

**NEXUS DIVERSIFIED COMMUNITY SERVICES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**



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**NEXUS DIVERSIFIED COMMUNITY SERVICES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nexus Diversified Community Services
Plymouth, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexus Diversified Community Services (NDCS), 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 NDCS as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 NDCS 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 Diversified Community Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

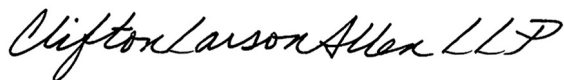
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 NDCS'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 NDCS'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

Minneapolis, Minnesota
July 15, 2026

NEXUS DIVERSIFIED COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 71,492	\$ 273,154
Investments	53,268,130	46,281,771
Other Current Assets	3,322	3,976
Total Current Assets	<u>53,342,944</u>	<u>46,558,901</u>
PROPERTY AND EQUIPMENT, NET	<u>46,018,103</u>	<u>47,938,103</u>
Total Assets	<u><u>\$ 99,361,047</u></u>	<u><u>\$ 94,497,004</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Bonds and Notes Payable	\$ 1,691,527	\$ 1,775,467
Accounts Payable	15,352	21,688
Due to Affiliates, Net	8,860,811	9,106,088
Other Accrued Expenses	39,014	72,479
Total Current Liabilities	<u>10,606,704</u>	<u>10,975,722</u>
NONCURRENT LIABILITIES		
Bonds and Notes Payable, Net of Current Portion and Debt Issuance Costs	<u>24,587,266</u>	<u>26,313,087</u>
Total Liabilities	35,193,970	37,288,809
NET ASSETS		
Without Donor Restrictions	<u>64,167,077</u>	<u>57,208,195</u>
Total Liabilities and Net Assets	<u><u>\$ 99,361,047</u></u>	<u><u>\$ 94,497,004</u></u>

See accompanying Notes to Financial Statements.

**NEXUS DIVERSIFIED COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Net Investments Gain	\$ 6,986,754	\$ -	\$ 6,986,754
Administrative Fees	5,883,124	-	5,883,124
Lease Revenue	3,691,200	-	3,691,200
Miscellaneous	2,950	-	2,950
Total Revenues, Support, and Gains	<u>16,564,028</u>	<u>-</u>	<u>16,564,028</u>
EXPENSES			
Program Services Expense	4,032,556	-	4,032,556
Support Services Expense:			
Management and General	<u>6,072,590</u>	<u>-</u>	<u>6,072,590</u>
Total Expenses	<u>10,105,146</u>	<u>-</u>	<u>10,105,146</u>
CHANGE IN NET ASSETS FROM OPERATIONS	6,458,882	-	6,458,882
Equity Transfer from Related Party	<u>500,000</u>	<u>-</u>	<u>500,000</u>
CHANGE IN NET ASSETS	6,958,882	-	6,958,882
Net Assets – Beginning of Year	<u>57,208,195</u>	<u>-</u>	<u>57,208,195</u>
NET ASSETS – END OF YEAR	<u><u>\$ 64,167,077</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,167,077</u></u>

See accompanying Notes to Financial Statements.

NEXUS DIVERSIFIED COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Net Investments Gain	\$ 4,559,967	\$ -	\$ 4,559,967
Administrative Fees	5,268,313	-	5,268,313
Lease Revenue	3,853,004	-	3,853,004
Total Revenues, Support, and Gains	13,681,284	-	13,681,284
EXPENSES			
Program Services Expense	4,120,839	-	4,120,839
Support Services Expense:			
Management and General	5,457,780	-	5,457,780
Total Expenses	9,578,619	-	9,578,619
CHANGE IN NET ASSETS FROM OPERATIONS	4,102,665	-	4,102,665
Equity Transfer from Related Party	800,000	-	800,000
CHANGE IN NET ASSETS	4,902,665	-	4,902,665
Net Assets – Beginning of Year	52,305,530	-	52,305,530
NET ASSETS – END OF YEAR	<u>\$ 57,208,195</u>	<u>\$ -</u>	<u>\$ 57,208,195</u>

See accompanying Notes to Financial Statements.

