

Corvilla, Inc.

Financial Report
December 31, 2024

Contents

Independent auditor's report	1-3
<hr/>	
Financial statements	
Balance sheet	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8-16

Independent Auditor's and Accountant's Report

Board of Directors
Corvilla, Inc.

Independent Auditor's Report on the Audit of the Balance Sheet

Opinion

We have audited the balance sheet of Corvilla, Inc. (the Organization), as of December 31, 2024, and the related notes (the balance sheet).

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Organization as of December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Balance Sheet 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.

Responsibilities of Management for the Balance Sheet

Management is responsible for the preparation and fair presentation of the balance sheet 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 the balance sheet that is free from material misstatement, whether due to fraud or error.

In preparing the balance sheet, 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 within one year after the date that the balance sheet is issued or available to be issued.

Auditor's Responsibilities for the Audit of the Balance Sheet

Our objectives are to obtain reasonable assurance about whether the balance sheet as a whole is 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 balance sheet.
- 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 balance sheet.
- 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.

Independent Accountant's Report on the Review of the Statements of Activities, Functional Expenses and Cash Flows

We have reviewed the accompanying statements of activities, functional expenses and cash flows of the Organization for the year ended December 31, 2024, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibilities for the Statements of Activities, Functional Expenses and Cash Flows

Management is responsible for the preparation and fair presentation of the accompanying statement of activities, functional expenses and cash flows for the year ended December 31, 2024 and the related notes to those financial statements, in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the reviewed financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Organization and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying statement of activities, functional expenses and cash flows of the Organization in order for them to be in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Mishawaka, Indiana
July 22, 2025

Corvilla, Inc.

Balance Sheet
December 31, 2024 (Audited)

Assets

Current assets:

Cash and cash equivalents	\$	674,114
Accounts receivable		843,646
Other current assets		142,654
Total current assets		<u>1,660,414</u>

Property and equipment:

Land, buildings, and improvements		3,426,996
Movable equipment		384,647
Vehicles		642,161
		<u>4,453,804</u>
Less accumulated depreciation		<u>1,656,217</u>
		<u>2,797,587</u>

Other assets:

Finance lease right-of-use assets		51,221
Investments		2,811,848
		<u>2,863,069</u>
	\$	<u>7,321,070</u>

Liabilities and Net Assets

Current liabilities:

Line of credit	\$	94,148
Current portion of long-term debt		59,353
Accounts payable		41,613
Current portion of finance lease liabilities		8,889
Accrued liabilities		388,124
Total current liabilities		<u>592,127</u>

Noncurrent liabilities:

Finance lease liabilities, less current portion		37,995
Long-term debt, less current portion		350,549
		<u>388,544</u>

Net assets:

Without donor restrictions:		
Designated for use in future years		2,871,005
Undesignated		3,330,089
With donor restrictions		139,305
Total net assets		<u>6,340,399</u>
	\$	<u>7,321,070</u>

See notes to financial statements.

Corvilla, Inc.

Statement of Activities
Year Ended December 31, 2024 (Reviewed)

	Without Donor Restrictions	With Donor Restrictions	Total
Service revenue:			
Resident services	\$ 4,266,999	\$ -	\$ 4,266,999
Vocational services	1,504,499	-	1,504,499
	<u>5,771,498</u>	<u>-</u>	<u>5,771,498</u>
Program expenses:			
Residential services	2,330,377	-	2,330,377
Employment services	490,987	-	490,987
Connections	1,197,852	-	1,197,852
Supported living	817,347	-	817,347
Total program expenses	<u>4,836,563</u>	<u>-</u>	<u>4,836,563</u>
General and administrative	1,181,403	-	1,181,403
Fundraising and development	253,663	-	253,663
Total expenses	<u>6,271,629</u>	<u>-</u>	<u>6,271,629</u>
Operating loss before other operating income and expenses	<u>(500,131)</u>	<u>-</u>	<u>(500,131)</u>
Other operating income and (expenses):			
Contributions	157,127	-	157,127
Grants	338,732	151,550	490,282
Investment income, net	310,014	-	310,014
Gain on sale of assets	-	-	-
Other, net	107,353	-	107,353
Net assets released from purpose restrictions	194,401	(194,401)	-
	<u>1,107,627</u>	<u>(42,851)</u>	<u>1,064,776</u>
Change in net assets	<u>607,496</u>	<u>(42,851)</u>	<u>564,645</u>
Net assets, beginning of year	<u>5,593,598</u>	<u>182,156</u>	<u>5,775,754</u>
Net assets, end of year	<u>\$ 6,201,094</u>	<u>\$ 139,305</u>	<u>\$ 6,340,399</u>

See notes to financial statements.

