



Consolidated Financial Statements
December 31, 2021 and 2020

Nexus Family Healing

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Independent Auditor's Report

To the Board of Directors
Nexus Family Healing
Plymouth, Minnesota

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Nexus Family Healing, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the financial statements).

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nexus Family Healing as of December 31, 2021 and 2020, 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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Nexus Family Healing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. As described in Note 1 to the consolidated financial statements, Nexus Family Healing has elected not to consolidate Nexus – Woodbourne Family Healing due to Nexus – Woodbourne Family Healing operating under a June 30 fiscal year end. The financial statements of Nexus – Woodbourne Family Healing as of and for the year ended June 30, 2021, were audited by Eide Bailly LLP, whose report dated February 21, 2022, expressed an unmodified opinion on those statements. In our opinion, accounting principles generally accepted in the United States of America require consolidation of this entity in the consolidated financial statements of Nexus Family Healing. The effects of not consolidating this entity is more fully described in Note 1 to the consolidated financial statements.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplementary Statement of Financial Position and Statement of Activities of Nexus Family Healing is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2022, on our consideration of Nexus Family Healing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nexus Family Healing's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota
April 29, 2022

Nexus Family Healing
Consolidated Statements of Financial Position
December 31, 2021 and 2020

| | 2021 | 2020 |
|---|------------------------------|-----------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 10,009,584 | \$ 12,034,858 |
| Operating investments | 41,717,013 | 37,855,593 |
| Accounts receivable | 11,722,581 | 11,530,072 |
| Prepaid expenses and other current assets | 517,856 | 414,363 |
| Total current assets | <u>63,967,034</u> | <u>61,834,886</u> |
| Noncurrent Assets | | |
| Property and equipment, net | 34,774,705 | 34,649,399 |
| Related party receivables | 2,621,529 | 2,173,895 |
| Investments - other long term | 501,083 | - |
| Other assets | 3,719 | 7,319 |
| Goodwill | 806,316 | 393,043 |
| Total noncurrent assets | <u>38,707,352</u> | <u>37,223,656</u> |
| Total assets | <u><u>\$ 102,674,386</u></u> | <u><u>\$ 99,058,542</u></u> |
| Current Liabilities | | |
| Current portion - bonds and notes payable | \$ 1,893,195 | \$ 1,696,345 |
| Accounts payable, other accrued expenses, and other liabilities | 2,979,130 | 4,194,337 |
| Contract advance payments | 490,655 | 352,661 |
| Accrued salaries and benefits | 4,997,148 | 4,976,165 |
| Total current liabilities | <u>10,360,128</u> | <u>11,219,508</u> |
| Noncurrent Liabilities | | |
| Bonds payable, net of current portion and debt issuance costs | 13,934,838 | 13,779,091 |
| Notes payable, net of current portion | 1,570,186 | 2,026,528 |
| Other | 274,353 | 824,384 |
| Total noncurrent liabilities | <u>15,779,377</u> | <u>16,630,003</u> |
| Total liabilities | <u>26,139,505</u> | <u>27,849,511</u> |
| Net Assets | | |
| Without donor restrictions | 75,797,917 | 70,699,289 |
| With donor restrictions | 736,964 | 509,742 |
| Total net assets | <u>76,534,881</u> | <u>71,209,031</u> |
| Total liabilities and net assets | <u><u>\$ 102,674,386</u></u> | <u><u>\$ 99,058,542</u></u> |

Nexus Family Healing
Consolidated Statement of Activities
December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| Revenue, Gains, and Support | | | |
| Contract revenue, net | \$ 73,659,805 | \$ - | \$ 73,659,805 |
| School revenue | 8,718,478 | - | 8,718,478 |
| School food revenue | 710,012 | - | 710,012 |
| Administrative fees | 1,237,297 | - | 1,237,297 |
| Other program income | 1,606,389 | - | 1,606,389 |
| Contribution and grant revenue | 4,135,332 | 860,007 | 4,995,339 |
| Net investment return | 3,874,191 | - | 3,874,191 |
| Special events | 162,697 | - | 162,697 |
| Loss on asset disposition | (8,619) | - | (8,619) |
| Net assets released from restrictions | 632,785 | (632,785) | - |
| | <u>94,728,367</u> | <u>227,222</u> | <u>94,955,589</u> |
| Total revenue, gains, and support | | | |
| Expenses | | | |
| Program services expense | 73,480,834 | - | 73,480,834 |
| Supporting services expense | | | |
| Management and general | 15,232,099 | - | 15,232,099 |
| Fundraising | 916,806 | - | 916,806 |
| | <u>89,629,739</u> | <u>-</u> | <u>89,629,739</u> |
| Total expense | | | |
| Change in Net Assets | 5,098,628 | 227,222 | 5,325,850 |
| Net Assets, Beginning of Year | <u>70,699,289</u> | <u>509,742</u> | <u>71,209,031</u> |
| Net Assets, End of Year | <u>\$ 75,797,917</u> | <u>\$ 736,964</u> | <u>\$ 76,534,881</u> |

