Financial Statements
For the Years Ended
December 31, 2023 and 2022

Nexus – PATH Family Healing

Independent Auditor's Report

To the 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, which comprise the statements of financial positions 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 Nexus – PATH Family Healing 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 Nexus – PATH Family Healing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Nexus – PATH Family Healing'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 Nexus – PATH Family Healing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, 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 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

	2023	2022
Current Assets		
Cash and cash equivalents	$ 778,070	$ 1,442,787
Accounts receivable, net of allowance for credit losses of $14,000 in 2023 and 2022	1,981,323	1,524,002
Other receivables	356,176	714,722
Prepaid expenses	38,006	55,253
Total current assets	3,153,575	3,736,764
Noncurrent Assets		
Property and equipment, net	1,498,356	1,637,020
Investments	-	464,963
Operating right of use asset	2,615,529	3,327,305
Goodwill	51,000	51,000
Total assets	$ 7,318,460	$ 9,217,052
Current Liabilities		
Accounts payable	$ 333,482	$661,709
Due to related party	892,626	635,738
Accrued salaries and vacation	555,695	627,626
Current maturities of operating lease liabilities	855,251	858,122
Refundable advances	75,000	-
Other accrued expense	110,022	98,187
Notes payable, current portion	170,728	164,217
Total current liabilities	2,992,804	3,045,599
Noncurrent Liabilities		
Operating lease liabilities, less current maturities	1,760,278	2,469,183
Notes payable, excluding current portion	43,343	214,071
Total liabilities	4,796,425	5,728,853
Net Assets		
Without donor restrictions	2,507,535	3,488,199
With donor restrictions	14,500	-
Total net assets	2,522,035	3,488,199
Total liabilities and net assets	$ 7,318,460	$ 9,217,052

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contract revenue	$ 14,403,453	$ -	$ 14,403,453
Contribution and grant revenue	743,943	14,500	758,443
Contribution of nonfinancial assets	61,710	-	61,710
Net investment return	25,077	-	25,077
Lease revenue	32,265	-	32,265
Other income	58,625	-	58,625
Total revenue, support, and gains	15,325,073	14,500	15,339,573
Expenses			
Program services expense	13,202,672	-	13,202,672
Management and general	2,993,574	-	2,993,574
Fundraising and development	109,491	-	109,491
Total expenses	16,305,737	-	16,305,737
Change in Net Assets	(980,664)	14,500	(966,164)
Net Assets, Beginning of Year	3,488,199	-	3,488,199
Net Assets, End of Year	$ 2,507,535	$ 14,500	$ 2,522,035

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains (Losses)			
Contract revenue	$ 16,137,152	$ -	$ 16,137,152
Contribution and grant revenue	597,524	-	597,524
Contribution of nonfinancial assets	81,072	-	81,072
Net investment return (loss)	(30,645)	-	(30,645)
Lease revenue	37,040	-	37,040
Other income (loss)	(5,018)	-	(5,018)
Net assets released from restrictions	11,002	(11,002)	-
Total revenue, support, and gains (losses)	16,828,127	(11,002)	16,817,125
Expenses			
Program services expense	14,624,129	-	14,624,129
Management and general	3,128,585	-	3,128,585
Fundraising and development	102,373	-	102,373
Total expenses	17,855,087	-	17,855,087
Change in Net Assets	(1,026,960)	(11,002)	(1,037,962)
Cumulative effect of change in accounting principle	203,849	-	203,849
Net Assets, Beginning of Year	4,311,310	11,002	4,322,312
Net Assets, End of Year	$ 3,488,199	$ -	$ 3,488,199

	Foster Care and Adoption Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 5,676,683	$ 1,050,153	$ -	$ 6,726,836
Employee Benefits and Payroll Taxes	1,206,159	214,490	-	1,420,649
Total personnel cost	6,882,842	1,264,643	-	8,147,485
Foster Care	3,196,850	-	-	3,196,850
Administrative Fees	-	1,189,146	-	1,189,146
Rent	792,031	171,823	-	963,854
Consulting	448,710	2,457	-	451,167
Youth Supplies	479,568	-	-	479,568
Auto and Travel	267,668	50,486	-	318,154
Office Expense	97,246	54,118	-	151,364
Insurance	194,748	26,840	-	221,588
Depreciation	112,771	83,998	-	196,769
Utilities	157,533	13,335	-	170,868
License, Dues, and Fees	78,999	24,829	-	103,828
Food	142,986	-	-	142,986
Audit and Accounting	56,767	56,213	-	112,980
Allocation to Nexus Foundation	-	-	109,491	109,491
Maintenance	91,379	8,725	-	100,104
Interest	11,845	-	-	11,845
Hiring Expense	11,134	11,533	-	22,667
Bad Debts	14,230	-	-	14,230
Staff Development	60,712	17,236	-	77,948
Books and Subscriptions	601	1,287	-	1,888
Contract Labor	7,692	4,615	-	12,307
Recreational	5,814	-	-	5,814
Testing and Evaluation	426	-	-	426
Contributions	90,120	12,290	-	102,410
Total expenses	$ 13,202,672	$ 2,993,574	$ 109,491	$ 16,305,737

