

NORTH STAR COMMUNITY SERVICES, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Star Community Services, Inc.

Opinion

We have audited the accompanying financial statements of North Star Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Star Community Services, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 North Star Community Services, Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Star Community Services, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 North Star Community Services, Inc.'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 North Star Community Services, Inc.'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.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

December 10, 2025

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
<u>Current Assets</u>		
Cash	\$ 936,835	\$ 973,285
Accounts Receivable, Net	402,410	459,437
Note Receivable	52,155	
Prepaid Expenses	34,450	12,677
Beneficial Interest in Assets Held by Community Foundations	808,370	458,709
Total Current Assets	2,234,220	1,904,108
<u>Property, Equipment, and Improvements</u>		
Property, Equipment, and Improvements, Net	1,590,974	1,512,917
<u>Other Assets</u>		
Note Receivable, Net of Current Portion	245,604	
Operating Lease Right-of-Use Assets, Net	193,470	219,621
Finance Lease Right-of-Use Assets, Net	104,205	151,967
Beneficial Interest in Assets held by Community Foundation	518,007	496,553
Total Other Assets	1,061,286	868,141
Total Assets	\$ 4,886,480	\$ 4,285,166
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 29,008	\$ 19,123
Accrued Expenses	238,905	110,349
Deferred Revenue		13,825
Operating Lease Liability, Current	56,384	46,389
Finance Lease Liability, Current	48,491	46,076
Refundable Advances	418,418	212,195
Total Current Liabilities	791,206	447,957
<u>Long-Term Liabilities</u>		
Operating Lease Liability, Net of Current Portion	137,086	173,232
Finance Lease Liability, Net of Current Portion	49,221	97,712
Total Long-Term Liabilities	186,307	270,944
Total Liabilities	977,513	718,901
<u>NET ASSETS</u>		
Without Donor Restrictions	3,357,273	3,060,350
With Donor Restrictions	551,694	505,915
Total Net Assets	3,908,967	3,566,265
Total Liabilities and Net Assets	\$ 4,886,480	\$ 4,285,166

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Public Support</u>			
Contributions	\$ 236,821	\$ 24,795	\$ 261,616
Private and Government Grants	365,774		365,774
Total Public Support	<u>602,595</u>	<u>24,795</u>	<u>627,390</u>
<u>Revenue</u>			
Fees	3,778,248		3,778,248
Rental Income	179,705		179,705
Interest and Dividends, Net	21,095	1,886	22,981
Gain on Sale of Assets			
Net Realized and Unrealized Gain (Loss) on Beneficial Interest in Assets Held by Community Foundation	51,664	39,858	91,522
Total Revenue	<u>4,030,712</u>	<u>41,744</u>	<u>4,072,456</u>
Net Assets Released from Restrictions	20,760	(20,760)	
Total Public Support and Revenue	<u>4,654,067</u>	<u>45,779</u>	<u>4,699,846</u>
<u>EXPENSES</u>			
<u>Program Services</u>			
Adult Day Care and Day Habilitation	1,795,198		1,795,198
Supported Community Living	1,468,465		1,468,465
Total Program Services	<u>3,263,663</u>		<u>3,263,663</u>
<u>Supporting Services</u>			
Management and General	811,983		811,983
Building Services	251,235		251,235
Marketing	30,263		30,263
Total Supporting Services	<u>1,093,481</u>		<u>1,093,481</u>
Total Expenses	<u>4,357,144</u>		<u>4,357,144</u>
Change in Net Assets	<u>296,923</u>	<u>45,779</u>	<u>342,702</u>
Net Assets, Beginning of Year	3,060,350	505,915	3,566,265
Net Assets, End of Year	<u>\$ 3,357,273</u>	<u>\$ 551,694</u>	<u>\$ 3,908,967</u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Public Support</u>			
Contributions	\$ 140,249	\$ 9,062	\$ 149,311
Private and Government Grants	340,248		340,248
Total Public Support	480,497	9,062	489,559
<u>Revenue</u>			
Fees	3,612,847		3,612,847
Rental Income	178,049		178,049
Interest and Dividends, Net	1,874	2,134	4,008
Gain on Sale of Assets	40,182		40,182
Net Realized and Unrealized Gain (Loss) on Beneficial Interest in Assets Held by Community Foundation	25,139	27,118	52,257
Total Revenue	3,858,091	29,252	3,887,343
Net Assets Released from Restrictions	19,947	(19,947)	
Total Public Support and Revenue	4,358,535	18,367	4,376,902
<u>EXPENSES</u>			
<u>Program Services</u>			
Adult Day Care and Day Habilitation	1,603,795		1,603,795
Supported Community Living	1,498,724		1,498,724
Total Program Services	3,102,519		3,102,519
<u>Supporting Services</u>			
Management and General	839,659		839,659
Building Services	238,985		238,985
Marketing	32,215		32,215
Total Supporting Services	1,110,859		1,110,859
Total Expenses	4,213,378		4,213,378
Change in Net Assets	145,157	18,367	163,524
Net Assets, Beginning of Year	2,915,193	487,548	3,402,741
Net Assets, End of Year	<u>\$ 3,060,350</u>	<u>\$ 505,915</u>	<u>\$ 3,566,265</u>