Nexus Family Healing
Consolidated Statement of Activities
December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| Revenue, Gains, and Support | | | |
| Contract revenue, net | \$ 72,761,665 | \$ - | \$ 72,761,665 |
| School revenue | 9,288,523 | - | 9,288,523 |
| School food revenue | 628,226 | - | 628,226 |
| Administrative fees | 1,093,315 | - | 1,093,315 |
| Other program income | 1,519,351 | - | 1,519,351 |
| Contribution and grant revenue | 1,032,375 | 1,931,165 | 2,963,540 |
| Net investment return | 3,053,752 | - | 3,053,752 |
| Special events, net | 118,494 | - | 118,494 |
| Loss on asset disposition | (87,209) | - | (87,209) |
| Net assets released from restrictions | 2,054,403 | (2,054,403) | - |
| | <u>91,462,895</u> | <u>(123,238)</u> | <u>91,339,657</u> |
| Total revenue, gains, and support | | | |
| Expenses | | | |
| Program services expense | 69,100,161 | - | 69,100,161 |
| Supporting services expense | | | |
| Management and general | 15,807,173 | - | 15,807,173 |
| Fundraising | 1,399,948 | - | 1,399,948 |
| | <u>86,307,282</u> | <u>-</u> | <u>86,307,282</u> |
| Total expense | | | |
| Change in Net Assets | 5,155,613 | (123,238) | 5,032,375 |
| Net Assets, Beginning of Year | 65,543,676 | 632,980 | 66,176,656 |
| Net Assets, End of Year | <u>\$ 70,699,289</u> | <u>\$ 509,742</u> | <u>\$ 71,209,031</u> |

Nexus Family Healing
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

| | Total Program Services | Management and General | Fundraising | Total |
|--|------------------------------|---------------------------|-------------------|----------------------|
| Salaries and Wages | \$ 44,284,519 | \$ 8,074,818 | \$ 1,137,168 | \$ 53,496,505 |
| Employee Benefits and Payroll Taxes | 6,872,792 | 1,957,699 | 104,679 | 8,935,170 |
| Total personnel cost | <u>51,157,311</u> | <u>10,032,517</u> | <u>1,241,847</u> | <u>62,431,675</u> |
| Foster Care Services | 7,330,706 | 8,400 | - | 7,339,106 |
| Depreciation and Amortization | 2,211,097 | 228,104 | - | 2,439,201 |
| Building Rent | 1,200,533 | 806,550 | - | 2,007,083 |
| Contract Labor | 1,517,681 | 196,435 | 102,975 | 1,817,091 |
| Utilities | 1,345,659 | 247,041 | 4,603 | 1,597,303 |
| Auto and Travel | 722,927 | 259,615 | 11,053 | 993,595 |
| Insurance | 1,128,447 | 320,191 | 27,282 | 1,475,920 |
| Client Food | 1,503,424 | - | - | 1,503,424 |
| Office Expense | 914,276 | 397,714 | 38,179 | 1,350,169 |
| Consulting | 653,753 | 387,929 | 3,690 | 1,045,372 |
| Professional Services Fees | 411,192 | 535,080 | 18,901 | 965,173 |
| Interest | 627,263 | 26,493 | - | 653,756 |
| Licenses, Dues, and Fees | 310,833 | 419,730 | 30,208 | 760,771 |
| Resident Supplies | 856,275 | - | 292 | 856,567 |
| Maintenance | 109,736 | 378,594 | - | 488,330 |
| Staff Development | 179,125 | 145,795 | 9,128 | 334,048 |
| Client Recreation Expense | 396,035 | 1,281 | - | 397,316 |
| Hiring Expense | 252,688 | 184,730 | 839 | 438,257 |
| Bad Debts | 205,777 | - | - | 205,777 |
| Testing and Evaluation | 43,728 | - | - | 43,728 |
| Fundraising Allocation | 206,720 | 482,294 | (797,740) | (108,726) |
| Books and Subscriptions | 74,271 | 6,697 | 1,648 | 82,616 |
| School Supplies and Equipment | 64,727 | - | - | 64,727 |
| Reentry Facility | 51,404 | - | - | 51,404 |
| Youth Without Resources | (4,982) | - | 28,646 | 23,664 |
| Contribution Expense | 197 | - | 160,760 | 160,957 |
| Community Services | 10,031 | 116,040 | 34,495 | 160,566 |
| Amortization Expense | <u>-</u> | <u>50,869</u> | <u>-</u> | <u>50,869</u> |
| Total expense | <u>\$ 73,480,834</u> | <u>\$ 15,232,099</u> | <u>\$ 916,806</u> | <u>\$ 89,629,739</u> |

