



Financial Statements  
December 31, 2022 and 2021

## Nexus – Kindred Family Healing

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## Independent Auditor's Report

The Board of Directors  
Nexus – Kindred Family Healing  
Plymouth, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Nexus – Kindred Family Healing (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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 the Organization 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.

#### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the Organization has adopted the provisions of FASB Accounting Standards Codification Topic, 842, *Leases*, as of January 1, 2022, using the modified retrospective approach. Our opinion is not modified with respect to this matter.

#### *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 the Organization'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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Eide Sully LLP*

Minneapolis, Minnesota  
June 21, 2023

Nexus – Kindred Family Healing  
Statements of Financial Position  
December 31, 2022 and 2021

|  | 2022         | 2021        |
|--|--------------|-------------|
| <b>Current Assets</b>                                |              |             |
| Cash and cash equivalents                            | \$ 322,560   | \$ 222,277  |
| Accounts receivable                                  | 565,871      | 440,526     |
| Other receivables                                    | 84,865       | 140,725     |
| Prepaid expenses                                     | 7,797        | 6,564       |
| Total current assets                                 | 981,093      | 810,092     |
| <b>Noncurrent Assets</b>                             |              |             |
| Equipment, net                                       | 19,236       | 27,753      |
| Operating right of use asset                         | 231,507      | -           |
| Other  | 2,119        | 2,119       |
| Total noncurrent assets                              | 252,862      | 29,872      |
| Total assets   | \$ 1,233,955 | \$ 839,964  |
| <b>Current Liabilities</b>                           |              |             |
| Accounts payable                                     | \$ 281,705   | \$ 216,053  |
| Due to affiliates                                    | 2,731,957    | 2,455,277   |
| Accrued salaries and benefits                        | 194,815      | 208,655     |
| Current maturities of operating lease liabilities    | 180,558      | -           |
| Other accrued expenses                               | 222,106      | 38,809      |
| Total current liabilities                            | 3,611,141    | 2,918,794   |
| <b>Noncurrent Liabilities</b>                        |              |             |
| Operating lease liabilities, less current maturities | 50,949       | -           |
| Total liabilities                                    | 3,662,090    | 2,918,794   |
| <b>Net Assets</b>                                    |              |             |
| Without donor restrictions                           | (2,440,602)  | (2,099,173) |
| With donor restrictions                              | 12,467       | 20,343      |
| Total net assets                                     | (2,428,135)  | (2,078,830) |
| Total liabilities and net assets                     | \$ 1,233,955 | \$ 839,964  |

Nexus – Kindred Family Healing  
Statement of Activities  
Year Ended December 31, 2022

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|---------------------------------------|-------------------------------|----------------------------|-----------------------|
| Revenue, Support, and Gains           |                               |                            |                       |
| Contract revenue, net                 | \$ 5,338,755                  | \$ -                       | \$ 5,338,755          |
| Contribution and grant revenue        | 462,800                       | 22,517                     | 485,317               |
| Other                                 | 424                           | -                          | 424                   |
| Net assets released from restrictions | 30,393                        | (30,393)                   | -                     |
| Total revenue, support, and gains     | <u>5,832,372</u>              | <u>(7,876)</u>             | <u>5,824,496</u>      |
| Expenses                              |                               |                            |                       |
| Program services expense              |                               |                            |                       |
| Foster care & adoption services       | 4,789,972                     | -                          | 4,789,972             |
| Management and general                | 1,347,154                     | -                          | 1,347,154             |
| Fundraising                           | 36,675                        | -                          | 36,675                |
| Total expense                         | <u>6,173,801</u>              | <u>-</u>                   | <u>6,173,801</u>      |
| Change in Net Assets                  | (341,429)                     | (7,876)                    | (349,305)             |
| Net Assets, Beginning of Year         | <u>(2,099,173)</u>            | <u>20,343</u>              | <u>(2,078,830)</u>    |
| Net Assets, End of Year               | <u>\$ (2,440,602)</u>         | <u>\$ 12,467</u>           | <u>\$ (2,428,135)</u> |