North Star Community Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	Program Services			Supporting Services			Grand Total	
	Adult Day Care and Day Habilitation	Supported Community Living	Total Program Services	Management and General	Building Services	Marketing		Total Supporting Services
<u>Salaries and Related Expenses</u>								
Staff Salaries	\$ 1,220,668	\$ 1,052,486	\$ 2,273,154	\$ 459,273	\$ 68,700		\$ 527,973	\$ 2,801,127
Staff Benefits and Payroll Taxes	233,363	198,133	431,496	94,744	12,478		107,222	538,718
Total Salaries and Related Expenses	1,454,031	1,250,619	2,704,650	554,017	81,178		635,195	3,339,845
<u>Other Operating Expenses</u>								
Bad Debts								
Bank Fees				1,540			1,540	1,540
Community Integration	4,396		4,396					4,396
Computer Supplies	82,409	43,032	125,441	38,231			38,231	163,672
Consumer Assistance		6	6					6
Consumer Mileage	18	9,080	9,098					9,098
Depreciation and Amortization	19,733	34,504	54,237	33,642	87,936		121,578	175,815
Food	18		18					18
Insurance	25,526	2,216	27,742	17,367	31,383		48,750	76,492
Interest	744	1,299	2,043	863			863	2,906
Marketing						\$ 30,263	30,263	30,263
Memberships	459	5	464	8,035			8,035	8,499
Miscellaneous				11,755			11,755	11,755
Postage	322	706	1,028	3,659			3,659	4,687
Printing	1,615	960	2,575	1,088			1,088	3,663
Professional Fees	8,470	357	8,827	102,223	6,764		108,987	117,814
Recruiting Fees	103	184	287	4,489			4,489	4,776
Operating Lease Expense	55,987	28,477	84,464					84,464
Repairs and Maintenance	44,910	2,315	47,225	2,196	21,175		23,371	70,596
Staff Training	4,461	4,230	8,691	10,672	311		10,983	19,674
Staff Travel	104	7,175	7,279	1,463			1,463	8,742
Supplies	25,607	960	26,567	3,902	8,115		12,017	38,584
Telephone	10,329	14,305	24,634	13,064	86		13,150	37,784
Utilities	38,738	1,426	40,164	3,777	14,076		17,853	58,017
Vehicle	17,218	66,609	83,827		211		211	84,038
Total Other Operating Expenses	341,167	217,846	559,013	257,966	170,057	30,263	458,286	1,017,299
Total Expenses	\$ 1,795,198	\$ 1,468,465	\$ 3,263,663	\$ 811,983	\$ 251,235	\$ 30,263	\$ 1,093,481	\$ 4,357,144

See accompanying notes to financial statements.