Nexus Family Healing
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

| | Total Program Services | Management and General | Fundraising | Total |
|--|------------------------------|---------------------------|--------------|---------------|
| Salaries and Wages | \$ 38,347,267 | \$ 8,564,184 | \$ 783,443 | \$ 47,694,894 |
| Employee Benefits and Payroll Taxes | 8,770,486 | 1,803,721 | - | 10,574,207 |
| Total personnel cost | 47,117,753 | 10,367,905 | 783,443 | 58,269,101 |
| Foster Care Services | 8,058,426 | 109 | - | 8,058,535 |
| Depreciation and Amortization | 2,116,652 | 153,369 | - | 2,270,021 |
| Building Rent | 1,437,542 | 763,580 | - | 2,201,122 |
| Contract Labor | 1,240,937 | 254,307 | 325,811 | 1,821,055 |
| Utilities | 1,289,931 | 273,695 | 3,335 | 1,566,961 |
| Auto and Travel | 512,897 | 287,572 | 3,031 | 803,500 |
| Insurance | 1,142,046 | 235,032 | 8,911 | 1,385,989 |
| Client Food | 1,348,673 | - | - | 1,348,673 |
| Office Expense | 1,348,608 | 1,196,385 | 61,821 | 2,606,814 |
| Consulting | 324,611 | 390,451 | 11,038 | 726,100 |
| Professional Services Fees | 211,522 | 380,630 | 89,001 | 681,153 |
| Grant Expense | 103,324 | - | 821,259 | 924,583 |
| Interest | 691,973 | 59,216 | - | 751,189 |
| Licenses, Dues, and Fees | 246,693 | 428,445 | 20,909 | 696,047 |
| Resident Supplies | 921,738 | - | - | 921,738 |
| Maintenance | 7,904 | 497,962 | 91 | 505,957 |
| Staff Development | 64,172 | 125,411 | 762 | 190,345 |
| Client Recreation Expense | 197,232 | 340 | 3,163 | 200,735 |
| Hiring Expense | 99,380 | 74,888 | 127 | 174,395 |
| Bad Debts | 35,273 | 49,382 | - | 84,655 |
| Development | 63,202 | 557 | 1,122 | 64,881 |
| Testing and Evaluation | 46,118 | - | - | 46,118 |
| Fundraising Allocation | 354,193 | 250,481 | (734,029) | (129,355) |
| Books and Subscriptions | 35,764 | 17,456 | 153 | 53,373 |
| School Supplies and Equipment | 60,929 | - | - | 60,929 |
| Reentry Facility | 7,418 | - | - | 7,418 |
| Youth Without Resources | 15,250 | - | - | 15,250 |
| Total expense | \$ 69,100,161 | \$ 15,807,173 | \$ 1,399,948 | \$ 86,307,282 |

Nexus Family Healing
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 5,325,850 | \$ 5,032,375 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 2,439,201 | 2,270,021 |
| Loss on disposition of assets | 8,619 | 87,209 |
| Gain on investments | (4,072,705) | (3,227,161) |
| Bad debts | 205,777 | 84,655 |
| Interest expense attributable to amortization of debt issuance costs | 35,073 | 50,201 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (398,286) | 1,929,725 |
| Prepaid expenses and other current assets | (99,893) | (247,640) |
| Related party receivable | (447,634) | 1,991,150 |
| Accounts payable, other accrued expenses, and other liabilities | (1,215,207) | (875,911) |
| Contract advance payments | 137,994 | (1,315,403) |
| Accrued salaries and benefits | 20,983 | 626,104 |
| Other | (550,031) | 814,938 |
| Net Cash from Operating Activities | <u>1,389,741</u> | <u>7,220,263</u> |
| Cash Flows used for Investing Activities | | |
| Purchases of property and equipment | (2,573,526) | (1,422,058) |
| Proceeds from sales of property and equipment | 400 | 48,845 |
| Purchase of investments | (3,708,759) | (2,501,072) |
| Proceeds from sale of investments | 3,418,961 | 2,194,186 |
| Purchases of program assets | (413,273) | - |
| Net Cash used for Investing Activities | <u>(3,276,197)</u> | <u>(1,680,099)</u> |
| Cash Flows used for Financing Activities | | |
| Line of credit activity, net | - | (200,000) |
| Proceeds from issuance of notes payable | 1,638,000 | - |
| Principal payments on bonds and notes payable | (1,776,818) | (1,245,812) |
| Net Cash used for Financing Activities | <u>(138,818)</u> | <u>(1,445,812)</u> |
| Net Change in Cash and Cash Equivalents | (2,025,274) | 4,094,352 |
| Cash and Cash Equivalents, Beginning of Year | <u>12,034,858</u> | <u>7,940,506</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 10,009,584</u> | <u>\$ 12,034,858</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | <u>\$ 618,683</u> | <u>\$ 700,988</u> |

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Nexus Family Healing (Nexus or 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 critical family and child services and support in communities in Minnesota, North Dakota, Illinois, and Maryland. Many children are in need of services, including mental health, foster care, substance abuse, school-based services, child welfare, juvenile justice, and in-home support. Through a unique practice model centered on youth and families at the core, the Organization's growing continuum of care provides a broad spectrum of services in cases of immediate need as well as in the long run, in both residential and nonresidential settings. Nexus' mission is to strengthen lives, families, and communities through cornerstone values of honesty, responsibility, courage, care, and concern.

