Financial Statements
December 31, 2021 and 2020

Nexus – Kindred Family Healing

EideBailly®

eidebailly.com

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexus – Kindred Family Healing, which comprise the statements of financial position as of December 31, 2021 and 2020, 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 – Kindred Family Healing as of December 31, 2021 and 2020, 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 – Kindred Family Healing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nexus – Kindred 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 – Kindred 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 – Kindred Family Healing's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

Minneapolis, Minnesota
April 29, 2022

	2021	2020
Current Assets		
Cash and cash equivalents	$ 222,277	$ 362,483
Accounts receivable	440,526	548,460
Other receivables	140,725	139,322
Prepaid expenses	6,564	33,685
Total current assets	810,092	1,083,950
Noncurrent Assets		
Equipment, net	27,753	14,879
Other	2,119	4,119
Total noncurrent assets	29,872	18,998
Total assets	$ 839,964	$ 1,102,948
Current Liabilities		
Accounts payable	$ 216,053	$ 256,814
Due to affiliates	2,455,277	2,571,643
Accrued salaries and benefits	208,655	288,389
Other accrued expenses	38,809	52,728
Total current liabilities	2,918,794	3,169,574
Net Assets		
Without donor restrictions	(2,099,173)	(2,096,640)
With donor restrictions	20,343	30,014
Total net assets	(2,078,830)	(2,066,626)
Total liabilities and net assets	$ 839,964	$ 1,102,948

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contract revenue, net	$ 6,601,110	$ -	$ 6,601,110
Contribution and grant revenue	344,091	19,000	363,091
Other	613	-	613
Net assets released from restrictions	53,608	(53,608)	-
Total revenue, support, and gains	6,999,422	(34,608)	6,964,814
Expenses			
Program services expense	5,847,891	-	5,847,891
Management and general	1,255,626	-	1,255,626
Fundraising	33,973	-	33,973
Total expense	7,137,490	-	7,137,490
Change in Net Assets	(138,068)	(34,608)	(172,676)
Net Assets, Beginning of Year	(1,958,572)	64,622	(1,893,950)
Net Assets, End of Year	$ (2,096,640)	$ 30,014	$ (2,066,626)

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

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 1,683,478	$ 544,006	$ -	$ 2,227,484
Employee Benefits and Payroll Taxes	426,045	110,975	-	537,020
Total personnel cost	2,109,523	654,981	-	2,764,504
Foster Care Services	3,310,064	-	-	3,310,064
Administrative Fees	-	344,520	-	344,520
Building Rent	168,855	35,386	-	204,241
Auto and Travel	104,444	28,965	-	133,409
Office Expense	37,576	66,445	-	104,021
Insurance	25,136	42,083	-	67,219
Licenses, Dues, and Fees	16,805	38,588	-	55,393
Utilities	39,314	10,484	-	49,798
Fundraising Allocation	-	-	33,973	33,973
Depreciation	12,167	3,794	-	15,961
Hiring Expense	4,648	11,038	-	15,686
Client Recreation Expense	14,909	-	-	14,909
Contract Labor	-	10,042	-	10,042
Staff Development	1,544	3,568	-	5,112
Consulting	-	4,646	-	4,646
Grant Expense	1,365	1,086	-	2,451
Maintenance	1,541	-	-	1,541
Total expense	$ 5,847,891	$ 1,255,626	$ 33,973	$ 7,137,490

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ (12,204)	$ (172,676)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	16,506	15,961
Gain on sale of fixed asset	-	(126)
Changes in operating assets and liabilities		
Accounts receivable	107,934	177,105
Other receivables	(1,403)	39,040
Prepaid expenses	29,121	(2,184)
Accounts payable	(40,761)	(39,687)
Accrued salaries and benefits	(79,734)	(7,518)
Other accrued expenses	(13,919)	30,965
Net Cash from Operating Activities	5,540	40,880
Cash Flows used for Investing Activities		
Purchase of fixed assets	(29,380)	-
Cash Flows from (used for) Financing Activities		
Loan from (to) affiliates, net	(116,366)	10,335
Net Cash from (used for) Financing Activities	(116,366)	10,335
Net Change in Cash and Cash Equivalents	(140,206)	51,215
Cash and Cash Equivalents, Beginning of Year	362,483	311,268
Cash and Cash Equivalents, End of Year	$ 222,277	$ 362,483

Note 1 - Principal Activity and Significant Accounting Policies

Organization

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

Mission

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

Related Party Activity

The Organization is part of an affiliated nonprofit group that shares common management through affiliation agreements and agreements for administrative services. Other members of this affiliated nonprofit group are: Nexus Family Healing, Nexus Diversified Community Services, Nexus – PATH Family Healing, Nexus – FACTS Family Healing, Nexus Foundation for Family Healing, Nexus – Woodbourne Family Healing, and Woodbourne Center Charitable Trust. Transactions entered into with these affiliates have been identified within these financial statements as related party transactions (Note 7). Based on the nature of the relationship with above noted entities, there are no requirements to consolidate these entities into our financial statements.