**NEXUS DIVERSIFIED COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Administrative Fees	\$ -	\$ 6,072,590	\$ -	\$ 6,072,590
Accounting and Audit	51			51
Amortization Expense	35,701	-	-	35,701
Auto & Travel	112			112
Community Services	2,200			2,200
Consulting	292,916	-	-	292,916
Depreciation	2,020,456	-	-	2,020,456
Insurance	147,030	-	-	147,030
Interest	1,261,342	-	-	1,261,342
Licenses, Dues, Fees	7,496	-	-	7,496
Office Expense	5,710			5,710
Utilities	259,542	-	-	259,542
Total Expenses by Function	<u>\$ 4,032,556</u>	<u>\$ 6,072,590</u>	<u>\$ -</u>	<u>\$ 10,105,146</u>

See accompanying Notes to Financial Statements.

NEXUS DIVERSIFIED COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services	Support Services		Total
		Management and General	Fundraising	
Administrative Fees	\$ -	\$ 5,457,780	\$ -	\$ 5,457,780
Amortization Expense	37,129	-	-	37,129
Accounting and Audit	20,220	-	-	20,220
Consulting	275,363	-	-	275,363
Depreciation	2,063,921	-	-	2,063,921
Insurance	101,966	-	-	101,966
Interest	1,368,402	-	-	1,368,402
Office Expense	2,511	-	-	2,511
Utilities	251,327	-	-	251,327
Total Expenses by Function	<u>\$ 4,120,839</u>	<u>\$ 5,457,780</u>	<u>\$ -</u>	<u>\$ 9,578,619</u>

See accompanying Notes to Financial Statements.

NEXUS DIVERSIFIED COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,958,882	\$ 4,902,665
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	2,020,456	2,063,921
Interest Expense Attributable to Amortization of Debt		
Issuance Costs	35,701	37,129
Realized and Unrealized Gain on Investments	(6,051,787)	(3,528,808)
Changes in Operating Assets and Liabilities:		
Other Current Assets	654	21,053
Due to Affiliates	(245,277)	(275,730)
Accounts Payable	(6,336)	(17,488)
Other Accrued Expenses	(33,465)	(4,397)
Net Cash Provided by Operating Activities	<u>2,678,828</u>	<u>3,198,345</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(100,456)	(55,026)
Purchases of Investments	(9,599,480)	(5,614,860)
Proceeds from Sale of Investments	<u>8,664,908</u>	<u>4,584,716</u>
Net Cash Used by Investing Activities	<u>(1,035,028)</u>	<u>(1,085,170)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Bonds and Notes Payable	<u>(1,845,462)</u>	<u>(2,717,750)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(201,662)	(604,575)
Cash and Cash Equivalents - Beginning of Year	<u>273,154</u>	<u>877,729</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 71,492</u>	<u>\$ 273,154</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u>\$ 1,222,328</u>	<u>\$ 889,929</u>

See accompanying Notes to Financial Statements.

**NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nexus Diversified Community Services (NDCS or 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 mission of NDCS is to support Nexus Family Healing (previously referred to as Nexus) and its affiliates (described below). With missions of strengthening lives, families, and communities through cornerstone values of honesty, responsibility, courage, care, and concern, and to provide families and communities with an array of quality services that promote the development of healthy family relationships and supportive living environments.

Related Party Activity

NDCS 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 – PATH Family Healing, 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.

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 no amounts 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.

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 in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

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. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2025 and 2024.

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. NDCS 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.

As of December 31, 2025 and 2024, NDCS had no net assets with donor-imposed restrictions.

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

Lease Revenue

Commercial space is rented under long-term operating lease agreements (see Note 6). Lease revenue is recognized in the month in which it is earned rather than received, based on base rates determined in the lease arrangements. No variable lease payments are associated with these leases. All leases are held with related party affiliates. Under Accounting Standards Codification (ASC) 842, NDCS has elected not to separate lease contracts into lease and nonlease components, since the timing and pattern of revenue is not materially different, and the nonlease component is not the primary component of the lease. Accordingly, both lease and nonlease components are presented in lease revenue in the statements of activities.