Affiliates, Principles of Consolidation, and Excluded Entities

Nexus provides services through its direct programmatic activities and the activities of its affiliated entities (Affiliates). Under generally accepted accounting principles, because they have both control and an economic interest in the Affiliates, they must be consolidated into the financial statements. However, the accompanying financial statements do not include all Affiliates, as indicated in the below table:

| | Included in Financial Statements | Excluded from Financial Statements |
|---|--|--|
| Nexus Family Healing | X | |
| Gerard Academy | X | |
| Mille Lacs Academy | X | |
| Onarga Academy | X | |
| Indian Oaks Academy | X | |
| SERCC | X | |
| Nexus Foundation for Family Healing | X | |
| Nexus - FACTS Family Healing | X | |
| Nexus Diversified Community Services | X | |
| Nexus - Kindred Family Healing | X | |
| Nexus - PATH Family Healing | X | |
| Nexus - Woodbourne Family Healing and Woodbourne Center Charitable Trust | | X |

Summary financial information for unconsolidated Affiliates is as follows:

| | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Revenue</u> | <u>Total Expenses</u> |
|---------------------------------------|---------------------|--------------------------|----------------------|-----------------------|
| Nexus - Woodbourne Family Healing (1) | \$ 13,736,535 | \$ 4,839,350 | \$ 15,803,993 | \$ 15,973,048 |

(1) Financial data per the entities' audited financial statements for the year ended June 30, 2021. There were no significant changes in operations for the year ended December 31, 2021.

Because Nexus – Woodbourne Family Healing is not consolidated into the consolidated financial statements, this is considered a departure from accounting principles generally accepted in the United States of America. The financial statements of Nexus – Woodbourne Family Healing as of and for the year ended June 30, 2021, were audited by Eide Bailly LLP, whose report dated February 21, 2022, expressed an unmodified opinion on those statements.

All significant intercompany accounts and transactions with affiliates included in the consolidated financial statements have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “Nexus”.

Basis of Accounting

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

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, to be cash and cash equivalents.

Under an agreement with the workers’ compensation insurance carrier for the Nexus treatment facilities in the state of Illinois, the Organization is required to maintain \$100,000 in a bank account to fund potential future claims. The insurance carrier has the authority to withdraw funds from this account as claims arise. As of December 31, 2021, the balance in this account was \$100,357, and is included in cash and cash equivalents in the accompanying consolidated financial statements.

Investments and Net Investment Return

Investments in marketable securities with readily determinable fair values and investments in debt securities are reported at their fair values in the consolidated statements of financial position. Contributed investments are reported at fair value at the date of contribution. Highly liquid financial instruments such as certificates of deposit with original maturities over 90 days, but less than one year, are included in current investments on the consolidated statements of financial position. Certificates of deposit with maturities over one year are presented as noncurrent investments. See Note 4 for a discussion of fair value measurements.

Net investment return includes Nexus' gains and losses on investments bought and sold as well as held during the year. Investment income and gains on investments are reported as increases in net assets without donor restrictions unless there are donor restrictions, in which case they would be classified as net assets with donor restrictions until the restrictions are met by either passage of time or by use. Purchases and sales of securities are reflected on a trade date basis. Interest income is recognized when earned. Dividend income is recorded when received.

Accounts Receivable and Credit Policies

Accounts receivables and other are uncollateralized, noninterest bearing client and third-party payor obligations. Payments of accounts receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, Nexus analyzes accounts for adverse changes in a client's or third-party payor's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and its past history with similar cases to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

Property and Equipment

Property and equipment are stated at cost when purchased or if donated, at fair value on the date of donation. Nexus follows the practice of capitalizing all expenditures for property, improvements, and equipment in excess of \$500; the fair value of donated property and equipment is similarly capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. 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 statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Nexus reviews the carrying values of fixed assets 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 carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020.

Goodwill

Nexus follows Accounting Standards Codification (ASC) 350-20, *Goodwill and Other Intangible Assets*. Goodwill undergoes an annual evaluation by management to assess qualitative factors to determine the likelihood that goodwill has been impaired. Management concluded that it is not likely that goodwill has become impaired as of December 31, 2021 and 2020. Therefore, existing goodwill is not required to undergo an annual impairment test calculation for 2018. Management believes the value of the programs purchased continue to exceed what is recorded as goodwill on the consolidated financial statements. No impairment loss is recognized for the years ended December 31, 2021 and 2020.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which approximates the effective interest rate method. Debt issuance costs are included within long-term debt on the consolidated statements of financial position. Amortization of debt issuance costs is included in interest expense in the consolidated statements of activities.

Net Assets

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

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

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.

Revenue and Revenue Recognition

Contract revenue, school and food revenue, and other program service fee revenue is reported at the amount that reflects the consideration to which Nexus expects to be entitled in exchange for providing client care (which includes residential treatment services, educational services, treatment foster care services, adoption services, and various mental health therapeutic services). These amounts are due from clients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Nexus bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Nexus. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Nexus believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to clients receiving skilled services. Nexus measures the performance obligation from intake of the client to the point when it is no longer required to provide services to that client. There are no significant revenues with related performance obligations satisfied at a point in time.

Nexus determines the transaction price based on pre-determined charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured clients in accordance with Nexus' policy, and/or implicit price concessions provided to uninsured clients. Nexus determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. Nexus determines its estimate of implicit price concessions based on its historical collection experience with this class of clients.

The nature, amount, timing, and uncertainty of revenue and cash flows are affected by several factors that Nexus considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, counties, managed care or other insurance, patient or client) have different reimbursement/payment methodologies.
- Length of a client's service/episode of care.
- Nature or line of service provided by Nexus.

Contract fees and payments under cost-reimbursable contracts and under grants and contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Nexus' contract accounts receivable and deferred revenues as of January 1, 2020, were \$13,544,452 and \$1,677,510, respectively, and as of January 1, 2021, were \$11,530,072 and \$865,161, respectively.

