NEXUS – PATH FAMILY HEALING

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

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NEXUS – PATH FAMILY HEALING
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nexus – PATH Family Healing
Fargo, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexus – PATH Family Healing (the Organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025 and 2024, and the change 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 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 – PATH Family Healing's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Nexus – PATH Family Healing

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
July 15, 2026

NEXUS – PATH FAMILY HEALING
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,162,502	$ 1,472,721
Accounts Receivable, Net	1,007,615	1,503,769
Grants Receivable	347,869	186,680
Prepaid Expenses	73,999	46,065
Investments	1,035,569	-
Total Current Assets	4,627,554	3,209,235
NONCURRENT ASSETS		
Property and Equipment, Net	221,556	232,756
Right-of-Use Assets	2,355,632	1,914,546
Goodwill	51,000	51,000
Assets Held for Sale	-	1,193,836
Total Noncurrent Assets	2,628,188	3,392,138
Total Assets	$ 7,255,742	$ 6,601,373
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 433,199	$ 369,856
Due to Affiliates	1,272,077	1,086,794
Accrued Salaries and Vacation	723,236	695,891
Current Maturities of Lease Liabilities	717,611	911,906
Refundable Advances	836,617	76,667
Other Accrued Expenses	60,454	35,023
Total Current Liabilities	4,043,194	3,176,137
NONCURRENT LIABILITIES		
Lease Liabilities, Less Current Maturities	1,736,170	1,002,640
Total Liabilities	5,779,364	4,178,777
NET ASSETS		
Without Donor Restrictions	1,468,438	2,409,571
With Donor Restrictions	7,940	13,025
Total Net Assets	1,476,378	2,422,596
Total Liabilities and Net Assets	$ 7,255,742	$ 6,601,373

See accompanying Notes to Financial Statements.

NEXUS – PATH FAMILY HEALING
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Contract Revenue	$ 14,260,572	$ -	$ 14,260,572
Grant and Contribution Revenue	1,050,240	-	1,050,240
Net Investment Return	37,324	-	37,324
Lease Revenue	15,094	-	15,094
Other Income	112,913	-	112,913
Net Assets Released from Restrictions	5,085	(5,085)	-
Total Revenue, Support, and Gains	15,481,228	(5,085)	15,476,143
EXPENSES			
Program Services Expense:			
Foster Care and Adoption Services	12,806,128	-	12,806,128
Support Services Expense:			
Management and General	3,501,877	-	3,501,877
Fundraising and Development	114,356	-	114,356
Total Expenses	16,422,361	-	16,422,361
CHANGE IN NET ASSETS	(941,133)	(5,085)	(946,218)
Net Assets – Beginning of Year	2,409,571	13,025	2,422,596
NET ASSETS – END OF YEAR	$ 1,468,438	$ 7,940	$ 1,476,378

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Contract Revenue	$ 15,172,142	$ -	$ 15,172,142
Grant and Contribution Revenue	1,295,642	-	1,295,642
Net Investment Return	951	-	951
Lease Revenue	27,490	-	27,490
Other Income	10,536	-	10,536
Net Assets Released from Restrictions	1,475	(1,475)	-
Total Revenue, Support, and Gains	16,508,236	(1,475)	16,506,761
EXPENSES			
Program Services Expense:			
Foster Care and Adoption Services	13,214,942	-	13,214,942
Support Services Expense:			
Management and General	3,270,011	-	3,270,011
Fundraising and Development	121,247	-	121,247
Total Expenses	16,606,200	-	16,606,200
CHANGE IN NET ASSETS	(97,964)	(1,475)	(99,439)
Net Assets – Beginning of Year	2,507,535	14,500	2,522,035
NET ASSETS – END OF YEAR	$ 2,409,571	$ 13,025	$ 2,422,596

See accompanying Notes to Financial Statements.

