and Adoption Services	Management and General	Fundraising	Total
Salaries and Wages	$ 1,428,719	$ 175,653	$ -	$ 1,604,372
Allocated Wages	-	403,789	-	403,789
Employee Benefits and Payroll Taxes	318,897	89,820	-	408,717
Total Personnel Costs	1,747,616	669,262	-	2,416,878
Foster Care Services	2,033,409	-	-	2,033,409
Administrative Fees	-	299,156	-	299,156
Building Rent	117,332	-	-	117,332
Auto and Travel	138,682	37,300	-	175,982
Professional Fees	-	41,587	-	41,587
Office Expense	36,597	23,802	-	60,399
Insurance	24,000	38,416	-	62,416
Licensing, Dues, and Fees	3,541	33,048	-	36,589
Utilities	34,345	7,599	-	41,944
Allocation to Nexus Foundation	-	-	35,348	35,348
Depreciation	9,828	3,065	-	12,893
Hiring Expense	5,936	6,848	-	12,784
Resident Supplies	18,275	-	-	18,275
Client Recreation Expense	2,167	-	-	2,167
Staff Development	3,731	8,584	-	12,315
Consulting	-	3,294	-	3,294
Community Services	725	5	-	730
Maintenance	363	158	-	521
Youth Without Resources	3,242	-	-	3,242
Total Expenses by Function	$ 4,179,789	$ 1,172,124	$ 35,348	$ 5,387,261

See accompanying Notes to Financial Statements.

NEXUS – KINDRED FAMILY HEALING
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Support Services		
	Foster Care and Adoption Services	Management and General	Fundraising	Total
Salaries and Wages	$ 1,491,602	$ 218,687	$ -	$ 1,710,289
Allocated Wages	-	520,821	-	520,821
Employee Benefits and Payroll Taxes	151,505	75,546	-	227,051
Total Personnel Costs	1,643,107	815,054	-	2,458,161
Foster Care Services	2,403,982	66	-	2,404,048
Administrative Fees	-	276,248	-	276,248
Building Rent	155,406	-	-	155,406
Auto and Travel	127,708	28,566	-	156,274
Professional Fees	7,416	41,469	-	48,885
Office Expense	32,757	63,899	-	96,656
Insurance	20,388	44,488	-	64,876
Licensing, Dues, and Fees	1,051	36,947	-	37,998
Utilities	34,222	7,766	-	41,988
Allocation to Nexus Foundation	-	-	30,731	30,731
Depreciation	986	17,925	-	18,911
Hiring Expense	3,038	5,801	-	8,839
Resident Supplies	16,178	-	-	16,178
Client Recreation Expense	1,446	-	-	1,446
Staff Development	4,454	4,258	-	8,712
Consulting	-	7,792	-	7,792
Community Services	54	386	-	440
Maintenance	104	1,926	-	2,030
Youth Without Resources	9,761	-	-	9,761
Total Expenses by Function	$ 4,462,058	$ 1,352,591	$ 30,731	$ 5,845,380

See accompanying Notes to Financial Statements.

NEXUS – KINDRED FAMILY HEALING
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficit	$ (122,314)	$ (325,645)
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,893	18,911
Loss on Disposal of Equipment	310	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(291,525)	196,165
Grants Receivable	(49,351)	(123,362)
Prepaid Expenses and Other Assets	(8,214)	2,465
Right-of-Use Assets	40,803	(154,899)
Accounts Payable	10,498	(104,717)
Due to Affiliates	341,197	505,706
Accrued Salaries and Benefits	35,769	(25,988)
Lease Liabilities	(40,804)	154,899
Refundable Advances	(49,701)	(125,886)
Other Accrued Expenses	609	(12,441)
Net Cash Provided (Used) by Operating Activities	(119,830)	5,208
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	-	(26,262)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(119,830)	(21,054)
Cash and Cash Equivalents - Beginning of Year	301,506	322,560
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 181,676	$ 301,506
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-Use Assets Obtained in Exchange for New Lease Liabilities	$ 57,287	$ 129,577

See accompanying Notes to Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nexus – Kindred Family Healing (the Organization) is a nonprofit Minnesota corporation, other than a private foundation, organized pursuant to Chapter 317 of Minnesota statutes and is exempt from federal income taxes under code section 501(c)(3). The Organization provides foster care, family-based therapy for children not in foster care and adoption placement services, and counseling for foster care and adoptive families in Minnesota. The programs are accomplished by specially trained foster parents and families that are supported by professional social workers.