Nexus 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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to 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. Nexus 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, 2021 and 2020.

Functional Allocation of Expenses

The costs of program and supporting services 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. The expenses that are allocated include building rent, depreciation, and amortization, which are allocated on a square footage basis. All other expenses that are allocated across more than one function are allocated on the basis of estimates of time and effort.

Income Taxes

Nexus and its related affiliates, except Nexus – FACTS Family Healing, have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Nexus – FACTS Family Healing files a U.S. Corporation Income Tax Return (Form 1120) with the IRS to report its taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization 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 consolidated 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 consolidated 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.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, insurance companies, individuals, and foundations supportive of the Organization's mission.

A major portion of the Organization's operations is dependent upon one large customer. The loss of this customer could have a material adverse effect on the operations. During the years ended December 31, 2021 and 2020, this customer accounted for approximately 31% and 32%, respectively, of contract revenue.

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 statement of financial position date, comprise of the following:

| | 2021 | 2020 |
|-----------------------|----------------------|----------------------|
| Cash and equivalents | \$ 9,272,620 | \$ 11,525,116 |
| Operating investments | 41,717,013 | 37,855,593 |
| Accounts receivable | 11,722,581 | 11,530,072 |
| | <u>\$ 62,712,214</u> | <u>\$ 60,910,781</u> |

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. Please see the Organization's statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the 12 months ended December 31, 2021. Additionally, the Organization maintains an \$4 million line of credit, as discussed in more detail in Note 5. As of December 31, 2021, \$4 million remains available on the Organization's line of credit.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2021 and 2020:

| | 2021 | 2020 |
|-----------------------------------|----------------------|----------------------|
| Land and improvements | \$ 3,390,768 | \$ 3,390,768 |
| Buildings and improvements | 45,332,103 | 43,935,058 |
| Leasehold improvements | 3,889,462 | 3,876,776 |
| Equipment | 7,004,620 | 6,335,687 |
| Vehicles | 1,384,084 | 1,610,698 |
| Total property and equipment | 61,001,037 | 59,148,987 |
| Less accumulated depreciation | (26,226,332) | (24,499,588) |
| Total property and equipment, net | <u>\$ 34,774,705</u> | <u>\$ 34,649,399</u> |

Note 4 - Fair Value Measurement

Nexus reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds and common stocks with readily determinable fair values based on daily redemption values. Certificates of deposit (cash) and money market funds are invested and traded in the financial markets. Those funds and U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 1. Corporate and municipal bonds are valued using pricing models maximizing the use of the observable inputs for similar securities and are classified within Level 2. This includes basing value on yields currently available on comparable securities of issue with similar credit ratings.

The following table presents assets measured at fair value on a recurring basis at December 31, 2021:

| | Fair Value | Unadjusted Market Inputs (Level 1) | Significant Observable Inputs (Level 2) |
|-------------------------------|----------------------|--|---|
| Cash and money market funds | \$ 198,470 | \$ 198,470 | \$ - |
| Mutual funds | 2,365,950 | 2,365,950 | - |
| Corporate bonds | 11,815,810 | - | 11,815,810 |
| Municipal bonds | 16,309 | - | 16,309 |
| Real estate investment trusts | 902 | 902 | - |
| U.S. Government securities | 3,876,600 | 3,876,600 | - |
| Common stocks | 23,944,055 | 23,944,055 | - |
| Total investments | <u>\$ 42,218,096</u> | <u>\$ 30,385,977</u> | <u>\$ 11,832,119</u> |

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

| | Fair Value | Unadjusted Market Inputs (Level 1) | Significant Observable Inputs (Level 2) |
|-----------------------------|----------------------|--|---|
| Cash and money market funds | \$ 1,104 | \$ 1,104 | \$ - |
| Mutual funds | 1,923,000 | 1,923,000 | - |
| Corporate bonds | 13,085,321 | - | 13,085,321 |
| U.S. Government securities | 5,461,952 | 5,461,952 | - |
| Common stocks | 17,384,216 | 17,384,216 | - |
| Total investments | <u>\$ 37,855,593</u> | <u>\$ 24,770,272</u> | <u>\$ 13,085,321</u> |

Note 5 - Line of Credit

During 2021, Nexus entered into a \$4,000,000 revolving line of credit with a bank, with its assets pledged as collateral. Accrued interest is due monthly, and the principal is due on demand. At December 31, 2021, the interest rate was 4.25% and \$0 was outstanding under the line of credit.

A portion of Nexus' long-term investment portfolio was pledged as collateral for a line of credit issued to the Organization.

Note 6 - Bond and Notes Payable

Indian Oaks Academy Campus

On September 6, 2013, Nexus Diversified Community Services, with Nexus as a guarantor, participated in a municipal bond offering in cooperation with the Village of Manteno in Illinois. Capital Improvement Revenue Bonds in the amount of \$10,000,000 were issued by the Village of Manteno. The primary use of these funds was to purchase and construct a new campus at the Indian Oaks location. Primary collateral for the bonds are buildings, building contents, and land located in the Village of Manteno. Additionally, the bond documents identify a security interest in all operating bank accounts of Nexus Diversified Community Services and Nexus as they pertain to the Indian Oaks Academy operation and accounts receivable of Nexus that are related to its Indian Oaks Academy operation.