NEXUS – PATH FAMILY HEALING
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program Services	Support Services		
	Foster Care and Adoption Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 5,995,483	$ 1,139,493	$ -	$ 7,134,976
Employee Benefits and Payroll Taxes	1,497,325	256,106	-	1,753,431
Total Personnel Costs	7,492,808	1,395,599	-	8,888,407
Foster Care	2,546,191	-	-	2,546,191
Administrative Fees	-	1,406,243	-	1,406,243
Rent	792,996	303,633	-	1,096,629
Consulting	185,542	6,749	-	192,291
Youth Supplies	471,275	281	-	471,556
Auto and Travel	252,512	40,810	-	293,322
Office Expense	40,488	98,313	-	138,801
Insurance	287,919	38,726	-	326,645
Depreciation	85,146	59,293	-	144,439
Utilities	150,451	18,406	-	168,857
Licensing, Dues, and Fees	108,765	18,165	-	126,930
Food	144,760	11	-	144,771
Professional Fees	45,740	45,794	-	91,534
Allocation to Nexus Foundation	-	-	114,356	114,356
Maintenance	111,251	13,829	-	125,080
Interest	-	-	-	-
Hiring Expense	7,134	5,270	-	12,404
Bad Debts	-	10,000	-	10,000
Staff Development	33,188	11,124	-	44,312
Books and Subscriptions	671	513	-	1,184
Contract Labor	16,575	26,538	-	43,113
Recreational	16,094	183	-	16,277
Testing and Evaluation	41	-	-	41
Contributions	16,581	2,397	-	18,978
Community Services	-	-	-	-
Total Expenses by Function	$ 12,806,128	$ 3,501,877	$ 114,356	$ 16,422,361

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services		
	Foster Care and Adoption Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 5,863,108	$ 1,073,891	$ -	$ 6,936,999
Employee Benefits and Payroll Taxes	1,510,384	257,174	-	1,767,558
Total Personnel Costs	7,373,492	1,331,065	-	8,704,557
Foster Care	2,927,230	-	-	2,927,230
Administrative Fees	-	1,265,272	-	1,265,272
Rent	762,229	177,159	-	939,388
Consulting	411,198	18,580	-	429,778
Youth Supplies	515,146	-	-	515,146
Auto and Travel	247,209	35,582	-	282,791
Office Expense	50,093	77,993	-	128,086
Insurance	217,915	22,591	-	240,506
Depreciation	115,410	73,546	-	188,956
Utilities	146,418	16,752	-	163,170
Licensing, Dues, and Fees	85,621	20,909	-	106,530
Food	139,527	-	-	139,527
Professional Fees	-	100,732	-	100,732
Allocation to Nexus Foundation	-	-	121,247	121,247
Maintenance	86,292	8,794	-	95,086
Interest	4,228	-	-	4,228
Hiring Expense	8,024	37,684	-	45,708
Bad Debts	645	-	-	645
Staff Development	55,854	12,362	-	68,216
Books and Subscriptions	245	2,060	-	2,305
Contract Labor	388	2,160	-	2,548
Recreational	12,609	-	-	12,609
Testing and Evaluation	340	-	-	340
Community Services	54,829	66,770	-	121,599
Total Expenses by Function	$ 13,214,942	$ 3,270,011	$ 121,247	$ 16,606,200

See accompanying Notes to Financial Statements.

NEXUS – PATH FAMILY HEALING
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficit	$ (946,218)	$ (99,439)
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided by Operating Activities:		
Depreciation	144,439	188,956
Realized and Unrealized Gain	(6,532)	-
Credit Losses	2,866	207,082
Gain (Loss) on Sale of Property and Equipment	(40,750)	309
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	493,288	270,472
Grants Receivable	(161,189)	169,496
Prepaid Expenses	(27,934)	(8,059)
Right-of-Use Asset	(585,633)	588,925
Accounts Payable	63,343	36,374
Due to Related Party	185,283	194,168
Accrued Salaries and Vacation	27,345	140,196
Lease Liabilities	683,782	(588,925)
Refundable Advances	759,950	1,667
Other Accrued Expenses	25,431	(74,999)
Net Cash Provided by Operating Activities	617,471	1,026,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,029,037)	-
Purchase of Property and Equipment	(122,613)	(117,501)
Proceeds from Sale of Fixed Assets	1,223,960	-
Net Cash Provided (Used) by Investing Activities	72,310	(117,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	-	(214,071)
Net Cash Used by Financing Activities	-	(214,071)
NET CHANGE IN CASH AND CASH EQUIVALENTS	689,781	694,651
Cash and Cash Equivalents - Beginning of Year	1,472,721	778,070
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,162,502	$ 1,472,721
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Right-of-Use Assets Obtained in Exchange for New Lease Liabilities	$ 144,547	$ 112,058
Cash Paid During the Year for Interest	$ -	$ 11,860

See accompanying Notes to Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nexus – PATH Family Healing (the Organization) is a nonprofit organization established to provide foster care to children with special needs and adoption services. The Organization accomplishes this mission by recruiting and working with specially trained foster parents and families that are supported by professional social workers. The Organization currently has North Dakota offices in Fargo, Devils Lake, Williston, Bismarck, Turtle Mountain, Grand Forks, and Dickinson.