Related Party Activity

The Organization is part of an affiliated nonprofit group that shares common management through affiliation agreements and agreements for administrative services. Other members of this affiliated nonprofit group are: Nexus Family Healing, Nexus Diversified Community Services, Nexus – PATH Family Healing, Nexus – FACTS Family Healing, Nexus Foundation for Family Healing, Nexus – Woodbourne Family Healing, and Woodbourne Center Charitable Trust. Transactions entered into with these affiliates have been identified within these financial statements as related party transactions (see Note 7). Based on the nature of the relationship with above noted entities, there are no requirements to consolidate these entities into our financial statements.

Basis of Accounting

The financial statements contained herein have been prepared on the accrual basis of accounting.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. A donation is released from restriction when it is spent for its specific purpose, or when a donor restriction expires, that is, when a stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization did not have any net assets with donor-imposed restrictions that are perpetual in nature.

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for, nor restricted by, donors for long-term purposes are cash and cash equivalents. At times, deposits may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Organization has not experienced any loss in such accounts and believes that they are not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at the amount management expects to collect from outstanding balances, net of the allowance for credit losses, and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized, and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and write off delinquent receivables when deemed uncollectable. Management determines the allowance for credit losses on accounts receivable based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables held at December 31, 2024 and 2023, because the composition of the trade receivables at those dates is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its clients and payors and its lending practices have not changed significantly over time). Additionally, management has determined that the current, reasonable, and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2024 and 2023 totaled $-0-. There were no write-offs or recoveries during both years ended December 31, 2024 and 2023.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and insurance companies.

The Organization's fee for service receivables consists of the following as of December 31:

	2024	2023	2022
Accounts Receivable	$ 745,456	$ 453,931	$ 650,096
Less: Allowance for Credit Losses	-	-	-
Total Accounts Receivable	$ 745,456	$ 453,931	$ 650,096

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable expected to be collected within one year are recorded at net realizable value. Grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. The Organization determines the allowance for uncollectable receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. No allowance was warranted as of December 31, 2024 and 2023. All grants as of December 31, 2024 and 2023, were expected to be collected within one year.

Equipment

Equipment additions over $500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2024 and 2023.

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statements of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-lined basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The individual lease contracts for facilities and equipment do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Refundable Advances

Refundable advances consist of program service fees in which performance obligations have not been met.

The Organization's refundable advances consist of the following as of December 31:

	2024	2023	2022
Refundable Advances	$ 13,682	$ 63,383	$ 189,269

Revenue and Revenue Recognition

The Organization recognizes revenue from contract revenue as the services are provided. Contract revenue includes revenues from foster care, case management, and adoption services. The performance obligation of delivering goods and services is simultaneously received and consumed by the clients/customers; therefore, the revenue is recognized over time as these performance obligations are satisfied.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Organization has been awarded cost reimbursable grants of $559,110 that have not been recognized as revenue at December 31, 2024 because qualifying expenditures have not yet been incurred.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2024 and 2023.

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation expense is allocated on a square footage basis. All other expenses are allocated on the basis of estimates of time and effort or actual expenses.

Income Taxes

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been determined not to be a private foundation under Sections 509(a)(2). The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS on an annual basis. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. Management has determined it is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. Management would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Organization has evaluated subsequent events through April 30, 2025, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

	2024	2023
Cash and Cash Equivalents	$ 181,676	$ 301,506
Accounts Receivable	745,456	453,931
Grants Receivable	173,353	124,002
Less: Net Assets with Donor Restrictions	(28,073)	-
Total	$ 1,072,412	$ 879,439

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has financial assets available to meet general expenditures over the next 12 months.

NOTE 3 EQUIPMENT

Equipment consists of the following at December 31:

	2024	2023
Equipment	$ 166,706	$ 189,324
Less: Accumulated Depreciation	(153,322)	(162,737)
Total Equipment, Net	$ 13,384	$ 26,587

Depreciation expense totaled $12,893 and $18,911 for the years ended December 31, 2024 and 2023, respectively.

NOTE 4 LEASES

The Organization leases office space, vehicles, and equipment under various operating leases, expiring at various dates through 2028. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

NOTE 4 LEASES (CONTINUED)

The following table summarizes the Organization's right-of-use assets and lease liability for the years ended December 31.

	2024	2023
Right-of-Use Assets:		
Financing Leases, Net	$ 59,220	$ 23,005
Operating Leases	99,519	233,824
Total	$ 158,739	$ 256,829
Lease Liabilities:		
Current:		
Financing Leases	$ 23,853	$ 8,539
Operating Leases	44,915	102,314
Noncurrent:		
Financing Leases	38,660	16,517
Operating Leases	51,310	129,459
Total	$ 158,738	$ 256,829

The following table provides quantitative information concerning the Organization's leases for the years ended December 31.