The bonds are payable in monthly installments over a 20-year period beginning October 1, 2013, and continuing until September 1, 2033, at which point all remaining principal and interest is due. The monthly installment amounts are \$53,194 which includes principal and interest at 4.08% per annum. The effective interest rate for 2021 is 4.16%.

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Bonds payable | \$ 7,868,084 | \$ 8,174,055 |
| Less unamortized debt issuance cost | (197,128) | (214,025) |
| Bonds payable, net | <u>\$ 7,670,956</u> | <u>\$ 7,960,030</u> |

Mille Lacs Academy Campus

On November 6, 2015, Nexus Diversified Community Services, with Nexus as a guarantor, participated in a municipal bond offering in cooperation with the City of Onamia in Minnesota. Healthcare Facilities Revenue Bonds in the amount of \$5,000,000 were issued by the City of Onamia. The primary use of these funds was to pay off the original financing and provide current financing for the property at the Mille Lacs Academy Campus. Primary collateral for the bonds are buildings, building contents, and land located in the City of Onamia at the Organization's Mille Lacs Academy Campus location.

The bonds are payable in monthly installments over a 13-year period beginning December 6, 2015, and continuing until November 6, 2028, at which point all remaining principal and interest is due. Interest is calculated at 2.86% per annum until November 6, 2022, at which point the rate is adjusted as defined in the bond documents. The monthly installment amounts are \$38,513, which includes principal and interest. The effective interest rate for 2021 is 2.90%.

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Bonds payable | \$ 2,987,357 | \$ 3,357,069 |
| Less unamortized debt issuance cost | (15,077) | (33,169) |
| Bonds payable, net | <u>\$ 2,972,280</u> | <u>\$ 3,323,900</u> |

Gerard Academy Campus

On December 1, 2015, Nexus Diversified Community Services, with Nexus as a guarantor, participated in a municipal bond offering in cooperation with the City of Onamia in Minnesota. Healthcare Facilities Revenue Bonds in the amount of \$5,000,000 were issued by the City of Onamia. The primary use of these funds was to pay off the existing bonds and obtain a lower interest rate for the Gerard Academy Campus. Primary collateral for the bonds are buildings, building contents, and land located in the City of Austin at the Organization's Gerard Academy Campus location.

The bonds are payable in monthly installments over a 14-year period beginning January 1, 2016, and continuing until December 1, 2029, at which point all remaining principal and interest is due. Interest is calculated at 3.00% per annum until December 1, 2022, at which point the rate is adjusted as defined in the bond documents. The monthly installment amounts are \$36,590, which includes principal and interest. The effective interest rate for 2021 is 3.04%.

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Bonds payable | \$ 3,200,000 | \$ 3,536,190 |
| Less unamortized debt issuance cost | (13,945) | (29,157) |
| Bonds payable, net | <u>\$ 3,186,055</u> | <u>\$ 3,507,033</u> |

According to the terms of the bond agreements, the Organization is subject to various financial covenants that apply to the consolidated entities of Nexus. The bond documents establish minimum levels for cash on hand and net assets. In addition, the Organization is required to meet a minimum debt service coverage ratio of 1.2. The Organization is in compliance with all bond covenants.

Steps of Success – Andover

On January 4, 2021, Nexus Diversified Community Services obtained a mortgage loan from Bremer Bank in the amount of \$408,000 for the Andover location. The promissory note is payable in monthly installments of \$3,994, which includes principal and interest, over a 10-year period beginning February 1, 2021, and continuing until January 4, 2031. Primary collateral for the loan is the capital asset. Interest is calculated at 3.25% per annum. The effective interest rate is 3.30%.

| | 2021 |
|---------------|------------|
| Notes payable | \$ 375,924 |

Luther Hall

On April 9, 2021, Nexus Diversified Community Services obtained a mortgage loan from Bremer Bank in the amount of \$880,000 for Luther Hall in North Dakota. The promissory note is payable in monthly installments of \$5,008, which includes principal and interest over a 10-year period beginning April 1, 2021, and continuing until April 1, 2031. Primary collateral for the loan is the capital asset. Interest is calculated at 3.25% per annum. The effective interest rate is 3.30%.

| | 2021 |
|-------------------------------------|-------------------|
| Notes payable | \$ 859,120 |
| Less unamortized debt issuance cost | (15,129) |
| Notes payable, net | <u>\$ 843,991</u> |

Future maturities of bonds payable are as follows:

| <u>Years Ending December 31,</u> | <u>Bonds Payable</u> |
|--------------------------------------|----------------------|
| 2022 | \$ 1,114,369 |
| 2023 | 1,151,972 |
| 2024 | 1,189,557 |
| 2025 | 1,526,582 |
| 2026 | 1,282,738 |
| Thereafter | 9,025,268 |
| | 15,290,486 |
| Less unamortized debt issuance costs | (241,279) |
| | \$ 15,049,207 |

