



Financial Statements

December 31, 2023 and 2022

# Nexus Diversified Community Services

Nexus Diversified Community Services

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## Independent Auditor's Report

The 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, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of NDCS as of December 31, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audits. 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 these 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 NDCS's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditor's 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 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 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.

*Eide Bailly LLP*

Minneapolis, Minnesota  
April 30, 2024

## Nexus Diversified Community Services

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 877,729	\$ 974,881
Other receivables	-	501,569
Investments	41,722,819	37,411,774
Other current assets	25,029	12,533
Total current assets	42,625,577	38,900,757
Property and Equipment, Net	49,946,998	29,623,911
Total assets	\$ 92,572,575	\$ 68,524,668
<b>Current Liabilities</b>		
Current portion of bonds and notes payable	\$ 1,325,204	\$ 1,308,489
Accounts payable	39,176	7,000
Due to affiliates, net	9,381,818	8,978,865
Other accrued expenses	76,876	45,740
Total current liabilities	10,823,074	10,340,094
<b>Noncurrent Liabilities</b>		
Bonds and notes payable, net of current portion and debt issuance costs	29,443,971	13,604,862
Total liabilities	40,267,045	23,944,956
<b>Net Assets</b>		
Without donor restrictions	52,305,530	44,531,913
With donor restrictions	-	47,799
Total net assets	52,305,530	44,579,712
Total liabilities and net assets	\$ 92,572,575	\$ 68,524,668

Nexus Diversified Community Services

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Net investment gain	\$ 4,312,801	\$ -	\$ 4,312,801
Administrative fees	4,580,080	-	4,580,080
Lease revenue	3,027,136	-	3,027,136
Grant and contribution revenue	265,000	-	265,000
Contribution of nonfinancial asset	3,300,000	-	3,300,000
Miscellaneous revenue	50,596	-	50,596
Net assets released from restrictions	47,799	(47,799)	-
	<u>15,583,412</u>	<u>(47,799)</u>	<u>15,535,613</u>
Total revenue, support, and gains			
Expenses			
Program services expense	3,040,247	-	3,040,247
Supporting services expense			
Management and general	4,769,548	-	4,769,548
	<u>7,809,795</u>	<u>-</u>	<u>7,809,795</u>
Total expenses			
Change in Net Assets	7,773,617	(47,799)	7,725,818
Net Assets, Beginning of Year	<u>44,531,913</u>	<u>47,799</u>	<u>44,579,712</u>
Net Assets, End of Year	<u>\$ 52,305,530</u>	<u>\$ -</u>	<u>\$ 52,305,530</u>

## Nexus Diversified Community Services

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains (Losses)			
Net investment loss	\$ (4,303,416)	\$ -	\$ (4,303,416)
Administrative fees	4,376,546	-	4,376,546
Lease revenue	2,576,669	-	2,576,669
Grant and contribution revenue	450,374	600,000	1,050,374
Loss on sale of fixed asset	(5,700)	-	(5,700)
Net assets released from restrictions	552,201	(552,201)	-
Total revenue, support, and gains (losses)	3,646,674	47,799	3,694,473
Expenses			
Program services expense	2,551,950	-	2,551,950
Supporting services expense			
Management and general	4,566,014	-	4,566,014
Total expenses	7,117,964	-	7,117,964
Change in Net Assets	(3,471,290)	47,799	(3,423,491)
Net Assets, Beginning of Year	48,003,203	-	48,003,203
Net Assets, End of Year	\$ 44,531,913	\$ 47,799	\$ 44,579,712

## Nexus Diversified Community Services

### Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Administrative Fees	\$ -	\$ 4,769,548	\$ -	\$ 4,769,548
Amortization Expense	28,376	-	-	28,376
Accounting and Audit	263,298	-	-	263,298
Auto and Travel	28	-	-	28
Consulting	326,925	-	-	326,925
Depreciation	1,401,219	-	-	1,401,219
Insurance	96,052	-	-	96,052
Interest	660,278	-	-	660,278
Licensing, Dues, and Fees	307	-	-	307
Maintenance	2,500	-	-	2,500
Office Expense	5,209	-	-	5,209
Utilities	256,055	-	-	256,055
	<u>\$ 3,040,247</u>	<u>\$ 4,769,548</u>	<u>\$ -</u>	<u>\$ 7,809,795</u>
Total expense	<u>\$ 3,040,247</u>	<u>\$ 4,769,548</u>	<u>\$ -</u>	<u>\$ 7,809,795</u>