Nexus – Kindred Family Healing  
Statement of Activities  
Year Ended December 31, 2021

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|---------------------------------------|-------------------------------|----------------------------|-----------------------|
| Revenue, Support, and Gains           |                               |                            |                       |
| Contract revenue, net                 | \$ 5,578,245                  | \$ -                       | \$ 5,578,245          |
| Contribution and grant revenue        | 586,422                       | 16,156                     | 602,578               |
| Other                                 | 2,565                         | -                          | 2,565                 |
| Net assets released from restrictions | 25,827                        | (25,827)                   | -                     |
| Total revenue, support, and gains     | <u>6,193,059</u>              | <u>(9,671)</u>             | <u>6,183,388</u>      |
| Expenses                              |                               |                            |                       |
| Program services expense              |                               |                            |                       |
| Foster care & adoption services       | 4,798,396                     | -                          | 4,798,396             |
| Management and general                | 1,363,731                     | -                          | 1,363,731             |
| Fundraising                           | 33,465                        | -                          | 33,465                |
| Total expense                         | <u>6,195,592</u>              | <u>-</u>                   | <u>6,195,592</u>      |
| Change in Net Assets                  | (2,533)                       | (9,671)                    | (12,204)              |
| Net Assets, Beginning of Year         | <u>(2,096,640)</u>            | <u>30,014</u>              | <u>(2,066,626)</u>    |
| Net Assets, End of Year               | <u>\$ (2,099,173)</u>         | <u>\$ 20,343</u>           | <u>\$ (2,078,830)</u> |

Nexus – Kindred Family Healing  
Statement of Functional Expenses  
Year Ended December 31, 2022

|  | Foster Care<br>and Adoption<br>Services | Management<br>and General | Fundraising      | Total               |
|--|---|---------------------------|------------------|---------------------|
| Salaries and Wages                     | \$ 1,561,954                            | \$ 383,160                | \$ -             | \$ 1,945,114        |
| Employee Benefits and<br>Payroll Taxes | 152,715                                 | 105,126                   | -                | 257,841             |
| Total personnel cost                   | <u>1,714,669</u>                        | <u>488,286</u>            | -                | <u>2,202,955</u>    |
| Foster Care Services                   | 2,659,600                               | 4,335                     | -                | 2,663,935           |
| Administrative Fees                    | -                                       | 321,492                   | -                | 321,492             |
| Building Rent                          | 143,993                                 | 12,683                    | -                | 156,676             |
| Auto and Travel                        | 118,838                                 | (7,375)                   | -                | 111,463             |
| Accounting and Audit                   | 7,763                                   | 35,063                    | -                | 42,826              |
| Office Expense                         | 30,341                                  | 39,854                    | -                | 70,195              |
| Insurance                              | 16,476                                  | 45,100                    | -                | 61,576              |
| Licenses, Dues, and Fees               | 510                                     | 41,758                    | -                | 42,268              |
| Utilities                              | 34,294                                  | 8,682                     | -                | 42,976              |
| Fundraising Allocation                 | -                                       | -                         | 36,675           | 36,675              |
| Depreciation                           | 961                                     | 11,424                    | -                | 12,385              |
| Hiring Expense                         | 9,756                                   | 18,032                    | -                | 27,788              |
| Resident Supplies                      | 17,179                                  | -                         | -                | 17,179              |
| Client Recreation Expense              | 1,380                                   | -                         | -                | 1,380               |
| Contract Labor                         | -                                       | 181,563                   | -                | 181,563             |
| Staff Development                      | 28,410                                  | 4,859                     | -                | 33,269              |
| Consulting                             | -                                       | 139,769                   | -                | 139,769             |
| Community Services                     | 88                                      | 436                       | -                | 524                 |
| Maintenance                            | 5,714                                   | 1,193                     | -                | 6,907               |
| Total expense                          | <u>\$ 4,789,972</u>                     | <u>\$ 1,347,154</u>       | <u>\$ 36,675</u> | <u>\$ 6,173,801</u> |