North Star Community Services, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services			Supporting Services			Grand Total	
	Adult Day Care and Day Habilitation	Supported Community Living	Total Program Services	Management and General	Building Services	Marketing		Total Supporting Services
Salaries and Related Expenses								
Staff Salaries	\$ 1,150,471	\$ 1,075,487	\$ 2,225,958	\$ 461,599	\$ 63,275		\$ 524,874	\$ 2,750,832
Staff Benefits and Payroll Taxes	206,362	210,128	416,490	91,178	10,043		101,221	517,711
Total Salaries and Related Expenses	1,356,833	1,285,615	2,642,448	552,777	73,318		626,095	3,268,543
Other Operating Expenses								
Bad Debts	3,270		3,270	1,000			1,000	4,270
Bank Fees				1,377			1,377	1,377
Community Integration	5,403		5,403					5,403
Computer Supplies	8,581	4,259	12,840	104,200			104,200	117,040
Consumer Assistance								
Consumer Mileage	2	7,445	7,447					7,447
Depreciation and Amortization	25,249	39,479	64,728	27,656	93,567		121,223	185,951
Food								
Insurance	19,108	2,328	21,436	7,496	24,465		31,961	53,397
Interest	1,623	2,790	4,413	608	46		654	5,067
Marketing						\$ 32,215	32,215	32,215
Miscellaneous	95	1,601	1,696	7,888			7,888	9,584
Memberships								
Postage	274	1,098	1,372	3,109			3,109	4,481
Printing		110	110	4,757			4,757	4,867
Professional Fees	8,275	460	8,735	89,416	7,780		97,196	105,931
Recruiting Fees	100	243	343	6,639			6,639	6,982
Operating Lease Expense	54,757	37,361	92,118					92,118
Repairs and Maintenance	31,326	2,881	34,207	2,234	17,539		19,773	53,980
Staff Training	5,160	3,901	9,061	7,201	233		7,434	16,495
Staff Travel	317	9,767	10,084	1,975			1,975	12,059
Supplies	30,416	1,180	31,596	4,044	8,387		12,431	44,027
Telephone	7,575	16,459	24,034	12,555			12,555	36,589
Utilities	36,012	1,965	37,977	4,084	13,467		17,551	55,528
Vehicle	9,419	79,782	89,201	643	183		826	90,027
Total Other Operating Expenses	246,962	213,109	460,071	286,882	165,667	32,215	484,764	944,835
Total Expenses	\$ 1,603,795	\$ 1,498,724	\$ 3,102,519	\$ 839,659	\$ 238,985	\$ 32,215	\$ 1,110,859	\$ 4,213,378

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 342,702	\$ 163,524
Adjustments to Reconcile Change in Net Assets to Net Cash from (Used in) Operating Activities:		
Contributions Received for Long-Term Purposes	(300)	
Change in Allowance for Credit Losses	(24,803)	1,424
Depreciation	128,053	129,335
Amortization of Operating Lease Right-of-Use Asset	50,844	47,615
Amortization of Finance Lease Right-of-Use Asset	47,762	56,616
(Gain) Loss on Disposal of Equipment		(40,182)
(Increase) Decrease in Beneficial Interest in Assets Held by Community Foundation	(95,470)	(56,265)
(Increase) Decrease in Assets:		
Accounts Receivable	81,830	(94,594)
Note Receivable	(297,759)	
Prepaid Expenses	(21,773)	1,740
Increase (Decrease) in Liabilities:		
Accounts Payable	9,885	(4,742)
Accrued Expenses	128,556	(120,535)
Deferred Revenue	(13,825)	
Operating Lease Liability	(50,844)	(47,615)
Refundable Advance	206,223	36,637
Net Cash from Operating Activities	<u>491,081</u>	<u>72,958</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchase of Property, Equipment, and Improvements	(206,110)	(79,401)
Proceeds from Sale of Equipment		41,215
Contributions to Beneficial Interest in Assets Held by Community Foundations	(296,405)	(51,017)
Proceeds from Redemptions of Beneficial Interest in Assets Held by Community Foundations	20,760	35,178
Net Cash Used in Investing Activities	<u>(481,755)</u>	<u>(54,025)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Principal Payments on Finance Leases, Net	(46,076)	(72,344)
Contributions Received for Long-Term Purposes	300	
Net Cash Used in Financing Activities	<u>(45,776)</u>	<u>(72,344)</u>
Net Increase (Decrease) in Cash	<u>(36,450)</u>	<u>(53,411)</u>
Cash, Beginning of Year	973,285	1,026,696
Cash, End of Year	<u>\$ 936,835</u>	<u>\$ 973,285</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest Paid	<u>\$ 2,906</u>	<u>\$ 7,612</u>
Operating Right-of-Use Assets Obtained in Exchange for Lease Liability	<u>\$ 24,693</u>	<u>\$ 245,838</u>
Property and Equipment Financed through Finance Lease Arrangements		<u>\$ 87,101</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