## Nexus Diversified Community Services

### Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Administrative Fees	\$ -	\$ 4,566,014	\$ -	\$ 4,566,014
Amortization Expense	22,252	-	-	22,252
Accounting and Audit	17,999	-	-	17,999
Consulting	282,474	-	-	282,474
Contribution Expense	233	-	-	233
Depreciation	1,325,107	-	-	1,325,107
Insurance	108,448	-	-	108,448
Interest	547,508	-	-	547,508
Licensing, Dues, and Fees	10	-	-	10
Utilities	247,919	-	-	247,919
	<u>\$ 2,551,950</u>	<u>\$ 4,566,014</u>	<u>\$ -</u>	<u>\$ 7,117,964</u>
Total expense	<u>\$ 2,551,950</u>	<u>\$ 4,566,014</u>	<u>\$ -</u>	<u>\$ 7,117,964</u>

## Nexus Diversified Community Services

### Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 7,725,818	\$ (3,423,491)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,401,219	1,325,107
Interest expense attributable to amortization of debt issuance costs	28,376	22,052
Realized and unrealized (loss) gain	(4,528,242)	4,091,928
Grants and contributions restricted to building project	-	(600,000)
Loss on disposal of equipment	-	5,700
Contributed property and equipment capitalized	(3,300,000)	-
Changes in operating assets and liabilities		
Other receivables	501,569	-
Other current assets	(12,496)	12,167
Accounts payable	32,176	(2,286)
Other accrued expenses	31,136	(18,483)
	1,879,556	1,412,694
Net Cash from Operating Activities		
Cash Flows from (used for) Investing Activities		
Purchase of property and equipment	(18,424,306)	(637,408)
Proceeds from sale of property and equipment	-	59,300
Purchase of investments	(207)	(511)
Proceeds from sale of investments	217,404	212,718
	(18,207,109)	(365,901)
Net Cash used for Investing Activities		
Cash Flows from (used for) Financing Activities		
Cash from (to) affiliates	402,953	(142,450)
Collections of grants and contributions restricted to building project	-	98,431
Principal payments on bonds and notes	(1,672,552)	(1,157,908)
Proceeds from debt issuance	17,500,000	1,000,000
	16,230,401	(201,927)
Net Cash from (used for) Financing Activities		
Net Change in Cash and Cash Equivalents	(97,152)	844,866
Cash and Cash Equivalents, Beginning of Year	974,881	130,015
Cash and Cash Equivalents, End of Year	\$ 877,729	\$ 974,881
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 889,929	\$ 547,644

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

Nexus Diversified Community Services (NDCS) 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 – Woodbourne Family Healing, Woodbourne Charitable Trust, and Nexus Foundation for Family Healing. Transactions entered into with these affiliates have been identified within these financial statements as related party transactions (Note 8). Based on the nature of the relationship with above noted entities, there are no requirements to consolidate these entities into NDCS's 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, which are neither held for, nor restricted by, donors for long-term purposes, are considered to be 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.

### **Property and Equipment**

Property and equipment are stated at cost when purchased, or if donated, at fair value on the date of donation. NDCS 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.

The carrying values of property and equipment are reviewed 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, 2023 and 2022.

### **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. 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, 2023 and 2022, NDCS net assets with donor-imposed restrictions were \$0 and \$47,799, respectively.

During the year ended December 31, 2023, \$47,799 net assets were released from restriction.

**Lease Revenue**

Commercial space is rented under a long-term operating lease agreement (Note 8). 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 ASC 842, NDCS has elected not to separate lease contracts into lease and non-lease components, since the timing and pattern of revenue is not materially different, and the non-lease component is not the primary component of the lease. Accordingly, both lease and non-lease 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 18% and 17% as of December 31, 2023 and 2022, 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.

**Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year is the difference between the fixed assets recorded at the value of the building, furniture, and furnishings acquired less the amount of debt assumed for the property. The difference between the fair value and debt assumed that was recognized at December 31, 2023 was \$3,300,000.