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

|  | Foster Care<br>and Adoption<br>Services | Management<br>and General | Fundraising      | Total               |
|--|---|---------------------------|------------------|---------------------|
| Salaries and Wages                     | \$ 1,503,097                            | \$ 528,137                | \$ -             | \$ 2,031,234        |
| Employee Benefits and<br>Payroll Taxes | 149,501                                 | 107,500                   | -                | 257,001             |
| Total personnel cost                   | <u>1,652,598</u>                        | <u>635,637</u>            | -                | <u>2,288,235</u>    |
| Foster Care Services                   | 2,778,040                               | -                         | -                | 2,778,040           |
| Administrative Fees                    | -                                       | 322,933                   | -                | 322,933             |
| Building Rent                          | 146,559                                 | 40,610                    | -                | 187,169             |
| Auto and Travel                        | 90,870                                  | 33,687                    | -                | 124,557             |
| Office Expense                         | 62,667                                  | 88,974                    | -                | 151,641             |
| Insurance                              | 19,245                                  | 42,551                    | -                | 61,796              |
| Licenses, Dues, and Fees               | 600                                     | 52,012                    | -                | 52,612              |
| Utilities                              | 33,318                                  | 10,517                    | -                | 43,835              |
| Fundraising Allocation                 | -                                       | -                         | 33,465           | 33,465              |
| Depreciation                           | 3,849                                   | 12,657                    | -                | 16,506              |
| Hiring Expense                         | 4,203                                   | 7,332                     | -                | 11,535              |
| Client Recreation Expense              | 1,609                                   | -                         | -                | 1,609               |
| Contract Labor                         | 1,034                                   | 63,450                    | -                | 64,484              |
| Staff Development                      | 1,789                                   | 4,673                     | -                | 6,462               |
| Consulting                             | -                                       | 47,153                    | -                | 47,153              |
| Grant Expense                          | 182                                     | 590                       | -                | 772                 |
| Maintenance                            | 1,833                                   | 955                       | -                | 2,788               |
| Total expense                          | <u>\$ 4,798,396</u>                     | <u>\$ 1,363,731</u>       | <u>\$ 33,465</u> | <u>\$ 6,195,592</u> |

Nexus – Kindred Family Healing  
Statements of Cash Flows  
Years Ended December 31, 2022 and 2021

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| Cash Flows from (used for) Operating Activities  |                   |                   |
| Change in net assets   | \$ (349,305)      | \$ (12,204)       |
| Adjustments to reconcile change in net assets to net cash<br>from operating activities |                   |                   |
| Depreciation   | 12,385            | 16,506            |
| Changes in operating assets and liabilities  |                   |                   |
| Accounts receivable  | (125,345)         | 107,934           |
| Other receivables  | 55,860            | (1,403)           |
| Prepaid expenses   | (1,233)           | 29,121            |
| Accounts payable   | 65,652            | (40,761)          |
| Accrued salaries and benefits  | (13,840)          | (79,734)          |
| Other accrued expenses   | 183,297           | (13,919)          |
|  | <u>(172,529)</u>  | <u>5,540</u>      |
| Cash Flows used for Investing Activities   |                   |                   |
| Purchase of fixed assets   | <u>(3,868)</u>    | <u>(29,380)</u>   |
| Cash Flows from (used for) Financing Activities  |                   |                   |
| Loan from (to) affiliates, net   | <u>276,680</u>    | <u>(116,366)</u>  |
| Net Cash from (used for) Financing Activities  | <u>276,680</u>    | <u>(116,366)</u>  |
| Net Change in Cash and Cash Equivalents  | 100,283           | (140,206)         |
| Cash and Cash Equivalents, Beginning of Year   | <u>222,277</u>    | <u>362,483</u>    |
| Cash and Cash Equivalents, End of Year   | <u>\$ 322,560</u> | <u>\$ 222,277</u> |

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

### **Organization**

Nexus – Kindred Family Healing (the Organization) is a nonprofit Minnesota corporation, other than a private foundation, organized pursuant to Chapter 317 of Minnesota statutes and is exempt from federal income taxes under code section 501(c)(3).