	Foster Care and Adoption Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 5,798,094	$ 1,039,402	$ -	$ 6,837,496
Employee Benefits and Payroll Taxes	1,234,524	254,302	-	1,488,826
Total personnel cost	7,032,618	1,293,704	-	8,326,322
Foster Care Services	4,075,284	-	-	4,075,284
Administrative Fees	-	1,248,669	-	1,248,669
Rent	751,179	161,646	-	912,825
Consulting	530,169	16,796	-	546,965
Youth Supplies	865,638	-	-	865,638
Auto and Travel	315,623	39,228	-	354,851
Office Expense	104,065	65,406	-	169,471
Insurance	194,297	29,601	-	223,898
Depreciation	112,850	65,492	-	178,342
Utilities	163,565	15,259	-	178,824
Licenses, Dues, and Fees	46,350	30,202	-	76,552
Food	135,117	-	-	135,117
Professional Services Fees	57,515	45,509	-	103,024
Allocation to Nexus Foundation	-	-	102,373	102,373
Maintenance	82,116	7,623	-	89,739
Interest	19,221	-	-	19,221
Hiring Expense	8,881	9,228	-	18,109
Bad Debts	9,385	-	-	9,385
Staff Development	37,586	11,421	-	49,007
Books and Subscriptions	613	1,935	-	2,548
Contract Labor	41,364	8,125	-	49,489
Recreational	893	-	-	893
Testing and Evaluation	127	-	-	127
Contributions	39,673	78,741	-	118,414
Total expenses	$ 14,624,129	$ 3,128,585	$ 102,373	$ 17,855,087

	2023	2022
Cash Flows used for Operating Activities		
Change in net assets	$ (966,164)	$ (834,113)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	196,769	178,342
Realized and unrealized (gain) loss	(24,134)	46,341
Credit losses	14,230	8,742
Changes in operating assets and liabilities		
Accounts receivable, net	(471,551)	622,643
Other receivables	358,546	(186,552)
Prepaid expenses	17,247	(14,921)
Accounts payable	(328,227)	123,026
Due to related party	256,888	(235,739)
Accrued salaries and vacation	(71,931)	(95,634)
Refundable advances	75,000	-
Other accrued expenses	11,835	(249,244)
Net Cash used for Operating Activities	(931,492)	(637,109)
Net Cash from (used for) Investing Activity		
Sales of investments	489,098	-
Purchases of investments	-	(10,222)
Purchases of property and equipment	(58,106)	(118,301)
Net Cash from (used for) Investing Activities	430,992	(128,523)
Net Cash Flows used for Financing Activity		
Principal payments on notes payable	(164,217)	(148,240)
Net Change in Cash and Cash Equivalents	(664,717)	(913,872)
Cash and Cash Equivalents, Beginning of Year	1,442,787	2,356,659
Cash and Cash Equivalents, End of Year	$ 778,070	$ 1,442,787
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$ 11,860	$ 13,091

Note 1 - Principal Activity and 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, Jamestown, Devils Lake, Minot, 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 (Note 10). 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 to be cash and cash equivalents.

Receivables 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.

Effective January 1, 2023, the Organization adopted the lease accounting guidance in Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326). The Organization elected to apply the guidance as of January 1, 2023, the beginning of the adoption period. There were no material changes to the financial statements as a result of this adoption.

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, 2023, because the composition of the trade receivables at those dates is consistent with that used in developing the historical credit-loss percentages (i.e. the similar risk characteristics of its clients and payors and its lending practices have not changed significantly over time). Additionally, management has determined that the current, reasonable, and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2023 and 2022 totaled $14,000. There were write offs of $14,230 and no recoveries for the year ended December 31, 2023.

Other Receivables

Other receivables represent primarily grant and school contract receivables. 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 for credit losses was warranted as of December 31, 2023 and 2022. All grants as of December 31, 2023 and 2022, were expected to be collected within one year.

Property and Equipment

Property and equipment additions over $1,000 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 30 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 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 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, 2023 and 2022.

Right of Use Leased Assets and Liabilities

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization’s right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

Investments and Net Investment Return (Loss)

Investments in marketable securities with readily determinable fair values and investments in debt securities are reported at their fair values in the statements of financial position. Contributed investments are reported at fair value at the date of contribution. See Note 4 for a discussion of fair value measurements.

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

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, 2023 and 2022, the carrying value of the Organization's goodwill was not considered impaired.

Net Assets

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

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

Revenue and Revenue Recognition

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

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The refundable advance at January 1, 2022, was $0.

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 generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. Contributions of such goods and services were received during the years ended December 31, 2023 and 2022, of $61,710 and $81,072, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and depreciation, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, consulting, auto and travel, youth supplies, office expenses, contributions, insurance, utilities, licenses, dues and fees, maintenance, staff development, contract labor, hiring expense, food, audit and accounting, and books and subscriptions, which are allocated on the basis of estimates of time and effort.