Notes payable at December 31, 2021 and 2020, consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|--------------|
| 3.85% note payable, due in monthly installments of \$14,672, including interest, through March 25, 2025. The original maturity date was principal due June 2, 2022 and refinanced in March 2022. Secured by property at 1425 21st Avenue, Minot, North Dakota. | \$ 526,528 | \$ 611,001 |
| 4.95% note payable, due in quarterly \$150,000 installments, plus interest, through January 2024. Secured by assets of the Organization. | 1,500,000 | 2,100,000 |
| Business day rate on the U.S. Treasury securities plus 2.3% note payable due in yearly installments of \$27,516 plus interest through January 4, 2031. | 322,484 | - |
| | 2,349,012 | 2,711,001 |
| Less portion due within one year | (778,826) | (684,473) |
| Long-term portion | \$ 1,570,186 | \$ 2,026,528 |

Future maturities of notes payable are as follows:

| <u>Years Ending December 31,</u> | |
|--------------------------------------|----------------------------|
| 2022 | \$ 778,826 |
| 2023 | 794,995 |
| 2024 | 480,706 |
| 2025 | 71,246 |
| 2026 | 27,516 |
| Thereafter | 200,950 |
| | <u>2,354,239</u> |
| Less unamortized debt issuance costs | <u>(5,227)</u> |
| | <u><u>\$ 2,349,012</u></u> |

The outstanding notes payable require compliance with certain financial and non-financial covenants. The Organization is in compliance with all covenants.

Note 7 - Other Revenue

Other revenue on the statements of activities consists of the following for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|----------------------------|----------------------------|
| School and other lease income | \$ 365,244 | \$ 366,359 |
| Medical expense reimbursement | 276,940 | 288,717 |
| Other miscellaneous program revenue | <u>964,205</u> | <u>864,275</u> |
| Total other revenue | <u><u>\$ 1,606,389</u></u> | <u><u>\$ 1,519,351</u></u> |

Gains and losses (realized and unrealized) are reported as a component of net investment return as follows for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------------|----------------------------|
| Interest income | \$ 408,085 | \$ 486,414 |
| Dividend income | 441,657 | 386,044 |
| Net investment fees | (204,086) | (177,475) |
| Realized and unrealized gains | <u>3,228,535</u> | <u>2,358,769</u> |
| Net investment return | <u><u>\$ 3,874,191</u></u> | <u><u>\$ 3,053,752</u></u> |

Note 8 - Employee Benefits

The Organization sponsors a tax-deferred retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees. Under the Plan, Nexus 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, 2021 and 2020, the Organization matched employee elective deferrals by contributing \$1,187,121 and \$1,147,766, respectively, to the Plan.

Note 9 - Leases

Nexus leases office space, vehicles, and equipment under various operating leases, expiring at various dates through 2025. Future minimum lease payments are as follows:

| Years Ending December 31, | Office Space | Vehicles | Printers/Copiers | Total |
|------------------------------|---------------------|-------------------|-------------------|---------------------|
| 2022 | \$ 1,688,896 | \$ 153,470 | \$ 156,458 | \$ 1,998,824 |
| 2023 | 1,570,026 | 33,230 | 87,300 | 1,690,556 |
| 2024 | 1,233,648 | 10,908 | 37,689 | 1,282,245 |
| 2025 | - | - | 7,625 | 7,625 |
| | <u>\$ 4,492,570</u> | <u>\$ 197,608</u> | <u>\$ 289,072</u> | <u>\$ 4,979,250</u> |

Total lease expense for the years ended December 31, 2021 and 2020, totaled approximately \$2,155,000 and \$2,200,000, respectively.

Note 10 - Revenue from Contracts with Customers

The following represents contract revenue, as reported on the consolidated statements of activities, at a disaggregated by type, for the years ended December 31, 2021 and 2020:

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Residential treatment and related program services | \$ 47,886,773 | \$ 46,142,497 |
| Foster care services | 14,064,605 | 16,394,595 |
| Case management and other therapy services | 10,672,638 | 8,590,673 |
| Adoption services | 675,389 | 1,486,226 |
| Other | 360,400 | 147,674 |
| | <u>\$ 73,659,805</u> | <u>\$ 72,761,665</u> |

Note 11 - Restricted Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|--------------------------------|-------------------|-------------------|
| Youth Without Resources (YWOR) | \$ 189,529 | \$ 206,859 |
| Starfish program | 71,659 | 70,987 |
| Kindred CARES | 22,485 | 28,604 |
| Foster care expansion | 32,479 | 14,796 |
| Trauma and stress clinic | - | 10,118 |
| COVID funding | 3,400 | 19,844 |
| Various | 417,412 | 158,534 |
| | <u>\$ 736,964</u> | <u>\$ 509,742</u> |

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, 2021 and 2020:

| | 2021 | 2020 |
|--|-------------------|---------------------|
| Youth Without Resources (YWOR) | \$ 28,684 | \$ 55,201 |
| Starfish program | - | 772 |
| Kindred CARES | 6,620 | 14,823 |
| Adoption services | - | 188,488 |
| Health transitions and homelessness prevention | - | 91,623 |
| Foster care expansion | 5,456 | 298,356 |
| Trauma and stress clinic | 10,119 | 9,737 |
| Mattress funds | 7,500 | - |
| Idaho programs | - | 92,902 |
| MN Department of Health | - | 192,641 |
| COVID funding | 16,464 | 612,631 |
| First nonprofit foundation | - | 23,500 |
| Various | 557,942 | 473,729 |
| | <u>\$ 632,785</u> | <u>\$ 2,054,403</u> |

Note 12 - Related Party Transactions

Nexus – Woodbourne Family Healing (Woodbourne) operates a treatment facility in Baltimore, Maryland, whose mission and programmatic activity is substantially the same as Nexus. Because Nexus has both control and an economic interest in Woodbourne, but activities of Woodbourne have been excluded from these financial statements (see Note 1), transactions with Woodbourne have not been eliminated in consolidation and are disclosed as related party transactions.

