Financial Statements
For the Years Ended
December 31, 2022 and 2021

Nexus – PATH Family Healing

Independent Auditor's Report

To the Board of Directors
Nexus – PATH Family Healing
Fargo, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexus – PATH Family Healing, which comprise the statements of financial positions as of December 31, 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 Nexus – PATH Family Healing 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 Nexus – PATH Family Healing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Nexus – PATH Family Healing has adopted the provisions of FASB Accounting Standards Codification Topic, 842, *Leases*, as of January 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. 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 Nexus – PATH Family Healing's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nexus – PATH Family Healing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nexus – PATH Family Healing's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

Minneapolis, Minnesota
June 22, 2023

	2022	2021
Current Assets		
Cash and cash equivalents	$ 1,442,787	$ 2,356,659
Accounts receivable, net	1,524,002	2,155,387
Other receivables	714,722	528,170
Prepaid expenses	55,253	40,332
Total current assets	3,736,764	5,080,548
Noncurrent Assets		
Property and equipment, net	1,637,020	1,697,060
Investments	464,963	501,083
Operating right of use asset	3,327,305	-
Goodwill	51,000	51,000
Total assets	$ 9,217,052	$ 7,329,691
Current Liabilities		
Accounts payable	$ 661,709	$ 538,683
Due to related party	635,738	871,477
Accrued salaries and vacation	627,626	723,260
Current maturities of operating lease liabilities	858,122	-
Other accrued expense	98,187	347,431
Notes payable, current portion	164,217	147,867
Total current liabilities	3,045,599	2,628,718
Noncurrent Liabilities		
Operating lease liabilities, less current maturities	2,469,183	-
Notes payable, excluding current portion	214,071	378,661
Total liabilities	5,728,853	3,007,379
Net Assets		
Without donor restrictions	3,488,199	4,311,310
With donor restrictions	-	11,002
Total net assets	3,488,199	4,322,312
Total liabilities and net assets	$ 9,217,052	$ 7,329,691

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains (Losses)			
Contract revenue	$ 16,137,152	$ -	$ 16,137,152
Contribution and grant revenue	678,596	-	678,596
Net investment return (loss)	(30,645)	-	(30,645)
Lease revenue	37,040	-	37,040
Other income (loss)	(5,018)	-	(5,018)
Net assets released from restrictions	11,002	(11,002)	-
Total revenue, support, and gains (losses)	16,828,127	(11,002)	16,817,125
Expenses			
Program services expense	14,624,129	-	14,624,129
Management and general	3,128,585	-	3,128,585
Fundraising and development	102,373	-	102,373
Total expenses	17,855,087	-	17,855,087
Change in Net Assets	(1,026,960)	(11,002)	(1,037,962)
Cumulative effect of change in accounting principle (Note 2)	203,849	-	203,849
Net Assets, Beginning of Year	4,311,310	11,002	4,322,312
Net Assets, End of Year	$ 3,488,199	$ -	$ 3,488,199

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contract revenue	$ 16,770,747	$ -	$ 16,770,747
Contribution and grant revenue	577,974	-	577,974
Net investment return	5,669	-	5,669
Lease revenue	48,725	-	48,725
Other	5,146	-	5,146
Net assets released from restrictions	17,530	(17,530)	-
Total revenue, support, and gains	17,425,791	(17,530)	17,408,261
Expenses			
Program services expense	13,889,780	-	13,889,780
Management and general	2,823,251	-	2,823,251
Fundraising and development	111,904	-	111,904
Total expenses	16,824,935	-	16,824,935
Change in Net Assets	600,856	(17,530)	583,326
Net Assets, Beginning of Year	3,710,454	28,532	3,738,986
Net Assets, End of Year	$ 4,311,310	$ 11,002	$ 4,322,312

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

	Foster Care & Adoption Services	Management and General	Fundraising and Development	Total
Salaries and Wages	$ 5,264,526	$ 895,023	$ -	$ 6,159,549
Employee Benefits and Payroll Taxes	1,129,874	278,064	-	1,407,938
Total personnel cost	6,394,400	1,173,087	-	7,567,487
Foster Care Services	4,577,925	-	-	4,577,925
Administrative Fees	-	1,082,501	-	1,082,501
Rent	724,224	144,409	-	868,633
Consulting	513,092	8,625	-	521,717
Youth Supplies	456,954	-	-	456,954
Auto and Travel	249,605	31,287	-	280,892
Office Expense	109,945	71,643	-	181,588
Insurance	177,745	27,750	-	205,495
Depreciation	128,712	42,152	-	170,864
Utilities	133,565	16,110	-	149,675
Licenses, Dues, and Fees	65,652	56,483	-	122,135
Food	81,042	-	-	81,042
Professional Services Fees	53,993	46,117	-	100,110
Fundraising	-	-	111,904	111,904
Maintenance	82,399	6,574	-	88,973
Interest	21,766	-	-	21,766
Hiring Expense	11,883	36,838	-	48,721
Bad Debts	6,282	-	-	6,282
Staff Development	53,680	4,020	-	57,700
Books and Subscriptions	611	936	-	1,547
Contract Labor	4,949	1,784	-	6,733
Recreational	2,360	-	-	2,360
Testing and Evaluation	2,809	-	-	2,809
Contributions	36,187	72,935	-	109,122
Total expense	$ 13,889,780	$ 2,823,251	$ 111,904	$ 16,824,935

