

ARTESIA CHRISTIAN HOME

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2025 AND 2024

ARTESIA CHRISTIAN HOME

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Independent Auditor's Report

Board of Directors
Artesia Christian Home
Artesia, California

Opinion

We have audited the accompanying financial statements of Artesia Christian Home (a non-profit organization), which comprise the statements of financial position as of September 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 Artesia Christian Home as of September 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 Artesia Christian Home 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 Artesia Christian Home'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 Artesia Christian Home'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 Artesia Christian Home'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.

Ontario, California
January 15, 2026

Genske, Mulder & Co., LLP

GENSKE, MULDER & CO., LLP
Certified Public Accountants

ARTESIA CHRISTIAN HOME
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS:		
Cash, cash equivalents and restricted cash	\$ 2,329,588	\$ 865,559
Investments	2,835,141	2,271,397
Accounts receivable	1,038,464	776,789
Other receivable	1,120,066	-
Prepaid expenses	<u>272,117</u>	<u>284,883</u>
Total current assets	7,595,376	4,198,628
 PROPERTY & EQUIPMENT, NET	 <u>9,815,914</u>	 <u>10,157,337</u>
 Total assets	 <u>\$ 17,411,290</u>	 <u>\$ 14,355,965</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 414,502	\$ 252,596
Accrued salaries and benefits	448,117	507,241
Pension payable	75,019	48,694
Unearned revenue	<u>213,789</u>	<u>161,240</u>
Total current liabilities	1,151,427	969,771
 LONG-TERM LIABILITIES:		
Accrued legal settlement	587,888	580,000
 NET ASSETS:		
Net assets without donor restrictions	<u>15,671,975</u>	<u>12,806,194</u>
 Total liabilities and net assets	 <u>\$ 17,411,290</u>	 <u>\$ 14,355,965</u>

See accompanying notes to financial statements and independent auditor's report.

ARTESIA CHRISTIAN HOME

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
CHANGES IN NET ASSETS WITHOUT DONOR		
RESTRICTIONS:		
Revenues and other support:		
Skilled nursing fees	\$ 8,302,526	\$ 7,357,322
Residential fees	3,557,528	3,471,441
Memory care	2,723,078	2,437,335
Cottage rent	513,647	476,060
Ancillary income	865,058	790,018
Contributions of cash	354,385	358,704
State funding incentive income	155,146	126,871
Donated goods revenue	8,466	15,717
Donated services revenue	41,749	40,334
Other revenue	10,467	2,827
Total revenues and other support	16,532,050	15,076,629
Net assets released from restrictions:		
Satisfaction of program restrictions	344,050	286,265
Total revenues and other support without donor		
restrictions	16,876,100	15,362,894
Expenses:		
Program services:		
Skilled nursing services	9,074,443	7,963,841
Residential	3,217,160	3,045,165
Memory care	2,511,573	2,375,621
Cottage	208,017	191,546
Ancillary	527,821	495,166
Total program cost	15,539,014	14,071,339
Supporting services:		
General and administrative	1,506,326	1,379,627
Total functional expenses	17,045,340	15,450,966
OPERATING LOSS	(169,240)	(88,072)
OTHER INCOME (EXPENSE):		
Investment return, net of investment expenses	213,745	354,190
Legal settlement	(7,888)	(580,000)
Employee retention credit, net of professional fees	2,820,975	-
Other income	8,189	51,138
Total other income (expense)	3,035,021	(174,672)
Increase (decrease) in net assets without donor restrictions	2,865,781	(262,744)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions, restricted	344,050	286,265
Net assets released from restrictions	(344,050)	(286,265)
Change in net assets with donor restrictions	-	-
INCREASE (DECREASE) IN TOTAL NET ASSETS	2,865,781	(262,744)
NET ASSETS, BEGINNING OF YEAR	12,806,194	13,068,938
NET ASSETS, END OF YEAR	\$ 15,671,975	\$ 12,806,194

See accompanying notes to financial statements and independent auditor's report.

ARTESIA CHRISTIAN HOME
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Program Services					Supporting Services		
	SKILLED NURSING	ASSISTED LIVING	MEMORY CARE	INDEPENDENT LIVING (COTTAGES)	ANCILLARY	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	TOTAL EXPENSES
FUNCTIONAL EXPENSES:								
Compensation and related expenses:								
Compensation	\$ 5,563,335	\$ 1,656,239	\$ 1,384,124	\$ 37,982	\$ -	\$ 8,641,680	\$ 1,290,176	\$ 9,931,856
Payroll taxes and employee benefits	837,494	270,087	240,838	8,231	-	1,356,650	200,256	1,556,906
Workers compensation	250,782	120,749	104,029	2,934	-	478,494	15,894	494,388
Total	<u>6,651,611</u>	<u>2,047,075</u>	<u>1,728,991</u>	<u>49,147</u>	<u>-</u>	<u>10,476,824</u>	<u>1,506,326</u>	<u>11,983,150</u>
Other program expenses:								
General and administrative	949,688	236,835	166,936	34,781	-	1,388,240	-	1,388,240
Ancillary expenses and services	-	-	-	-	527,821	527,821	-	527,821
Bad debt expense	1,799	-	-	-	-	1,799	-	1,799
Depreciation and amortization	138,620	176,785	182,085	36,596	-	534,086	-	534,086
Dietary services	560,129	336,622	198,440	30,149	-	1,125,340	-	1,125,340
Housekeeping services	34,087	14,349	12,032	-	-	60,468	-	60,468
Insurance and taxes	34,223	40,993	13,622	14,538	-	103,376	-	103,376
Laundry and linen	25,327	5,108	-	-	-	30,435	-	30,435
Nursing and residential	302,768	122,380	54,958	6,918	-	487,024	-	487,024
Plant operations and management	340,558	225,267	151,446	35,335	-	752,606	-	752,606
Social service and activities	35,633	11,746	3,063	553	-	50,995	-	50,995
Total	<u>2,422,832</u>	<u>1,170,085</u>	<u>782,582</u>	<u>158,870</u>	<u>527,821</u>	<u>5,062,190</u>	<u>-</u>	<u>5,062,190</u>
Total functional expenses	\$ 9,074,443	\$ 3,217,160	\$ 2,511,573	\$ 208,017	\$ 527,821	\$ 15,539,014	\$ 1,506,326	\$ 17,045,340