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 – Kindred 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 8). 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 are 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. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2025 and 2024 the Organization had approximately $1,650,000 and $1,210,000 respectively, in excess of FDIC 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 writes 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, 2025 and 2024, 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, 2025 and 2024 totaled $25,000 and $15,000, respectively. There were write-offs of $2,866 and $207,082 and no recoveries for both years ended December 31, 2025 and 2024, respectively.

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 consist of the following as of December 31:

	2025	2024	2023
Accounts Receivable	$ 1,032,615	$ 1,518,769	$ 1,995,323
Less: Allowance for Credit Losses	(25,000)	(15,000)	(14,000)
Total Accounts Receivable, Net	$ 1,007,615	$ 1,503,769	$ 1,981,323

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. Grant receivables are written off when deemed uncollectable. No allowance was warranted as of December 31, 2025 and 2024. All grants as of December 31, 2025 and 2024, were expected to be collected within one year.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported on the statements of activities and consists of interest and dividends income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and 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 39 years, or in the case of 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 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 property and 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 carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2025 and 2024.

Assets Held for Sale

The Organization had property and equipment classified as assets held for sale as of December 31, 2024. During the year ended December 31, 2025, the assets held for sale were sold for $1,223,960. The sale resulted in a gain of $40,750, which is included in Other Income in the statement of activities.

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

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 twelve 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.

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.

Goodwill

Goodwill represents costs in excess of purchase price over the fair value of the assets of businesses acquired, including other identifiable intangible assets.

Goodwill is not amortized; rather potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. As of December 31, 2025 and 2024, the carrying value of the Organization's goodwill was not considered impaired.

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:

	2025	2024	2023
Refundable Advances	$ 836,617	$ 76,667	$ 75,000

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

Revenue and Revenue Recognition

The Organization recognizes revenue from contract revenue as the services are provided. Contract revenue includes revenues from foster care and adoption services, targeted case management, supervised support and training services, family support, and therapy 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 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 that are conditioned upon specific performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized as qualifying expenditures are incurred in compliance with the applicable contract or grant provisions. Amounts received prior to the incurrence of qualifying expenditures are reported as deferred revenue in the statements of financial position.

As of December 31, 2025, the Organization had $289,970 of awarded cost-reimbursable grants that have not been recognized as revenue because qualifying expenditures have not yet been incurred. In addition, the Organization had $80,000 of conditional grants that have not been recorded, as the related conditions were not met during the year.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's 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 accounting principles generally accepted in the United States of America. 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. During the years ended December 31, 2025 and 2024, the Organization recorded no in-kind contributions.

Functional Allocation of Expenses

The accompanying financial statements present expenses on both a natural and functional basis. Certain costs benefit more than one program or supporting service and are therefore allocated among these functions on a reasonable and consistently applied basis. Expenses that require allocation include, but are not limited to, occupancy, depreciation, payroll and related benefits, and other shared costs. Depreciation and occupancy-related expenses are allocated based on square footage, while payroll, benefits, and other shared expenses are allocated based on estimates of time and effort or, when available, actual usage.

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

Income Taxes

The Organization is organized as a North Dakota 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 Section 509(a)(2). 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 purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization believes 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 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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Subsequent Events

The Organization has evaluated subsequent events through July 15, 2026, the date the financial statements were 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:

	2025	2024
Cash and Cash Equivalents	$ 2,162,502	$ 1,472,721
Accounts Receivable, Net	1,007,615	1,503,769
Grants Receivable	347,869	186,680
Investments	1,035,569	-
Less: Net Assets with Donor Restrictions	(7,940)	(13,025)
Total	$ 4,545,615	$ 3,150,145

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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 twelve months.

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

We report certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liability, 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 or liability 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 or liability 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 or liabilities that we can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability 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 or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2025. There were no investments as of December 31, 2024.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds	$ 10,193	$ -	$ -	$ 10,193
Corporate Bonds	511,794	163,101	-	674,895
U.S. Government Securities	150,757	-	-	150,757
Common Stock	192,651	-	-	192,651
Total	$ 865,395	$ 163,101	$ -	$ 1,028,496
Cash				7,073
Total Investments				$ 1,035,569

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2025	2024
Buildings and Leasehold Improvements	$ 351,719	$ 477,721
Vehicles and Equipment	690,762	872,962
Construction in Progress	-	2,600
Total Property and Equipment	1,042,481	1,353,283
Less: Accumulated Depreciation and Amortization	(820,925)	(1,120,527)
Total Property and Equipment, Net	$ 221,556	$ 232,756

Depreciation expense totaled $144,439 and $188,956 for the years ended December 31, 2025 and 2024, respectively.