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (834,113)	$ 583,326
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	178,342	170,864
Realized and unrealized loss	46,341	-
Changes in operating assets and liabilities		
Accounts receivable	631,385	(1,031,986)
Other receivables	(186,552)	(105,168)
Prepaid expenses	(14,921)	10,460
Accounts payable	123,026	58,878
Due to related party	(235,739)	376,271
Accrued salaries and vacation	(95,634)	60
Other accrued expenses	(249,244)	32,220
Net Cash from (used for) Operating Activities	(637,109)	94,925
Net Cash used for Investing Activity		
Purchases of investments	(10,222)	(501,083)
Purchases of property and equipment	(118,301)	(131,257)
Lutheran Social Services program assets purchases	-	(51,000)
Net Cash used for Investing Activities	(128,523)	(683,340)
Net Cash Flows used for Financing Activity		
Principal payments on notes payable	(148,240)	(84,473)
Net Change in Cash and Cash Equivalents	(913,872)	(672,888)
Cash and Cash Equivalents, Beginning of Year	2,356,659	3,029,547
Cash and Cash Equivalents, End of Year	$ 1,442,787	$ 2,356,659
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$ 13,091	$ 21,766

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Nexus – PATH Family Healing (the Organization) is a nonprofit organization established to provide foster care to children with special needs and adoption services. The Organization accomplishes this mission by recruiting and working with specially trained foster parents and families that are supported by professional social workers. The Organization currently has North Dakota offices in Fargo, Jamestown, Devils Lake, Minot, Williston, Bismarck, Turtle Mountain, Grand Forks, and Dickinson.

Related Party Activity

The Organization is part of an affiliated nonprofit group that shares common management through affiliation agreements and agreements for administrative services. Other members of this affiliated nonprofit group are: Nexus Family Healing, Nexus Diversified Community Services, Nexus – Kindred Family Healing, Nexus – FACTS Family Healing, Nexus Foundation for Family Healing, Nexus – Woodbourne Family Healing, and Woodbourne Center Charitable Trust. Transactions entered into with these affiliates have been identified within these financial statements as related party transactions (Note 10). Based on the nature of the relationship with above noted entities, there are no requirements to consolidate these entities into our financial statements.

Basis of Accounting

The financial statements contained herein have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for, nor restricted by, donors for long-term purposes to be cash and cash equivalents.

Investments and Net Investment Return (Loss)

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

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

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 writes 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 December 31, 2022 and 2021, the allowances were $14,000.

Property and Equipment

Property and equipment additions over $1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2022 and 2021.

Goodwill

Goodwill represents costs in excess of purchase price over the fair value of the assets of businesses acquired, including other identifiable intangible assets.

Goodwill is not amortized, rather potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. As of December 31, 2022 and 2021, the carrying value of the Organization's goodwill was not considered impaired.

Net Assets

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

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

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

Revenue and Revenue Recognition

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

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

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

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization’s program services, administration, and fundraising and development activities, however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. 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. The expenses that are allocated include rent and depreciation, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, consulting, auto and travel, office expenses, contributions, insurance, utilities, licenses, dues and fees, professional services, maintenance, staff development, contract labor, hiring expense, and books and subscriptions, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a North Dakota nonprofit corporation, and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been determined not to be a private foundation under Section 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization believes it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

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

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022, and December 31, 2021, the Organization had approximately $1,164,230 and $2,135,328 respectively, in excess of FDIC-insured limits.

Subsequent Events

The Organization has evaluated subsequent events through June 22, 2023, the date the financial statements were issued.

Note 2 - Adoption of Accounting Standards Codification Topic 842

Effective January 1, 2022, Nexus – PATH Family Healing (PATH) adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). PATH 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 Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, PATH 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, PATH recognized on January 1, 2022, the beginning of the adoption period, an adjustment to add right of use asset and liabilities for $4,228,188 to the statement of activities and a cumulative adjustment to increase net assets of $203,849 was recognized. The adoption of the new standard did not materially impact the Organization's statement of activities of cash flows. See Note 7 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	$ 1,442,787	$ 2,356,659
Accounts receivable, net	2,238,724	2,683,557
	$ 3,681,511	$ 5,040,216

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

Note 4 - Fair Value Measurement

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

> Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
>
> Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investment assets are classified within Level 1 because they are comprised of common stocks, including real estate investment trusts with readily determinable fair values based on daily redemption values. Corporate and municipal bonds are valued using pricing models maximizing the use of the observable inputs for similar securities; this includes basing value on yields currently available on comparable securities of issue with similar credit ratings and are classified within Level 2.