Revenue and Revenue Recognition

Revenue is recognized from administrative services as the services are provided. Revenue is earned by NDCS on an annual basis based on 17% as of December 31, 2025 and 2024, respectively, of the gross payroll of each individual affiliate, plus additional amounts that may be charged to each affiliate in accordance with the administrative services agreements. All services are transferred from NDCS to the individual affiliates over a period of time (annually).

Grants and contributions are recognized when cash, securities or other assets, or an unconditional promise to give 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 substantially met.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method. The straight-line method is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt in the statements of financial position. Amortization of debt issuance costs is included in amortization expense in the accompanying financial statements.

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.

**NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

Income Taxes

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

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

Estimates

The preparation of financial statements in conformity with 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

NDCS has evaluated subsequent events through July 15, 2026, the date the financial statements were available to be issued.

In May 2026, as a result of a MDHS inspection, operations were temporarily suspended at the East Bethel operations at the East Bethel location. A settlement agreement was executed June 12, 2026 allowing East Bethel to continue operating at reduced capacity with additional conditions. The suspension of operations was considered a default in their loan agreement based on covenant requirements as this was a material adverse change. Nexus is also in violation of their debt covenants for not issuing audited financial statements by May 31, 2026. The Organization has obtained a waiver for these violations.

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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	\$ 71,492	\$ 273,154
Operating Investments	53,268,130	46,281,771
Total	<u>\$ 53,339,622</u>	<u>\$ 46,554,925</u>

NDCS regularly monitors liquidity required to meet its operating needs and the needs of its affiliates. NDCS has financial assets available to meet general expenditures over the next twelve months.

NOTE 3 FAIR VALUE MEASUREMENTS

Certain assets and liabilities are reported at fair value in the 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 can be accessed 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, 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.

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

A significant portion of investment assets are classified within Level 1 because they are comprised of common stocks and open-end mutual funds with readily determinable fair values based on daily redemption values. Mutual funds are invested and traded in the financial markets. 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 bonds are valued using pricing models maximizing the use of the observable inputs for similar securities; this includes basing value on yields currently available on comparable securities of issue with similar credit ratings and are classified within Level 1 or 2. Municipal bonds are valued by using observable trades to develop fair value estimates, and when trade histories are not available, a discounted cash flow model is used, incorporating key inputs such as coupon, discount rate, and expected repayment dates, and are classified within Level 2.

The following tables present assets measured at fair value on a recurring basis at December 31:

2025				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds	\$ 7,196,667	\$ -	\$ -	\$ 7,196,667
Corporate Bonds	15,223,200	1,540,160	-	16,763,360
Municipal Bonds	490,615	-	-	490,615
U.S. Government Securities	2,155,000	-	-	2,155,000
Common Stock	25,862,030	-	-	25,862,030
Total	<u>\$ 50,927,512</u>	<u>\$ 1,540,160</u>	<u>\$ -</u>	<u>\$ 52,467,672</u>
Cash				800,458
Total Investments				<u>\$ 53,268,130</u>

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	\$ 5,709,558	\$ -	\$ -	\$ 5,709,558
Corporate Bonds	9,618,637	3,266,503	-	12,885,140
Municipal Bonds	-	476,545	-	476,545
U.S. Government Securities	3,308,163	-	-	3,308,163
Common Stock	23,902,365	-	-	23,902,365
Total Investments	<u>\$ 42,538,723</u>	<u>\$ 3,743,048</u>	<u>\$ -</u>	<u>\$ 46,281,771</u>

A portion of NDCS's long term investment portfolio was pledged as collateral for a line of credit issued to Nexus Family Healing.

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2025	2024
Land and Improvements	\$ 3,101,053	\$ 3,101,053
Buildings and Improvements	64,142,552	64,142,552
Equipment	2,362,740	2,362,740
Fixed Assets in Process	100,456	-
Total Property and Equipment	69,706,801	69,606,345
Less: Accumulated Depreciation	(23,688,698)	(21,668,242)
Total Property and Equipment, Net	<u>\$ 46,018,103</u>	<u>\$ 47,938,103</u>

Depreciation expense totaled \$2,020,456 and \$2,063,921 for the years ended December 31, 2025 and 2024, respectively.