**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 interest expense in the accompanying financial statements.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs may be allocated among the programs and supporting services benefited.

**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). NDCS is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, NDCS is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. NDCS has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

NDCS 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. NDCS would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates**

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

**Financial Instruments, Investments and Credit Risk**

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by NDCS to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced 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 affiliates of NDCS. Investments are made by diversified investment managers whose performance is monitored by NDCS. Although the fair values of investments are subject to fluctuation on a year-to-year basis, NDCS believes that the investment policies and guidelines are prudent for the long-term welfare of NDCS.

NDCS maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, NDCS had \$627,818 and \$756,744, respectively, in excess of FDIC-insured limits.

**Subsequent Events**

NDCS has evaluated subsequent events through April 30, 2024, the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

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

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 877,729	\$ 974,881
Operating investments	41,722,819	37,411,774
Less amounts with donor restrictions	<u>-</u>	<u>(47,799)</u>
	<u>\$ 42,600,548</u>	<u>\$ 38,338,856</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 12 months. Please see NDCS's statement of cash flows which identifies the sources and uses of NDCS's cash generated by operations for the years ended December 31, 2023 and 2022.

**Note 3 - Fair Value Measurement**

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.

## Nexus Diversified Community Services

Notes to Financial Statements

December 31, 2023 and 2022

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 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 2.

The following table presents assets measured at fair value on a recurring basis at December 31, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 2,160,525	\$ 2,160,525	\$ -	\$ -
Corporate bonds	12,514,892	-	12,514,892	-
U.S. Government securities	3,389,513	3,389,513	-	-
Common stocks	23,657,889	23,657,889	-	-
<b>Total investments</b>	<b>\$ 41,722,819</b>	<b>\$ 29,207,927</b>	<b>\$ 12,514,892</b>	<b>\$ -</b>

The following table presents assets measured at fair value on a recurring basis at December 31, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 1,893,525	\$ 1,893,525	\$ -	\$ -
Corporate bonds	11,428,073	-	11,428,073	-
U.S. Government securities	3,267,621	3,267,621	-	-
Common stocks	20,822,555	20,822,555	-	-
<b>Total investments</b>	<b>\$ 37,411,774</b>	<b>\$ 25,983,701</b>	<b>\$ 11,428,073</b>	<b>\$ -</b>

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



**Note 4 - Property and Equipment**

Property and equipment consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 3,101,053	\$ 3,101,053
Buildings and improvements	64,113,440	42,928,491
Equipment	2,323,385	1,216,099
Fixed assets in process	13,441	581,370
Total property and equipment	<u>69,551,319</u>	<u>47,827,013</u>
Less accumulated depreciation	<u>(19,604,321)</u>	<u>(18,203,102)</u>
 Total property and equipment, net	 <u>\$ 49,946,998</u>	 <u>\$ 29,623,911</u>

Majority of the fixed assets in process balance at December 31, 2022 was costs incurred for the expansion of Gerard.

**Note 5 - Major Customers**

A major portion of the 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 year ended December 31, 2023 and 2022, these entities accounted for 70% and 94% of revenue exclusive of investment income, respectively. See Note 8 for amounts due to/from the related entities as of December 31, 2023 and 2022.

**Note 6 - 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.

## Nexus Diversified Community Services

Notes to Financial Statements

December 31, 2023 and 2022

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 2023 and 2022 is 4.16%.

	2023	2022
Bonds payable	\$ 7,173,794	\$ 7,549,213
Less unamortized debt issuance cost	(183,460)	(180,231)
Bonds payable, net	\$ 6,990,334	\$ 7,368,982

### **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.

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 was adjusted as defined in the bond documents. 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, 2023 and 2022, was 2.90%.

	2023	2022
Bonds payable	\$ 2,267,719	\$ 2,608,325

### **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.

## Nexus Diversified Community Services

Notes to Financial Statements  
December 31, 2023 and 2022

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. On December 1, 2022, the interest rate on the bond was adjusted to a rate per annum equal to 70% times the seven-year LIBOR Swap rate but shall not exceed 4.75%. Interest as of December 31, 2023, was at 4.3%. The monthly installment amounts are \$38,357, which includes principal and interest. The effective interest rate for 2023 and 2022 was approximately 3%.