Corvilla, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2024 (Reviewed)**

	Program Services				Supporting Services			
	Residential Services	Employment Services	Day Services	Supported Living	Total	General and Administrative	Fundraising and Development	Total
Wages, benefits, and payroll taxes	\$ 1,766,338	\$ 458,445	\$ 969,292	\$ 759,096	\$ 3,953,171	\$ 802,935	\$ 152,077	\$ 4,908,183
Occupancy	69,546	11,007	93,864	26,874	201,291	158,362	4,588	364,241
Provider assessment	190,908	-	-	-	190,908	-	-	190,908
Other	39,771	9,398	36,235	4,489	89,893	87,459	88,530	265,882
Depreciation	77,246	5,058	55,557	7,909	145,770	34,564	2,273	182,607
Dietary	92,011	59	7,467	369	99,906	137	-	100,043
Monitoring service	-	-	-	12,900	12,900	-	-	12,900
Nursing and direct services	39,541	846	2,967	1,647	45,001	1,756	25	46,782
Licenses, dues and subscriptions	-	3,000	-	-	3,000	63,804	294	67,098
Staff development	1,859	1,856	375	667	4,757	27,531	5,876	38,164
Laundry and housekeeping	17,797	-	12,176	199	30,172	2,387	-	32,559
Vehicle and fuel	35,345	1,222	14,209	3,197	53,973	2,118	-	56,091
Recreation and social service	15	96	5,710	-	5,821	350	-	6,171
	<u>\$ 2,330,377</u>	<u>\$ 490,987</u>	<u>\$ 1,197,852</u>	<u>\$ 817,347</u>	<u>\$ 4,836,563</u>	<u>\$ 1,181,403</u>	<u>\$ 253,663</u>	<u>\$ 6,271,629</u>

See notes to financial statements.

Corvilla, Inc.

Statements of Cash Flows
Years Ended December 31, 2024 (Reviewed)

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Cash flows from operating activities:	
Change in net assets	\$ 564,645
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	183,212
Net realized and unrealized gain on investments	(184,019)
Grants and contributions received for long-term purposes	(151,550)
Changes in current assets and liabilities:	
Accounts receivable	(166,137)
Other current assets	(14,538)
Accounts payable	1,062
Accrued liabilities and other	(3,449)
Net cash provided by operating activities	<u>229,226</u>
Cash flows from investing activities:	
Purchases of property and equipment	(466,644)
Proceeds from sales of investments	413,803
Purchase of investments	(139,551)
Net cash used in investing activities	<u>(192,392)</u>
Cash flows from financing activities:	
Borrowing under line of credit agreement	100,000
Repayment of borrowings under line of credit agreement	(5,852)
Principal payments on long-term debt	(55,353)
Payments of finance lease obligations	(12,017)
Grants and contributions received for long-term purposes	151,550
Net cash provided by financing activities	<u>178,328</u>
Increase in cash and cash equivalents	215,162
Cash and cash equivalents:	
Beginning	<u>458,952</u>
Ending	<u>\$ 674,114</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 16,631</u>

See notes to financial statements.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Corvilla, Inc. (the Organization), founded in 1959, provides life-enhancing services to enrich the lives of individuals with intellectual and developmental disabilities through programs for residential life, employment services, connections day programs, and other programs. The Organization operates four community residential facilities for individuals in St. Joseph County, Indiana. The Organization is reimbursed by the Indiana Family and Social Services Administration and individual residents according to per resident day reimbursement rates based on allowable costs as prescribed by the State of Indiana.

Significant accounting policies consist of the following:

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Classification and reporting of net assets: The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

A portion of net assets without donor restrictions have been designated by the Board of Directors for use in future years. These assets have been invested with a long-term strategic objective. Because these assets result from an internal designation, they can be spent upon action of the Board of Directors.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions. The Organization's unspent contributions are included in this class if the donor limited their use. The Organization does not have any net assets with donor restriction that are perpetual in nature at December 31, 2024.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or a future period.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

Cash and cash equivalents: The Organization has cash on deposit in a financial institution, which, at times, may exceed the limits of coverage provided by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. At December 31, 2024, the Organization's balances exceeded federally insured limits by approximately \$327,000. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Accounts receivable: The Organization's accounts receivable consist primarily of amounts billed to residents and third-party payors. Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible. The Organization regularly reviews for potential credit losses by analyzing historical losses, current economic conditions and the credit quality of customers. Management has determined that no allowance for credit losses is necessary at December 31, 2024. Opening accounts receivable as of January 1, 2024 was \$677,509.