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash, at cost	$ 74,596	$ -	$ -	$ -
Corporate bonds	242,633	-	242,633	-
Municipal bonds	13,599	-	13,599	-
Real estate investment trusts	1,128	1,128	-	-
Common stocks	133,007	133,007	-	-
Total investments	$ 464,963	$ 134,135	$ 256,232	$ -

The following table presents assets measured at fair value on a recurring basis at December 31,2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash, at cost	$ 197,366	$ -	$ -	$ -
Corporate bonds	212,171	-	212,171	-
Municipal bonds	16,309	-	16,309	-
Real estate investment trusts	902	902	-	-
Common stocks	74,335	74,335	-	-
Total investments	$ 501,083	$ 75,237	$ 228,480	$ -

Note 5 - Property and Equipment

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

	2022	2021
Land	$ 224,715	$ 224,715
Building and leasehold improvements	2,094,381	2,094,381
Property and equipment	714,712	716,185
Fixed assets in process	-	15,340
	3,033,808	3,050,621
Less accumulated depreciation and amortization	(1,396,788)	(1,353,561)
	$ 1,637,020	$ 1,697,060

Depreciation expense totaled $178,342 and $170,864 for the years ended December 31, 2022 and 2021, respectively.

Note 6 - Notes Payable

Notes payable at December 31, 2022 and 2021, consist of the following:

	2022	2021
3.85% note payable, due in monthly installments of $14,672, including interest, through March 25, 2025. The original maturity date was principal due June 2, 2022 and refinanced in March 2022. Secured by property at 1425 21st Avenue, Minot, North Dakota.	$ 378,288	$ 526,528
Less portion due within one year	(164,217)	(147,867)
Long-term portion	$ 214,071	$ 378,661

Future minimum payments are as follows:

Years Ending December 31,	
2023	$ 164,217
2024	170,728
2025	43,343
	$ 378,288

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

Note 7 - Leases

The Organization leases office space, vehicles, and equipment under various operating leases, expiring at various dates through 2032. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

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

Operating lease cost	$ 1,011,985

Total lease expense under noncancelable leases was $980,750 for the year ended December 31, 2021.

The following summarizes 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	$ 1,011,985

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	1.3
Weighted-average discount rate	
Operating leases	1.00%

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

Years Ending December 31,	Amount
2023	$ 943,053
2024	824,399
2025	760,273
2026	249,080
2027	249,080
Thereafter	511,742
Total lease payments	3,537,627
Less interest	(210,322)
Present value of lease payments	$ 3,327,305

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

Years Ending December 31,	Amount
2022	$ 1,160,027
2023	952,159
2024	840,477
2025	752,385
2026	248,270
Thereafter	809,854
Total	$ 4,763,172

Note 8 - 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
Various purpose restrictions	$ -	$ 11,002
	$ -	$ 11,002

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows during the years ended December 31, 2022 and 2021:

	2022	2021
Trauma and stress clinic	$ -	$ 10,119
Various purpose restrictions	11,002	7,411
	$ 11,002	$ 17,530

Note 9 - Employee Benefits

The Organization sponsors a tax-deferred annuity plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all employees meeting certain eligibility requirements. Under the Plan, the Organization matches employee deferrals 100% for the first 1% of wages deferred, and 50% additional deferrals up to a maximum of 6%. Employee deferrals vest immediately and employer matching contributions vest after two years. During the years ended December 31, 2022 and 2021, the Organization matched employee voluntary contributions, resulting in contributions to the Plan of $185,623 and $173,052, respectively.

Note 10 - Related Party Transactions

The Board of Directors includes foster parents who provide foster care services for the Organization. Foster parents make up a minority portion of the Board of Directors.

The Organization had the following transactions with its affiliated companies: Nexus Family Healing, Nexus Diversified Community Services (NDCS), Nexus Foundation for Family Healing, and Nexus – Kindred Family Healing during the years ended December 31, 2022 and 2021:

	2022	2021
Beginning balance due (to) from affiliates	$ (871,477)	$ (495,206)
Charges for various operational expenses	(1,704,869)	(1,880,667)
Charges for management service NDCS	(1,162,380)	(1,077,328)
Payments	3,102,988	2,581,724
Due (to) from affiliates	$ (635,738)	$ (871,477)

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

Note 11 - Major Customers

A major portion of the Organization's business is dependent upon two large customers. The loss of these customers would have a material adverse effect on the Organization. During the years ended December 31, 2022 and 2021, these customers accounted for approximately 37% and 42% of contract revenue. Additionally, these customers accounted for 26% and 34% of accounts receivable as of December 31, 2022 and 2021.