	2023	2022
Bonds payable	\$ 2,492,878	\$ 2,808,162

According to the terms of the bond agreements, NDCS is subject to various financial covenants that are calculated from the consolidated financial statements of Nexus Family Healing. The bond documents establish minimum levels for cash on hand and net assets. In addition, NDCS is required to meet a minimum debt service coverage ratio of 1.2. NDCS 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 ten-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 for 2023 and 2022 is 3.30%.

	2023	2022
Notes payable	\$ 302,538	\$ 339,834

### **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 2023 and 2023 is 3.30%.

	2023	2022
Notes payable	\$ 795,615	\$ 827,925

## Nexus Diversified Community Services

Notes to Financial Statements

December 31, 2023 and 2022

### Gerard Expansion

On September 2, 2022, Nexus Diversified Community Services obtained a loan from Bremer Bank in the amount of \$1,000,000 for the Gerard Expansion. The promissory note is payable in monthly installments of \$18,613, which includes principal and interest over a five-year period beginning October 1, 2022, and continuing until September 1, 2027. Primary collateral for the loan is the capital asset. Interest is calculated at 4.37% per annum. The effective interest rate for 2023 and 2022 is 4.46%.

	2023	2022
Notes payable	\$ 794,456	\$ 998,919
Less unamortized debt issuance cost	-	(38,796)
	<u>\$ 794,456</u>	<u>\$ 960,123</u>

### 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 interest only payments of \$28,500 through September 16, 2025, and 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 2023 is 4.66%.

	2023	2022
Notes payable	\$ 10,000,000	\$ -
Less unamortized debt issuance cost	(213,923)	-
	<u>\$ 9,786,077</u>	<u>\$ -</u>

### East Bethel

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 interest only payments of \$28,500 through September 16, 2025, and 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 2023 is 4.66%.

	2023	2022
Notes payable	\$ 7,500,000	\$ -
Less unamortized debt issuance cost	(160,442)	-
	<u>\$ 7,339,558</u>	<u>\$ -</u>

Future maturities of bonds payable are as follows:

<u>Years Ending December 31,</u>	<u>Bonds and Notes Payable</u>
2024	\$ 1,364,617
2025	1,823,380
2026	1,893,919
2027	1,911,779
2028	1,794,696
Thereafter	<u>22,538,609</u>
	31,327,000
Less unamortized debt issuance costs	<u>(557,825)</u>
	<u><u>\$ 30,769,175</u></u>

#### **Note 7 - Leases**

NDCS leases various real estate and personal property all to related entities (see Note 1) expiring at various dates through 2032. 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, 2023 and 2022.

NDCS had lease income for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Mille Lacs facility	\$ 769,068	\$ 769,068
Indian Oaks various buildings	659,400	659,400
Gerard Academy facility	1,166,288	993,821
Onarga foster homes	33,000	21,000
Luther Hall	133,380	133,380
East Bethel	<u>266,000</u>	<u>-</u>
Total lease income	<u><u>\$ 3,027,136</u></u>	<u><u>\$ 2,576,669</u></u>

## Nexus Diversified Community Services

Notes to Financial Statements

December 31, 2023 and 2022

Future minimum lease income for leases listed above at December 31, 2023, is as follows:

Years Ending December 31,	Minimum Lease Income
2024	\$ 3,550,136
2025	3,670,309
2026	3,922,656
2027	3,922,656
2028	3,922,656
Thereafter	8,868,587
	\$ 27,857,000

### Note 8 - Related Party Transactions

NDCS had the following transactions with its affiliated companies (see Note 1) for the years ended December 31, 2023 and 2022:

	2023	2022
Due to affiliates as of January 1	\$ 8,978,865	\$ 9,121,315
Advances/payments from affiliates	5,044,224	5,809,296
Lease revenue from affiliates	(3,027,136)	(2,576,669)
Loan to affiliate	(2,150,000)	(3,100,000)
Charges for operations	81,397	85,456
Contributions from affiliates	265,000	(550,000)
Management fee revenue	(4,580,080)	(4,376,546)
Management fee expense	4,769,548	4,566,013
Due to affiliates as of December 31	\$ 9,381,818	\$ 8,978,865

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