### **Mission**

The Organization provides foster care, family-based therapy for children not in foster care and adoption placement services, and counseling for foster care and adoptive families in Minnesota. The programs are accomplished by specially trained foster parents and families that are supported by professional social workers.

### **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 – PATH 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 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, which are neither held for, nor restricted by, donors for long-term purposes, are considered to be cash and cash equivalents.

### **Receivables and Credit Policies**

Accounts receivable are stated at the amount management expects to collect from outstanding balances, net of the allowance for doubtful accounts, 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 write off delinquent receivables when deemed uncollectable. Management determines the allowance for doubtful accounts receivable based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. At both December 31, 2022 and 2021, there was no allowance recorded.

### **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 10 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 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 the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2022 and 2021.

### **Net Assets**

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

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

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

### **Revenue and Revenue Recognition**

The Organization recognizes revenue from contract revenue as the services are provided. Contract revenue includes revenues from foster care, 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 a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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.

### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to our 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. No significant contributions of such goods or services were received during the years ended December 31, 2022 and 2021.

### **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. Depreciation expense is allocated on a square footage basis. All other expenses are allocated on the basis of estimates of time and effort or actual expenses.

### **Income Taxes**

The Organization 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)(viii), and has been determined not to be a private foundation under Sections 509(a)(2). 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 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**

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies 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, 2022, and December 31, 2021, the Organization had approximately \$101,576 and \$0, respectively, in excess of FDIC-insured limits.

### **Subsequent Events**

The Organization has evaluated subsequent events through June 21, 2023, the date the financial statements were available to be issued.

### **Note 2 - Adoption of Accounting Standards Codification Topic 842**

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The implementation required inclusion of the cash flows related to renewal options and the reassessment of renewals occurred during the implementation of 842. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, the beginning of the adoption period, an adjustment to add right of use asset and liabilities for \$434,547 to the statement of financial position. The adoption of the new standard did not materially impact the Organization’s statements of activities or statements of cash flows. See Note 6 for further disclosure of the Organization’s lease contracts.

**Note 3 - 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:

|                           | 2022       | 2021       |
|---------------------------|------------|------------|
| Cash and cash equivalents | \$ 310,093 | \$ 201,934 |
| Receivables               | 650,736    | 581,251    |
|                           | \$ 960,829 | \$ 783,185 |

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has financial assets available to meet general expenditures over the next 12 months. Please see the Organization’s statement of cash flows which identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations for the year ended December 31, 2022 and 2021.

**Note 4 - Property and Equipment**

Property and equipment consists of the following at December 31, 2022 and 2021:

|                                   | 2022       | 2021       |
|-----------------------------------|------------|------------|
| Equipment                         | \$ 159,367 | \$ 161,263 |
| Construction in progress          | 3,868      | -          |
|                                   | 163,235    | 161,263    |
| Less accumulated depreciation     | (143,999)  | (133,510)  |
| Total property and equipment, net | \$ 19,236  | \$ 27,753  |

Depreciation expense totaled \$12,385 and \$16,506 for the years ended December 31, 2022 and 2021, respectively.

**Note 5 - Major Customers**

A major portion of our operations is dependent upon two large customers. The loss of these customers could have a material adverse effect on our operations. During the years ended December 31, 2022 and 2021, these customers accounted for \$1,283,737 or 22%, and \$1,603,695 or 29%, respectively, of contract revenue. In addition, these customers accounted for \$187,200 or 29%, and \$87,549 or 20%, of accounts receivable as of December 31, 2022 and 2021, respectively.

**Note 6 - Leases**

The Organization leases office space, vehicles, and equipment under various operating leases, expiring at various dates through 2024. 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.

Total lease costs for the year ended December 31, 2022, were as follows:

|                      |            |
|----------------------|------------|
| Operating lease cost | \$ 212,744 |
|----------------------|------------|

Total lease expense under noncancelable leases was \$280,385 for the year ended December 31, 2021.