The Organization had the following transactions with Woodbourne:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Related party receivables as of January 1 | \$ 2,173,895 | \$ 4,165,045 |
| Charges for various operational expenses | (39,663) | 2,956,414 |
| Charge for management services provided by Nexus | 1,237,297 | 1,093,315 |
| Net payments | <u>(750,000)</u> | <u>(6,040,879)</u> |
| Related party receivables as of December 31 | <u>\$ 2,621,529</u> | <u>\$ 2,173,895</u> |

Amounts due to/from affiliates do not accrue interest income or expense.

Note 13 - Other Liabilities

Each year, Nexus enters into contracts with a major customer setting forth the amount of reimbursement to be received per client per day. These contracts provide that the grantor agency can retroactively adjust these rates if the actual cost per client per day for the period is less than anticipated in the original agreement. The liability due under such contracts has been estimated at \$465,000 and \$896,000 as of December 31, 2021 and 2020, respectively. This amount is classified in accounts payable, accrued expenses, and other liabilities in the accompanying consolidated financial statements. Due to the complexity of this estimate, it is reasonably possible that the amount noted above could change significantly when actually calculated by the grantor agency, which is performed annually.

Note 14 - Subsequent Events

The Organization has evaluated subsequent events through April 29, 2022, the date the financial statements were issued.

Supplementary Information
For the Year Ended December 31, 2021



Nexus Family Healing



Independent Auditor's Report on Supplementary Information

To the Board of Directors
Nexus Family Healing
Plymouth, Minnesota

We have audited the consolidated financial statements of Nexus Family Healing as of and for the year ended December 31, 2021, and our report thereon, dated April 29, 2022, expressed a qualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following supplementary information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Eide Bailly LLP'.

Minneapolis, Minnesota
April 29, 2022

Nexus Family Healing
Supplementary Statement of Financial Position of Nexus Family Healing
December 31, 2021

| | |
|---|-----------------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 5,958,028 |
| Operating investments | 1,104 |
| Accounts receivable | 7,953,173 |
| Prepaid expenses and other current assets | 432,207 |
| Total current assets | <u>14,344,512</u> |
| Noncurrent Assets | |
| Property and equipment, net | 2,648,763 |
| Related party receivables | 16,657,606 |
| Other assets | 1,600 |
| Goodwill | 755,316 |
| Total noncurrent assets | <u>20,063,285</u> |
| Total assets | <u><u>\$ 34,407,797</u></u> |
| Current Liabilities | |
| Current portion, note payable | \$ 630,959 |
| Accounts payable, other accrued expenses, and other liabilities | 1,672,533 |
| Contract advance payments | 490,655 |
| Accrued salaries and benefits | 3,841,277 |
| Total current liabilities | <u>6,635,424</u> |
| Noncurrent Liabilities | |
| Note payable, net of current portion | 1,191,525 |
| Deferred revenue | 274,353 |
| Total non-current liabilities | <u>1,465,878</u> |
| Total liabilities | <u>8,101,302</u> |
| Net Assets | |
| Without donor restrictions | 26,200,256 |
| With donor restrictions | 106,239 |
| Total net assets | <u>26,306,495</u> |
| Total liabilities and net assets | <u><u>\$ 34,407,797</u></u> |

Nexus Family Healing
Supplementary Statement of Activities of Nexus Family Healing
December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| Revenue, Gains, and Support | | | |
| Contract revenue, net | \$ 49,083,232 | \$ - | \$ 49,083,232 |
| School revenue | 8,718,478 | - | 8,718,478 |
| School and other food revenue | 710,012 | - | 710,012 |
| Administrative fees | 2,788,986 | - | 2,788,986 |
| Other program income | 1,545,576 | - | 1,545,576 |
| Contribution and grant revenue | 3,091,927 | 74,564 | 3,166,491 |
| Investment and interest income | 6,665 | - | 6,665 |
| Gain on asset disposition | 13,519 | - | 13,519 |
| Net assets released from restrictions | 81,573 | (81,573) | - |
| Total revenue, gains, and support | <u>66,039,968</u> | <u>(7,009)</u> | <u>66,032,959</u> |
| Expenses | | | |
| Program services expense | 54,041,335 | - | 54,041,335 |
| Supporting services expense | | | |
| Management and general | 10,449,913 | - | 10,449,913 |
| Fundraising | 583,223 | - | 583,223 |
| Total expense | <u>65,074,471</u> | <u>-</u> | <u>65,074,471</u> |
| Change in Net Assets | 965,497 | (7,009) | 958,488 |
| Net Assets, Beginning of Year | <u>25,234,759</u> | <u>113,248</u> | <u>25,348,007</u> |
| Net Assets, End of Year | <u>\$ 26,200,256</u> | <u>\$ 106,239</u> | <u>\$ 26,306,495</u> |