NOTE 5 BONDS AND NOTES PAYABLE

Indian Oaks Academy Campus

On September 6, 2013, Nexus Diversified Community Services, with Nexus Family Healing 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 Nexus Family Healing's 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 NDCS and Nexus Family Healing as they pertain to the Indian Oaks Academy operation and accounts receivable of Nexus Family Healing that are related to its Indian Oaks Academy operation.

The bonds are payable in monthly installments over a twenty-year period beginning October 1, 2013, and continuing until September 1, 2033, at which point all remaining principal and interest is due. For the years ended December 31, 2025 and 2024, the monthly installment amounts were \$56,344, which includes principal and interest at 4.56%, per annum. The effective interest rate for 2025 and 2024 is 4.16%.

	2025	2024
Bonds Payable	\$ 6,427,533	\$ 6,867,719
Less: Unamortized Debt Issuance Costs	(137,520)	(156,952)
Bonds Payable, Net	<u>\$ 6,290,013</u>	<u>\$ 6,710,767</u>

Mille Lacs Academy Campus

On November 6, 2015, Nexus Diversified Community Services, with Nexus Family Healing 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 Nexus Family Healing's property at its Mille Lacs Academy Campus. Primary collateral for the bonds are buildings, building contents, and land located in the City of Onamia at Nexus Family Healing's Mille Lacs Academy Campus location.

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

The bonds are payable in monthly installments over a thirteen-year period beginning December 6, 2015, and continuing until November 6, 2028, at which point all remaining principal and interest is due. Interest was adjusted to 4.6% per annum in November 2022. The monthly installment amounts are \$40,820, which includes principal and interest. The effective interest rate as of December 31, 2025 and 2024 is 2.90%.

	2025	2024
Bonds Payable	\$ 1,242,076	\$ 1,838,787
Less: Unamortized Debt Issuance Costs	(8,030)	(10,300)
Bonds Payable, Net	<u>\$ 1,234,046</u>	<u>\$ 1,828,487</u>

Gerard Academy Campus

On December 1, 2015, Nexus Diversified Community Services, with Nexus Family Healing 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 Nexus Family Healing's Gerard Academy Campus. Primary collateral for the bonds are buildings, building contents, and land located in the City of Austin at Nexus Family Healing's Gerard Academy Campus location.

The bonds are payable in monthly installments over a fourteen-year period beginning January 1, 2016, and continuing until December 1, 2029, at which point all remaining principal and interest is due. Interest was adjusted to 4.3% per annum in December 2022. The monthly installment amounts are \$38,357, which includes principal and interest. The effective interest rate for 2025 and 2024 is approximately 3%.

	2025	2024
Bonds Payable	\$ 1,606,548	\$ 2,149,056
Less: Unamortized Debt Issuance Costs	(7,448)	(9,508)
Bonds Payable, Net	<u>\$ 1,599,100</u>	<u>\$ 2,139,548</u>

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 ten-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 for 2025 and 2024 is 3.30%.

	2025	2024
Notes Payable	\$ 722,757	\$ 758,381
Less: Unamortized Debt Issuance Costs	(7,250)	(8,723)
Bonds Payable, Net	<u>\$ 715,507</u>	<u>\$ 749,658</u>

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

East Bethel

In August 2023, Nexus Diversified Community Services obtained a loan from Bremer Bank in the amount of \$10,000,000 for East Bethel. The promissory note is payable in monthly installments which begin as interest only payments of \$28,500 through September 16, 2025, and then payments of \$56,025, which includes principal and interest over the remaining period beginning October 16, 2025, and continuing until August 16, 2050. Primary collateral for the loan is the capital asset. Interest is calculated at 4.56% per annum. The effective interest rate for 2025 and 2024 is 4.66%.