NOTE 5 LEASES

The Organization leases office space, vehicles, and equipment under various operating leases, expiring at various dates through 2032. 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 5 LEASES (CONTINUED)

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

	2025	2024
Right-of-Use Assets:		
Financing Leases, Net	$ 171,397	$ 94,764
Operating Leases	2,184,235	1,819,782
Total	$ 2,355,632	$ 1,914,546
Lease Liabilities:		
Current:		
Financing Leases	$ 81,955	$ 54,560
Operating Leases	635,656	857,346
Noncurrent:		
Financing Leases	86,498	42,421
Operating Leases	1,649,672	960,219
Total	$ 2,453,781	$ 1,914,546

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

	2025	2024
Finance Lease Costs:		
Amortization of ROU Assets	$ 73,817	$ 94,804
Interest on Lease Liabilities	6,596	4,478
Operating Lease Costs	1,035,198	944,556
Total Lease Costs	$ 1,115,611	$ 1,043,838
Other Information:		
Finance Lease - Operating Cash Flows	$ 6,596	$ 4,478
Finance Lease - Financing Cash Flows	$ 76,128	$ 94,438
Operating Lease - Operating Cash Flows	$ 955,005	$ 947,144
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	$ 1,138,307	$ -
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	$ 144,547	$ 112,058
Weighted Average Lease Term - Finance Leases	2.29 Years	2.04 Years
Weighted Average Lease Term - Operating Leases	5.07 Years	4.82 Years
Weighted Average Discount Rate - Finance Leases	4.33%	3.90%
Weighted Average Discount Rate - Operating Leases	2.91%	1.63%

NOTE 5 LEASES (CONTINUED)

The future minimum lease payments under noncancelable leases with terms greater than one year are listed below as of December 31, 2025:

Year Ending December 31,	Operating Leases	Finance Leases
2026	$ 635,656	$ 81,955
2027	491,990	76,771
2028	403,465	15,840
2029	357,984	1,922
2030	342,114	160
Thereafter	266,760	-
Total Lease Payments	2,497,969	176,648
Less: Interest	(212,641)	(8,195)
Present Value of Lease Liabilities	$ 2,285,328	$ 168,453

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Various Purpose Restrictions	$ 7,940	$ 13,025

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:

	2025	2024
Various Purpose Restrictions	$ 5,085	$ 1,475

NOTE 7 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 employees meeting certain eligibility requirements. Under the Plan, the Organization matches employee deferrals 100% for the first 1% of wages deferred, and 50% additional deferrals up to a maximum of 6%. Employee deferrals vest immediately and employer matching contributions vest after two years. During the years ended December 31, 2025 and 2024, the Organization matched employee voluntary contributions, resulting in contributions to the Plan of $174,116 and $161,138, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

The board of directors includes foster parents who provide foster care services for the Organization. Foster parents make up a minority portion of the board of directors.

The Organization had the following transactions with its affiliated companies: Nexus Family Healing, Nexus Diversified Community Services (NDCS), and Nexus Foundation for Family Healing during the years ended December 31:

	2025	2024
Due to Affiliates - Beginning of Year	$ (1,086,794)	$ (892,626)
Charges for Various Operational Expenses	(2,064,800)	(900,544)
Charges for Management Services Provided by Nexus Diversified Community Services	(1,406,243)	(1,265,272)
Payments to Affiliates	3,285,760	1,971,648
Due to Affiliates - End of Year	$ (1,272,077)	$ (1,086,794)

During the years ended December 31, 2025 and 2024, there was grant and contribution revenue of approximately $312,000 and $201,000 from an affiliate, respectively. Amounts due (to) from affiliates do not accrue interest income or expense.

NOTE 9 MAJOR CUSTOMERS

During the years ended December 31, 2025 and 2024, 51% and 27% of contract revenue was from three and one customer, respectively. The loss of these customers would have a material adverse effect on the Organization. Additionally, these customers accounted for 56% and 17% of accounts receivable as of December 31, 2025 and 2024, respectively.

NOTE 10 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2025	2024
Foster Care and Adoption Services	$ 7,996,678	$ 8,922,461
School Based Targeted Case Management	2,346,914	1,660,642
Supervised Support and Training Services	5,012,039	4,400,267
Family Support	-	121,092
Therapy Services	-	1,264,708
Other Contract Revenue	25,883	-
Total Contract Revenue	15,381,514	16,369,170
Contractual Allowance	(1,120,942)	(1,197,028)
Total Contract Revenue, Net	$ 14,260,572	$ 15,172,142