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 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 and Credit Risk

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

The Organization 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 December 31, 2022, the Organization had approximately $603,259 and $1,164,230, respectively, in excess of FDIC-insured limits.

Subsequent Events

The Organization has evaluated subsequent events through April 30, 2024, 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 statement of financial position date, comprise of the following:

	2023	2022
Cash and cash equivalents	$ 778,070	$ 1,442,787
Accounts receivable, net	2,337,499	2,238,724
	$ 3,115,569	$ 3,681,511

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has financial assets available to meet general expenditures over the next 12 months. Please see the Organization's statements of cash flows, which identifies the sources and uses of the Organization's cash and shows positive 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.

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 portion of investment assets are classified within Level 1. These are comprised of common stocks and real estate investment trusts with readily determinable fair values based on daily redemption values. Corporate and municipal 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.

All assets were sold during 2023 and balances were $0 at December 31, 2023. 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)
Cash, at cost	$ 74,596	$ -	$ -	$ -
Corporate bonds	242,633	-	242,633	-
Municipal bonds	13,599	-	13,599	-
Real estate investment trusts	1,128	1,128	-	-
Common stocks	133,007	133,007	-	-
Total investments	$ 464,963	$ 134,135	$ 256,232	$ -

Note 4 - Property and Equipment

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

	2023	2022
Land	$ 224,715	$ 224,715
Building and leasehold improvements	2,094,381	2,094,381
Property and equipment	772,817	714,712
	3,091,913	3,033,808
Less accumulated depreciation and amortization	(1,593,557)	(1,396,788)
	$ 1,498,356	$ 1,637,020

Depreciation expense totaled $196,769 and $178,342 for the years ended December 31, 2023 and 2022, respectively.

Note 5 - Notes Payable

Notes payable at December 31, 2023 and 2022, consist of the following:

	2023	2022
3.85% note payable, due in monthly installments of $14,672, including interest, through March 25, 2025. The original maturity date was principal due June 2, 2022 and refinanced in March 2022. Secured by property at 1425 21st Avenue, Minot, North Dakota.	$ 214,071	$ 378,288
Less portion due within one year	(170,728)	(164,217)
Long-term portion	$ 43,343	$ 214,071

Future minimum payments are as follows:

Years Ending December 31,	
2024	170,728
2025	43,343
	$ 214,071

The outstanding note payable requires compliance with certain financial and non-financial covenants. Management believes they are in compliance with all covenants.

Note 6 - 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.

The lease costs for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Operating lease cost	$ 1,198,216	$ 1,011,985

The following summarizes supplemental cash flow information for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,102,192	$ 1,011,985

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at December 31, 2023 and 2022:

	2023	2022
Weighted-average remaining lease term		
Operating leases	1.4 Years	1.3 Years
Weighted-average discount rate		
Operating leases	1.80%	1.00%

The future minimum lease payments under noncancelable leases with terms greater than one year are listed below as of December 31, 2023:

Years Ending December 31,	Amount
2024	$ 834,158
2025	873,400
2026	283,080
2027	146,559
2028	133,380
Thereafter	533,520
Total lease payments	2,804,097
Less interest	(188,568)
Present value of lease payments	$ 2,615,529

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2023 and 2022:

	2023	2022
Various purpose restrictions	$ 14,500	$ -
	$ 14,500	$ -

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, 2023 and 2022:

	2023	2022
Various purpose restrictions	-	11,002
	$ -	$ 11,002

Note 8 - Employee Benefits

The Organization sponsors a tax-deferred annuity 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, 2023 and 2022, the Organization matched employee voluntary contributions, resulting in contributions to the Plan of $163,527 and $185,623, respectively.

Note 9 - 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), Nexus Foundation for Family Healing, and Nexus – Kindred Family Healing during the years ended December 31, 2023 and 2022:

	2023	2022
Beginning balance due (to) from affiliates	$ (635,738)	$ (871,477)
Charges for various operational expenses	(2,201,130)	(1,704,869)
Charges for management service NDCS	(1,189,146)	(1,162,380)
Payments	3,133,388	3,102,988
Due (to) from affiliates	$ (892,626)	$ (635,738)

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

Note 10 - Major Customers

A major portion of the Organization’s business is dependent upon two large customers. The loss of these customers would have a material adverse effect on the Organization. During the years ended December 31, 2023 and 2022, these customers accounted for approximately 37% of contract revenue. Additionally, these customers accounted for 28% and 26% of accounts receivable as of December 31, 2023 and 2022.

Note 11 - Revenue from Contracts with Customers

The following represents contract revenue, as reported on the statement of activities, disaggregated by type, for the years ended December 31, 2023 and 2022:

	2023	2022
Foster care services	$ 7,543,742	$ 8,962,791
Case management services	1,744,242	1,879,801
Supervised support and training services	1,640,937	2,177,706
Medicaid	223,408	263,975
Therapy services	4,197,214	4,117,959
Food and other contract revenue	484,763	457,945
	15,834,306	17,860,177
Contractual allowance	(1,430,853)	(1,723,025)
	$ 14,403,453	$ 16,137,152