	2025	2024
Notes Payable	\$ 9,579,934	\$ 9,711,604
Less: Unamortized Debt Issuance Costs	(185,570)	(191,958)
Notes Payable, Net	<u>\$ 9,394,364</u>	<u>\$ 9,519,646</u>

East Bethel (Continued)

In August 2023, Nexus Diversified Community Services obtained a loan from Bremer Bank in the amount of \$7,500,000 for East Bethel. The promissory note is payable in monthly installments which begin as interest only payments of \$28,500 through September 16, 2025, and then payments of \$42,019, which includes principal and interest over the remaining period beginning October 16, 2025, and continuing until August 16, 2050. Primary collateral for the loan is the capital asset. Interest is calculated at 4.56% per annum. The effective interest rate for 2025 and 2024 is 4.66%.

	2025	2024
Notes Payable	\$ 7,184,940	\$ 7,283,703
Less: Unamortized Debt Issuance Costs	(139,177)	(143,255)
Notes Payable, Net	<u>\$ 7,045,763</u>	<u>\$ 7,140,448</u>

Future maturities of bonds and notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 1,691,527
2027	1,771,925
2028	1,801,420
2029	1,324,501
2030	1,016,460
Thereafter	19,157,955
Total	26,763,788
Less: Unamortized Debt Issuance Costs	(484,995)
Total	<u>\$ 26,278,793</u>

According to the terms of the bond and note payable agreements, the Organization is subject to various financial covenants that apply to the consolidated entities of Nexus. The Organization failed to comply with two nonfinancial covenants. The Organization has obtained a waiver for the violations from the lender, which is effective through July 15, 2026. See note 1 for subsequent events.

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 LEASE INCOME

NDCS leases various real estate and personal property all to related entities (see Note 1) expiring at various dates through 2038. In some instances, there is no formal agreement that has been signed and the leases are operating month to month. There are no variable lease payments associated with these lease arrangements. Substantially all of the property owned by NDCS was leased to related entities as of December 31, 2025 and 2024.

NDCS had lease income for the years ended December 31:

	2025	2024
Mille Lacs Facility	\$ 769,068	\$ 769,068
Indian Oaks Various Buildings	641,400	641,400
Gerard Academy Facility	930,332	1,099,636
Onarga Foster Homes	36,000	33,000
Luther Hall	133,380	133,380
East Bethel	1,181,020	1,176,520
Total Lease Income	<u>\$ 3,691,200</u>	<u>\$ 3,853,004</u>

Future minimum lease income for leases listed above at December 31, 2025, is as follows:

<u>Years Ending December 31.</u>	<u>Amount</u>
2026	\$ 841,428
2027	841,428
2028	841,428
2029	841,428
2030	841,428
Thereafter	5,317,456
Total	<u>\$ 9,524,596</u>

NOTE 7 RELATED PARTY TRANSACTIONS

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

	2025	2024
Due to Affiliates - Beginning of Year	\$ 9,106,088	\$ 9,381,818
Advances/Payments from Affiliates	3,181,098	3,897,662
Lease Revenue from Affiliates	(3,691,200)	(3,853,004)
Charges for Operations	575,359	290,145
Contributions from Affiliates	(500,000)	(800,000)
Management Fee Revenue	(5,883,124)	(5,268,313)
Management Fee Expense	6,072,590	5,457,780
Due to Affiliates - End of Year	<u>\$ 8,860,811</u>	<u>\$ 9,106,088</u>

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

NEXUS DIVERSIFIED COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 8 MAJOR CUSTOMERS

A major portion of NDCS's revenue is dependent upon the related entities: Nexus Family Healing, Nexus – PATH Family Healing, Nexus – Kindred Family Healing, Nexus – FACTS Family Healing, Nexus Foundation for Family Healing, and Nexus – Woodbourne Family Healing. The loss of revenue from these related entities could have a material adverse effect on NDCS. During the years ended December 31, 2025 and 2024, these entities accounted for 100% of revenue exclusive of investment income. See Note 8 for amounts due to/from the related entities as of December 31, 2025 and 2024.



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