	2024	2023
Finance Lease Costs:		
Amortization of ROU Assets	$ 20,404	$ 1,466
Interest on Lease Liabilities	3,032	192
Operating Lease Costs	89,452	214,738
Other Lease Costs	21,929	7,310
Total Lease Costs	$ 134,817	$ 223,706
Other Information:		
Finance Lease - Operating Cash Flows	$ 3,032	$ 192
Finance Lease - Financing Cash Flows	$ 17,341	$ 1,236
Operating Lease - Operating Cash Flows	$ 92,120	$ 216,701
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ -	$ 105,773
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	$ 57,287	$ 23,804
Weighted Average Lease Term - Finance Leases	3.06 Years	2.82 Years
Weighted Average Lease Term - Operating Leases	1.31 Years	1.74 Years
Weighted Average Discount Rate - Finance Leases	4.37%	4.74%
Weighted Average Discount Rate - Operating Leases	3.41%	2.69%

NOTE 4 LEASES (CONTINUED)

The future minimum lease payments under noncancelable leases with terms greater than one year are listed below as of December 31, 2024:

Year Ending December 31,	Operating Leases	Finance Leases
2025	$ 44,915	$ 23,853
2026	52,661	22,302
2027	-	12,943
2028	-	7,516
2029	-	-
Thereafter	-	-
Total Lease Payments	97,576	66,614
Less: Interest	(1,351)	(4,101)
Present Value of Lease Liabilities	$ 96,225	$ 62,513

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2024	2023
Various Purpose Restrictions	$ 28,073	$ -

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

	2024	2023
Mattress Funds	$ -	$ 12,467
Various Purpose Restrictions	22,843	-
Total	$ 22,843	$ 12,467

NOTE 6 EMPLOYEE BENEFITS

The Organization participates in the Nexus Family Healing tax-deferred retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all employees meeting certain eligibility requirements. Under the Plan, the Organization matches employee elective deferrals 100% for the first 1% of wages deferred, and 50% additional deferrals up to a maximum of 6%. Employee deferrals vest immediately; employer matching contributions vest after two years. During the years ended December 31, 2024 and 2023, the Organization matched employee elective deferrals by contributing $44,622 and $46,988 to the Plan, respectively.

NOTE 7 RELATED PARTY TRANSACTIONS

The Organization had the following transactions with its affiliated companies (see Note 1) for the years ended December 31:

	2024	2023
Due to Affiliates - Beginning of Year	$ (3,237,663)	$ (2,731,957)
Charges for Various Operational Expenses	(672,889)	(961,714)
Charges for Management Services Provided by Nexus Diversified Community Services	(299,156)	(276,248)
Payments to Affiliates	630,848	732,256
Due to Affiliates - End of Year	$ (3,578,860)	$ (3,237,663)

During the years ended December 31, 2024 and 2023, there was grant and contribution revenue of approximately $243,000 and $17,500 from an affiliate, respectively. During the years ended December 31, 2024 and 2023, there was lease revenue of approximately $14,000 and $20,000 from an affiliate, respectively. Amounts due to/from affiliates do not accrue interest income or expense.

NOTE 8 MAJOR CUSTOMERS

During the years ended December 31, 2024 and 2023, 13% and 11% of contract revenue was from one customer, respectively. The loss of this customer would have a material adverse effect on the Organization. In addition, three and one customers accounted for 36% and 29% of accounts receivable as of December 31, 2024 and 2023, respectively.

NOTE 9 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following represents contract revenue recognized over time, as reported on the statement of activities, disaggregated by type, for the years ended December 31:

	2024	2023
Foster Care Services	$ 3,877,017	$ 4,403,796
Adoption Services	402,942	492,379
Total Contract Revenue	$ 4,279,959	$ 4,896,175

NOTE 10 MANAGEMENT'S PLANS FOR OPERATIONS

Management has evaluated the current situation of Nexus – Kindred Family Healing in light of past negative net asset balances and identified the key drivers of the negative trend. The contribution margin provided by Nexus – Kindred Family Healing was negative in 2021, 2022, 2023, and 2024, primarily due to its foster care census and unsustainable reimbursement rate. While foster care licensing has increased, Nexus – Kindred Family Healing has been challenged to place clients with the newly licensed parents. There is a belief that children have higher acuity/needs which has been a deterrent for prospective foster families. Also, up until 2024, management has been unable to negotiate a sustainable reimbursement rate with the host county. Nexus – Kindred Family Healing has reduced staffing as best it can to more properly align with its foster care census to account for the reduced census and unsustainable rate. In late 2023, management successfully negotiated an 18% reimbursement rate increase from the host county (effective January 1, 2024) that has resulted in financial sustainability of Nexus – Kindred Family Healing. This will allow it to continue to provide valuable treatment foster care, adoption, and community-based services, and additional specialized services in early childhood mental health.