1. The Organization

North Star Community Services, Inc. (the "Organization"), is a voluntary health and welfare organization that provides the following services in northeast, north central and parts of central Iowa:

Supported Community Living (SCL) – Services are designed to assist the member with daily living needs. Assistance may include, but is not limited to, community skills; personal needs; personal and home skills; and skills needed to live safely in the least restrictive setting possible.

Day Habilitation – Services that assist or support the member in developing or maintaining life skills and community integration. Services must enable or enhance the member's intellectual function; socialization and community integration; mobility; communication development; and responsibility and self-direction.

Adult Day Care – An organized program of supportive care in a group environment. The care is provided to members who need a degree of supervision and assistance on a regular or intermittent basis in a day care setting.

Respite – Services are to give temporary relief to the usual caregiver and provide all the necessary care that the usual caregiver would provide during that time period.

CDAC (Consumer-Directed Attendant Care) – Assistance to the member with self-care tasks, which the member would typically do independently if the member were otherwise able.

Public support is provided by contributions from various local charitable foundations and the general public. Revenue is received primarily from clients or on their behalf from the State of Iowa's Home and Community-Based Services Medicaid Waiver programs. Expenses are concentrated in salaries and related costs and in providing facilities for day programs.

2. Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to not-for-profit organizations. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the 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 without donor restrictions may be designated for specific purposes by action of the board of directors.

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. 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 reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Significant Accounting Policies (Continued)

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, a review of subsequent collections and an assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to client accounts receivable. Payment is due within 30 days of the invoice date, otherwise the amounts are deemed past due. The Organization may impose a monthly finance charge on invoices that remain unpaid after 60 days. At June 30, 2025 and 2024, the allowance was \$0 and \$24,803, respectively.

Promises to Give – Unconditional promises to give are recognized as revenue in the period received and as receivables. Promises to give are recorded at net realizable value if expected to be collected within one year and at present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no promises to give at June 30, 2025 and 2024.

Fair Value of Financial Instruments – The carrying amounts reported in the statements of financial position for cash, accounts receivable, unconditional promises to give, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value because of the short maturity of these financial instruments. The fair value of beneficial interest in assets held by community foundation is disclosed in Note 5.

Property, Equipment, and Improvements – Property, equipment, and improvements are recorded at cost, or, if donated, at fair market value at the date of the donation. Items of \$2,500 or less are expensed in the year purchased or donated. Depreciation is computed using the straight-line method and charged to expense over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Lives</u>
Land Improvements	20 years
Building and Improvements	7 - 39 years
Equipment	5 - 7 years
Furniture and Fixtures	5 - 7 years
Vehicles	5 - 10 years

Depreciation and amortization expense was \$175,815 and \$185,951 for the years ended June 30, 2025 and 2024, respectively.

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.

Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The Organization has elected the short-term exemption for all leases with a term of twelve months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The weighted-average discount rate is based on the rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the leased facilities and office equipment classes of assets.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Significant Accounting Policies (Continued)

Beneficial Interest in Assets Held by Community Foundation – The Organization invests in diversified investment pools offered by two community foundations, which manages the pools. The funds are held and invested by the community foundations for the Organization's benefit, and are reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

The interest and dividends earned on beneficial interest in assets held by the community foundations are reported net of related expenses. Administration expenses were \$13,354 and \$10,204 for the years ended June 30, 2025 and 2024, respectively.

Deferred Revenue – Deferred revenue represents unearned rental income.

In-Kind Contributions – The Organization receives in-kind contributions, including donated materials and services. Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles, which include: a) requiring specialized skills; b) being provided by someone with those skills; and c) would have to be purchased if they were not donated. Donations of materials are recorded as contributions at their estimated fair value at the date of donation. The Organization received no in-kind contributions for the years ended June 30, 2025 and 2024.