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

|  |            |
|--|------------|
| Cash paid for amounts included in the measurement of lease liabilities |            |
| Operating cash flows from operating leases                             | \$ 212,744 |

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

|                                       |       |
|---------------------------------------|-------|
| Weighted-average remaining lease term |       |
| Operating leases                      | 1.1   |
| Weighted-average discount rate        |       |
| Operating leases                      | 1.30% |



The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

| Years Ending December 31,          | Amount     |
|------------------------------------|------------|
| 2023                               | \$ 184,459 |
| 2024                               | 51,368     |
| Total lease payments               | 235,827    |
| Less interest                      | (4,320)    |
| Present value of lease liabilities | \$ 231,507 |

Future minimum payments determined under the guidance in Topic 840 are listed below as of December 31, 2021:

| Years Ending December 31, | Amount     |
|---------------------------|------------|
| 2022                      | \$ 171,038 |
| 2023                      | 52,507     |
| 2024                      | 13,586     |
| Total                     | \$ 237,131 |

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2022 and 2021:

|                | 2022      | 2021      |
|----------------|-----------|-----------|
| Kindred CARES  | \$ -      | \$ 20,343 |
| Mattress funds | 12,467    | -         |
|                | \$ 12,467 | \$ 20,343 |

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 as follows during the years ended December 31, 2022 and 2021:

|                | 2022      | 2021      |
|----------------|-----------|-----------|
| Kindred CARES  | \$ 8,856  | \$ 6,620  |
| Mattress funds | 52        | -         |
| Various        | 21,485    | 19,207    |
|                | \$ 30,393 | \$ 25,827 |

**Note 8 - Related Party Transactions**

The Organization had the following transactions with our affiliated companies (see Note 1) for the years ended December 31, 2022 and 2021:

|   | 2022           | 2021           |
|---|----------------|----------------|
| Due to affiliates as of January 1   | \$ (2,455,277) | \$ (2,571,643) |
| Charges for various operational expenses  | (852,251)      | (546,127)      |
| Charges for management services provided by<br>Nexus Diversified Community Services | (321,492)      | (322,932)      |
| Contributions from affiliates   | -              | (176)          |
| Payments to affiliates  | 897,063        | 985,601        |
| Due to affiliates as of December 31   | \$ (2,731,957) | \$ (2,455,277) |

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

**Note 9 - Employee Benefits**

The Organization participates in the Nexus Family Healing tax-deferred retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code, covering substantially all full-time employees. Under the Plan, the Organization matches employee elective deferrals 100% for the first 1% of wages deferred, and 50% additional deferrals up to a maximum of 6%. Employee deferrals vest immediately; employer matching contributions vest after two years. During the years ended December 31, 2022 and 2021, the Organization matched employee elective deferrals by contributing \$48,678 and \$54,260 to the Plan, respectively.

**Note 10 - 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, 2022 and 2021:

|                      | 2022         | 2021         |
|----------------------|--------------|--------------|
| Foster care services | \$ 4,773,656 | \$ 4,908,721 |
| Adoption services    | 565,099      | 669,524      |
|                      | \$ 5,338,755 | \$ 5,578,245 |

**Note 11 - Management’s Plans for Operations**

Management has evaluated the current situation of Nexus – Kindred Family Healing in light of past negative net asset balances and identified the key drivers of the negative trend. The contribution margin provided by Nexus – Kindred Family Healing was negative in 2021 and 2022 primarily due to its foster care census. While foster care licensing has increased, Nexus – Kindred Family Healing has been challenged to place clients with the newly licensed parents. There is a belief that COVID has been a deterrent for prospective foster families as they struggle with working/schooling from home and/or job loss. Nexus – Kindred Family Healing has reduced staffing as best it can to more properly align with its foster care census. Lastly, Nexus – Kindred Family Healing, with the assistance of Nexus Family Healing, is aggressively pursuing grants to help fund its core foster care program. Management’s goal is to continue to implement operational changes that will improve the financial performance of Nexus – Kindred Family Healing in order to continue to provide valuable treatment foster care, adoption and community-based services additional specialized services in early childhood mental health.