Investments: All investments are reported at fair value with any realized and unrealized gains and losses reported in the statement of activities. Interest and dividends are included in the change in net assets.

Functional allocation of expenses: The Organization classifies expenses into two functional areas: program services and supporting services. Program services expense includes all expenses directly related to the Organization's mission-driven programs. Supporting services includes management and general and fundraising and development expenses. Management and general expense represents administrative costs. Fundraising and development expense consists of expenses related to the solicitation of contributions. Expenses that can be identified with a specific program or service are charged directly to that program or service. Expenses common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. The expenses related to shared property and equipment are allocated on the basis of square footage and include depreciation, utilities, occupancy costs and interest. Expenses related to shared personnel are allocated on the basis of average time spent on each program. Management evaluates these allocations on an annual basis. General and administrative expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Property and equipment: Property and equipment are stated at cost or, if donated to the Organization, at fair value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against income for the period.

Corvilla, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method for property and equipment over the following estimated useful lives:

	<u>Years</u>
Building and improvements	3 to 40
Movable equipment	3 to 15
Vehicles	5

Depreciation expense associated with property and equipment totaled \$175,532 and is recognized in operating expenses on the statement of activities for the year ended December 31, 2024.

The Organization has a capitalization policy that states all property and equipment in excess of \$500 is to be capitalized and depreciated.

Long-lived assets: The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets.

Resident and vocational services revenue: Resident and vocational services revenue is reported at the estimated net realizable amounts due from residents, third-party payors, or others for residential or vocational services provided. See Note 2 for further information regarding revenue recognition.

Fundraising: The Organization holds various fundraising events throughout the year to assist in the funding of various resident care services. The Organization utilizes a significant number of volunteer hours to host these events. Pursuant to current accounting standards, the value of these volunteer hours is not reflected within the statement of activities.

Contributions: Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Grant revenue: Grant revenue in the statement of activities is the amount of funding received from county, state and federal government sources under a variety of programs. The Organization recognizes grants revenue at net realizable value when all eligible costs are incurred or the services have been provided and conditions have been met.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes: The Organization is incorporated as a not-for-profit under the laws of the state of Indiana and is exempt from federal and state income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, if any, and is not considered a private foundation. The Organization files Form 990 in the U.S. federal jurisdiction and the related form in the state of Indiana. Contributions by the public are deductible for income tax purposes.

The Organization follows the accounting guidance for uncertainty in income taxes. The standard clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management believes the Organization has no material uncertainties in income taxes.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its balance sheet as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value or future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account to lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Notes to Financial Statements

Note 2. Revenue Recognition

The Organization provides a wide variety of rehabilitation services to persons with disabilities. The Organization submits claims for reimbursement through the State of Indiana Family and Social Services Administration (FSSA) and to individual clients for services provided according to hourly or daily rates based on allowable rates as prescribed by the state of Indiana in accordance with the amount of the contract. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. All services revenue relates to performance obligations satisfied over time and is recognized based on actual services provided during the month. This method provides a depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied performance obligations primarily related to client services provided at the end of the reporting period. The performance obligations for these contracts are generally completed within days of the end of the reporting period.

The Organization determines the transaction price based on the rate established by the governing agency for the services provided. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to client services revenue in the period of the change. The amounts due for payment of services provided are shown as accounts receivable, and estimated repayments to third-party payors for reimbursements received for such services are shown as a liability on the balance sheet. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as provision for uncollectible accounts. There was no provision for uncollectible accounts recorded for the year ended December 31, 2024.

Services revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors, due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as reimbursement periods are settled and are no longer subject to such audits, reviews, and investigations. There were no retroactive rate adjustments received during the year ended December 31, 2024. There were no significant changes in estimated amounts due to third-party payors that affected client services revenue during the year ended December 31, 2024.

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from clients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a client and the time that the client or a third-party payer pays for that service will be one year or less.

Approximately 93% of client services revenue was funded through FSSA Medicaid sources for the year ended December 31, 2024. The remainder of service revenue was substantially funded through other state programs.

Corvilla, Inc.

Notes to Financial Statements

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, expenses for programmatic and administrative purposes without donor or other restrictions limiting their use, within one year of December 31 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 674,114
Accounts receivable	843,646
Investments	2,811,848
Total financial assets	<u>4,329,608</u>
Less amounts not available to meet cash needs for general expenditures within one year:	
Purpose-restricted net assets (Note 7)	<u>(139,305)</u>
	<u>(139,305)</u>
Amount available for general expenditures within one year	<u>\$ 4,190,303</u>

The Board of Directors of the Organization has designated funds amounting to \$2,871,005 to further the mission of the Organization. These funds are classified as board-designated net assets and can be used at the discretion of the Board at a future date.