Public Support and Revenue – The Organization recognizes contributions and private and government grants 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 upon which they depend have been met. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor stipulations for their use. The Organization has elected to report conditional contributions with donor restrictions as contributions without donor restrictions when donor restrictions are satisfied simultaneously with the Organization overcoming the barrier to revenue recognition.

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 expenditures. 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 Organization's program fees are earned by providing contractual services. For substantially all arrangements recognized over time, the Organization applies the "right to invoice" practical expedient. As a result, the Organization recognizes revenue at the invoice amount when the Organization has the right to invoice at an amount that corresponds directly with the value of the Organization's performance completed to date. Revenue is recognized as services are performed at the contractual price to which the Organization expects to be entitled.

Marketing Costs – Marketing costs are expensed as incurred and were \$30,263 and \$32,215 for the years ended June 30, 2025 and 2024, respectively.

Functional Expenses – The costs of providing various program and supporting services 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.

Tax-Exempt Status – The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. Management has evaluated and determined there are no uncertain tax positions as of June 30, 2025. Information returns for the past three years are available for inspection by tax jurisdictions.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Significant Accounting Policies (Continued)

Concentration of Risk – Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash, which has been placed with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation (“FDIC”) limits. At June 30, 2025 and 2024, the Organization had approximately \$0 and \$419,000, respectively, in excess of FDIC insurance limits. The Organization closely monitors these balances and has not experienced credit losses.

Approximately 92% and 90% of accounts receivable were due from Iowa Medicaid Enterprise (“IME”) and associated managed care organizations as of June 30, 2025 and 2024, respectively. Approximately 97% and 97% of the Organization’s fees revenue was derived from IME for the years ended June 30, 2025 and 2024, respectively.

Subsequent Events – The Organization has performed an evaluation of subsequent events through December 10, 2025, which is the date the financial statements were available to be issued.

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 the following:

	<u>2025</u>	<u>2024</u>
Cash	\$ 936,835	\$ 973,285
Accounts receivable, net	402,410	459,437
Total	<u>\$ 1,339,245</u>	<u>\$ 1,432,722</u>

The Organization’s beneficial interest in assets held by community foundation consists of net assets without donor restrictions, net assets with donor restrictions, and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. The board may appropriate funds from the unrestricted beneficial interest in assets held by community foundation for general expenditure if needed.

4. Note Receivable

During the year ended June 30, 2025, the Organization entered into a note receivable agreement with a tenant in the amount of \$328,434, with 3% interest, calculated monthly for five years, and maturing February 1, 2030.

The future note receivable payments expected to be received are:

<u>Year Ending June 30,</u>	
2026	\$ 52,155
2027	64,330
2028	66,287
2029	68,303
2030	46,684
Total	<u>\$ 297,759</u>

5. Fair Value Measurements

The Organization reports certain assets at fair value in the accompanying 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.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2025 AND 2024**5. Fair Value Measurements (Continued)**

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities that are accessible 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, management develops inputs using the best information available in the circumstances.

The Organization's beneficial interest in assets held by community foundations represents its investment in a diversified investment pool offered by a community foundation. The pool consists of various investments including, but not limited to, fixed income, domestic equities, international equities, alternative equities, and real estate. The fair value of the pool is determined by the community foundations and based on information provided by fund managers, external investment advisors, and other market factors. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investment securities will occur in the near term. Such changes could materially affect the Organization's account balances and the amounts reported in the statements of financial position.