Basis of Accounting

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

Cash and Cash Equivalents

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

Receivables and Credit Policies

Accounts receivable are stated at the amount management expects to collect from outstanding balances, net of the allowance for doubtful accounts, and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized, and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and write off delinquent receivables when deemed uncollectable. Management determines the allowance for doubtful accounts receivable based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. At both December 31, 2021 and 2020, there was no allowance recorded.

Property and Equipment

Property and equipment additions over $500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020.

Net Assets

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

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

Revenue and Revenue Recognition

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

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

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

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2021 and 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation expense is allocated on a square footage basis. All other expenses are allocated on the basis of estimates of time and effort or actual expenses.

Income Taxes

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

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

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Subsequent Events

The Organization has evaluated subsequent events through April 29, 2022, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise of the following:

	2021	2020
Cash and cash equivalents	$ 201,934	$ 332,469
Receivables	581,251	687,782
	$ 783,185	$ 1,020,251

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has financial assets available to meet general expenditures over the next 12 months. Please see the Organization's statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the year ended December 31, 2021 and 2020.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2021 and 2020:

	2021	2020
Equipment	$ 161,263	$ 141,536
Less accumulated depreciation	(133,510)	(126,657)
Total property and equipment, net	$ 27,753	$ 14,879

Depreciation expense totaled $16,506 and $15,961 for the years ended December 31, 2021 and 2020, respectively.

Note 4 - Major Customers

A major portion of our operations is dependent upon two large customers. The loss of these customers could have a material adverse effect on our operations. During the years ended December 31, 2021 and 2020, these customers accounted for $1,603,695 or 29%, and $1,807,257 or 27%, respectively, of contract revenue. In addition, these customers accounted for $87,549 or 20%, and $157,036 or 29% of accounts receivable as of December 31, 2021 and 2020, respectively.

Note 5 - Leases

The Organization leases office space, vehicles, and equipment under various operating leases, expiring at various dates through 2024. Future minimum lease payments are as follows:

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

Total lease expense for the years ended December 31, 2021 and 2020, totaled $187,169 and $204,241 respectively.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2021 and 2020:

	2021	2020
Kindred CARES	$ 20,343	$ 26,964
Various	-	3,050
	$ 20,343	$ 30,014

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time, or other events specified by the donors as follows as follows during the years ended December 31, 2021 and 2020:

	2021	2020
First Nonprofit Foundation	$ -	$ 23,500
Foster care expansion	-	11,032
Kindred CARES	6,620	14,823
Various	19,207	4,253
	$ 25,827	$ 53,608

Note 7 - Related Party Transactions

The Organization had the following transactions with our affiliated companies (see Note 1) for the years ended December 31, 2021 and 2020:

	2021	2020
Due to affiliates as of January 1	$ (2,571,643)	$ (2,561,308)
Charges for various operational expenses	(546,127)	(666,586)
Charges for management services provided by NDCS	(322,932)	(344,520)
Contributions from affiliates	(176)	(18,502)
Payments to affiliates	985,601	1,019,273
Due to affiliates as of December 31	$ (2,455,277)	$ (2,571,643)

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

Note 8 - Employee Benefits

The Organization participates in the Nexus Family Healing tax-deferred retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code, covering substantially all full-time employees. Under the Plan, the Organization matches employee elective deferrals 100% for the first 1% of wages deferred, and 50% additional deferrals up to a maximum of 6%. Employee deferrals vest immediately; employer matching contributions vest after two years. During the years ended December 31, 2021 and 2020, the Organization matched employee elective deferrals by contributing $54,260 and $65,473 to the Plan, respectively.

Note 9 - Revenue from Contracts with Customers

The following represents contract revenue, as reported on the statement of activities, disaggregated by type, for the years ended December 31, 2021 and 2020:

	2021	2020
Foster care services	$ 4,908,721	$ 5,936,676
Adoption services	669,524	602,445
Case management	-	61,989
	$ 5,578,245	$ 6,601,110

Note 10 - Management's Plans for Operations

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