At December 31, 2024, the Organization maintained one line of credit with maximum borrowings up to \$200,000. Amount outstanding as of December 31, 2024 was \$94,148. The line bears interest at 8.89% and will convert to a term note no later than October 31, 2028.

Note 4. Leases

The components of lease expense and supplemental cash flow information related to leases for the year ended December 31, 2024, are as follows:

Finance lease cost—amortization of right-of-use assets	\$ 7,680
Finance lease cost—interest on lease liabilities	366
Total lease cost	<u>\$ 8,046</u>
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows—payments on finance leases	\$ 7,680
Financing cash outflows—payments on finance leases	12,017

Corvill, Inc.

Notes to Financial Statements

Note 4. Leases (Continued)

The presentation of right-of-use assets and lease liabilities in the balance sheet as of December 31, 2024, is as follows:

Finance leases:

Machinery and equipment	\$ 53,561
Accumulated depreciation	(2,340)
Finance lease right-of-use assets, net	<u>\$ 51,221</u>
Current portion of finance lease liabilities	\$ 8,889
Long-term portion of finance lease liabilities	37,995
Total finance lease liabilities	<u>\$ 46,884</u>

The weighted-average remaining lease terms and discount rates as of December 31, 2024, are 4.3 years and 4.0%.

Future maturities of lease liabilities as of December 31, 2024, are as follows:

	Finance Leases
Year ending December 31:	
2025	\$ 13,023
2026	13,023
2027	13,023
2028	10,841
2029	4,294
Thereafter	716
Total lease payments	<u>54,920</u>
Less imputed interest	(8,036)
Total present value of lease liabilities	<u>\$ 46,884</u>

Note 5. Investments and Fair Value Measurements

Investments are reflected at fair value and consisted of the following at December 31:

Money market funds	\$ 59,157
Mutual funds:	
Fixed income	\$ 1,073,421
Equities	1,738,427
	<u>\$ 2,811,848</u>

Money market funds in the amount of \$59,157 are recorded in cash and cash equivalents on the balance sheet as of December 31, 2024.

Corvilla, Inc.

Notes to Financial Statements

Note 5. Investments at Fair Value Measurements (Continued)

Other operating income includes investment activity included in without donor restricted net assets, in the statement of activities for the years ended December 31 is as follows:

Dividend and interest income, net	\$ 125,995
Realized and unrealized (loss) gains on investments	184,019
	<u>\$ 310,014</u>

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of money market funds, equity and fixed income mutual funds, and United States equities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Organization's fair value of investments is the fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers using national known pricing services. The Organization's investments are carried at fair value are classified and disclosed as Level 1 measurements.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the balance sheet.

Note 6. Long-Term Debt

Long-term debt consisted of the following at December 31:

Mortgage payable ⁽¹⁾	\$ 180,533
Loan payable ⁽²⁾	229,369
	<u>409,902</u>
Less current portion	(59,353)
	<u>\$ 350,549</u>

Corvillia, Inc.

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

- (1) Mortgage payable bears interest at 4.96%, with monthly principal and interest payments due of \$2,650. The mortgage matures in August 2026 and is secured by certain real estate owned by the Organization.
- (2) Loan payable bears interest at 2.58%, with monthly principal and interest payments due of \$3,318. The loan matures in May 2026.

The mortgage and loan payable will mature as follows as of December 31:

2025	\$	59,353
2026		350,549
	\$	<u>409,902</u>

Interest expense for December 31, 2024, was \$16,600.

Note 7. Net Assets with Donor Restrictions

At December 31, 2024, net assets with donor restrictions are available for the purpose of capital expenditures. Total purpose restrictions available for spending at December 31, 2024 is \$504,052.

During the year ended December 31, 2024, net assets with donor restrictions were released from donor restrictions in the amount of \$194,401. These releases were used for capital acquisitions in 2024.

Note 8. Employee Benefits

The Organization has a tax-sheltered annuity plan, provided for in Internal Revenue Code Section 403(b), for all eligible employees. The amount of the contribution to the plan represents a matching of employee contributions of up to 5% of the employee's salary. The Organization contributed approximately \$57,000 to the plan for the year ended December 31, 2024, respectively.

Note 9. Subsequent Event

The Organization has evaluated subsequent events for potential recognition and/or disclosure through July 22, 2025, the date the financial statements were available to be issued.

In April 2025, the Organization purchased a new supported living home for \$200,000 with the proceeds received from a grant.