The fair value of the Organization's beneficial interest in assets held by community foundations is based on the fair value of fund investments as reported by the community foundations. These are considered Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2025</u>				
Beneficial interest in assets held by community foundations			\$1,326,377	\$1,326,377
<u>June 30, 2024</u>				
Beneficial interest in assets held by community foundations			\$ 955,262	\$ 955,262

The following is a reconciliation of the beginning and ending balance of the Organization's beneficial interest in assets held by community foundations, measured at fair value on a recurring basis using significant unobservable inputs (Level 3), for the years ended June 30, 2025 and 2024:

Balance at June 30, 2023	\$ 883,158
Purchases/contributions of investments	51,017
Realized and unrealized gains	52,257
Interest and dividends	14,212
Investment and management fees	(10,204)
Distributions	(35,178)
Balance at June 30, 2024	955,262
Purchases/contributions of investments	296,405
Realized and unrealized gains (losses)	91,522
Interest and dividends	17,302
Investment and management fees	(13,354)
Distributions	(20,760)
Balance at June 30, 2025	\$1,326,377

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

6. Property, Equipment, and Improvements

Property, equipment, and improvements are summarized as follows as of June 30, 2025 and 2024:

	2025	2024
Land	\$ 135,000	\$ 135,000
Land improvements	150,634	150,634
Building and improvements	4,333,661	4,127,551
Equipment	183,936	183,936
Furniture and fixtures	39,391	39,391
Vehicles	302,358	302,358
Total	5,144,980	4,938,870
Less accumulated depreciation	(3,554,006)	(3,425,953)
Total property, equipment, and improvements, net	\$ 1,590,974	\$ 1,512,917

7. Endowment Funds

The Organization's endowment consists of donor-restricted funds established to support the overall operations of the Organization. Net assets associated with this endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund as of June 30, 2025 and 2024, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds, June 30, 2025		\$ 518,007	\$ 518,007
Endowment Funds, June 30, 2024		\$ 496,553	\$ 496,553

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law ("underwater endowments"). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of June 30, 2025 and 2024.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

7. Endowment Funds (Continued)

Investment Objectives and Strategies – The Organization has adopted an investment policy to provide guidelines for investing endowment assets with the Community Foundation. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, the Organization continually monitors the return on endowment investments.

Spending Policy – Distributions from the endowment investment income are done in accordance with the Community Foundation board's annual determination. Generally, the amount is 4% of the two-year average of the endowment fund's total asset value.

The changes in endowment net assets for the years ended June 30, 2025 and 2024, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, June 30, 2023		\$ 487,548	\$ 487,548
Investment Return			
Investment Income, Net		2,188	2,188
Realized and Unrealized Gains (Losses)		26,764	26,764
Contributions			
Appropriation of Endowment Assets for Expenditure		(19,947)	(19,947)
Endowment Net Assets, June 30, 2024		496,543	496,543
Investment Return			
Investment Income, Net		1,894	1,894
Realized and Unrealized Gains (Losses)		38,773	38,773
Contributions		300	300
Appropriation of Endowment Assets for Expenditure		(19,513)	(19,513)
Endowment Net Assets, June 30, 2025		\$ 518,007	\$ 518,007

8. Operating and Finance Leases

The Organization conducts its operations in various locations from leased facilities. These facilities are leased under operating leases with terms of one month to five years. During the years ended June 30, 2025 and 2024, rent expense related to these leases totaled \$84,464 and \$92,118, respectively.

The Organization also leases certain vehicles and equipment at various terms under long-term non-cancelable finance lease agreements. The leases expire at various dates through 2029.

Supplemental information related to leases is as follows at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating leases:		
Right-of-use assets	\$ 270,531	\$ 245,838
Accumulated amortization	(77,061)	(26,217)
Net operating right-of-use assets	<u>\$ 193,470</u>	<u>\$ 219,621</u>
Finance leases:		
Right-of-use assets	\$ 220,665	\$ 304,051
Accumulated amortization	(116,460)	(152,084)
Net finance right-of-use assets	<u>\$ 104,205</u>	<u>\$ 151,967</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

8. Operating and Finance Leases (Continued)

Total finance lease costs are as follows for the years ended June 30, 2025 and 2024:

Finance leases:

	<u>2025</u>	<u>2024</u>
Interest expense	\$ 5,992	\$ 7,612
Amortization of right-of-use assets	46,076	57,513
Total finance leases cost	<u>\$ 52,068</u>	<u>\$ 65,125</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term in years:		
Operating leases	3.32	4.42
Finance leases	2.47	2.73
Weighted-average discount rate:		
Operating leases	4.06%	4.00%
Finance leases	3.85%	3.75%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are:

<u>Year Ending June 30,</u>	
2026	\$ 63,191
2027	63,191
2028	58,022
2029	<u>22,637</u>
Total	207,041
Less: Amounts representing interest	<u>(13,571)</u>
Present value of operating lease liabilities	193,470
Less: Current obligations	<u>(56,384)</u>
Long-term operating lease obligations	<u>\$ 137,086</u>

The future minimum lease payments under noncancelable finance leases with terms greater than one year are:

<u>Year Ending June 30,</u>	
2026	\$ 52,068
2027	25,480
2028	16,625
2029	<u>9,493</u>
Total	103,666
Less: Amounts representing interest	<u>(5,954)</u>
Present value of finance lease liabilities	97,712
Less: Current obligations	<u>(48,491)</u>
Long-term finance lease obligations	<u>\$ 49,221</u>

9. Refundable Advances

During the year ended June 30, 2025, the Organization received cost-reimbursable grants of \$418,418 that have not been recognized as revenue at June 30, 2025, because qualifying expenditures have not yet been incurred, with advance payments of \$418,418 reported in the statements of financial position as refundable advances.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

9. Refundable Advances (Continued)

During the year ended June 30, 2024, the Organization received cost-reimbursable grants of \$212,195 that were not recognized as revenue at June 30, 2024, because qualifying expenditures had not yet been incurred, with advance payments of \$212,195 reported in the statements of financial position as refundable advances. In accordance with the guidance for conditional contributions, the Organization recognized \$212,915 as contribution revenue during the year ended June 30, 2025, and included the amount in private and government grants in the statements of activities.

10. Revenue

Contract Balances – The Organization did not have any deferred revenue resulting from partial satisfaction of contracts at June 30, 2025 and 2024.

Disaggregation of Revenue – The Organization views the following disaggregated revenue disclosure as useful to understanding the composition of revenue recognized during the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
County and state fees	\$ 29,662	\$ 40,107
Medicaid waivers – daily	2,495,537	2,274,192
Medicaid waivers – quarter hour	871,914	885,581
Habilitation	270,125	306,996
Self pay	49,333	51,994
Respite	18,220	18,343
CDAC	14,904	30,159
Veterans administration	28,553	5,475
Total Fees Revenue	<u>\$ 3,778,248</u>	<u>\$ 3,612,847</u>

11. Leasing Operations

The Organization rents a portion of its Waterloo facility under operating leases to tenants whose operations complement or enhance services provided there. These leases have terms of three to ten years. Rental income from these leases for the years ended June 30, 2025 and 2024, was \$179,705 and \$178,049, respectively.

Rental payments receivable under the leases that have remaining non-cancelable lease terms are:

<u>Year Ending June 30,</u>	
2026	\$ 143,983
2027	145,241
2028	146,571
2029	114,561
2030	119,865
Thereafter	<u>583,412</u>
Total	<u>\$1,253,633</u>

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose		
Memorial Fund	\$ 22,437	\$ 9,362
Apprenticeship program	11,250	
Endowments		
Subject to endowment spending policy and appropriation	251,942	230,788
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation	266,065	265,765
Total	<u>\$ 551,694</u>	<u>\$ 505,915</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

13. Functionalized Expenses

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 salaries and related expenses; depreciation; insurance; loss on asset disposal; memberships; postage; printing; professional fees; recruiting fees; rent; repairs and maintenance; staff training; staff travel; supplies; telephone; utilities; and vehicle expenses, which are allocated based on estimates of time and effort.

14. Retirement Plan

The Organization has adopted a retirement plan covering substantially all employees, qualified as a savings and profit-sharing plan under Section 401(k) of the Internal Revenue Code. The plan allows employees to defer up to 100% (or the maximum amount allowed by law) of their income on a pretax basis through contributions to the savings plan. The Organization also makes a discretionary matching contribution to the plan.

For the years ended June 30, 2025 and June 30, 2024, the discretionary matching contributions were up to 3% of annual compensation. Contributions made by the Organization to the plan for the years ended June 30, 2025 and 2024, were \$53,783 and \$56,086, respectively.