See accompanying notes to financial statements and independent auditor's report.

ARTESIA CHRISTIAN HOME
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Program Services					Supporting Services		TOTAL EXPENSES
	SKILLED NURSING	ASSISTED LIVING	MEMORY CARE	INDEPENDENT LIVING (COTTAGES)	ANCILLARY	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	
FUNCTIONAL EXPENSES:								
Compensation and related expenses:								
Compensation	\$ 4,925,495	\$ 1,535,815	\$ 1,291,578	\$ 38,947	\$ -	\$ 7,791,835	\$ 1,168,455	\$ 8,960,290
Payroll taxes and employee benefits	805,951	276,723	235,391	8,104	-	1,326,169	198,077	1,524,246
Workers compensation	204,126	101,252	86,749	2,435	-	394,562	13,095	407,657
Total	<u>5,935,572</u>	<u>1,913,790</u>	<u>1,613,718</u>	<u>49,486</u>	<u>-</u>	<u>9,512,566</u>	<u>1,379,627</u>	<u>10,892,193</u>
Other program expenses:								
General and administrative	683,348	202,359	141,626	29,201	-	1,056,534	-	1,056,534
Ancillary expenses and services	-	-	-	-	495,166	495,166	-	495,166
Bad debt expense	26,812	-	-	-	-	26,812	-	26,812
Depreciation and amortization	141,948	173,702	182,618	29,318	-	527,586	-	527,586
Dietary services	516,877	330,341	194,166	26,707	-	1,068,091	-	1,068,091
Housekeeping services	42,467	16,416	14,826	-	-	73,709	-	73,709
Insurance and taxes	36,499	44,051	19,067	16,125	-	115,742	-	115,742
Laundry and linen	17,100	6,671	-	-	-	23,771	-	23,771
Nursing and residential	255,217	126,462	63,933	8,430	-	454,042	-	454,042
Plant operations and management	268,983	216,826	138,471	31,465	-	655,745	-	655,745
Social service and activities	39,018	14,547	7,196	814	-	61,575	-	61,575
Total	<u>2,028,269</u>	<u>1,131,375</u>	<u>761,903</u>	<u>142,060</u>	<u>495,166</u>	<u>4,558,773</u>	<u>-</u>	<u>4,558,773</u>
Total functional expenses	<u>\$ 7,963,841</u>	<u>\$ 3,045,165</u>	<u>\$ 2,375,621</u>	<u>\$ 191,546</u>	<u>\$ 495,166</u>	<u>\$ 14,071,339</u>	<u>\$ 1,379,627</u>	<u>\$ 15,450,966</u>

See accompanying notes to financial statements and independent auditor's report.

ARTESIA CHRISTIAN HOME

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from residents, programs and insurance	\$ 14,632,647	\$ 14,525,863
Cash received from donors	740,184	675,570
Cash received from employee retention credit refund and other	2,831,442	2,827
Cash received from state funding incentives	155,146	126,871
Cash paid to employees and suppliers	<u>(16,352,726)</u>	<u>(14,666,057)</u>
Net cash provided by operating activities	2,006,693	665,074
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net purchase of investments	(350,000)	(250,000)
Purchase of property improvements and equipment	(227,590)	(369,327)
Additions (reductions) to construction in process	<u>34,926</u>	<u>(34,926)</u>
Net cash used in investing activities	<u>(542,664)</u>	<u>(654,253)</u>
 Increase in cash, cash equivalents and restricted cash	 1,464,029	 10,821
 Cash, cash equivalents and restricted cash beginning	 <u>865,559</u>	 <u>854,738</u>
 Cash, cash equivalents and restricted cash ending	 \$ <u><u>2,329,588</u></u>	 \$ <u><u>865,559</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Donated goods	\$ <u>(8,466)</u>	\$ <u>(15,717)</u>
Donated investments	\$ <u>-</u>	\$ <u>9,733</u>

See accompanying notes to financial statements and independent auditor's report.

ARTESIA CHRISTIAN HOME

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,865,781	\$ (262,744)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gains on investments	(117,659)	(301,887)
Realized losses on sales of investments	11,509	1,873
Reinvested interest and dividends	(121,653)	(67,413)
Professional fees paid out of investment balance	14,058	13,237
Donated investments	-	(9,733)
In-kind contributions - goods	(8,466)	(15,717)
Receipts from in-kind good contributions	8,466	15,717
In-kind contributions - services	(41,749)	(40,334)
Receipts from in-kind service contributions	41,749	40,334
Depreciation expense	534,086	527,586
Changes in operating assets and liabilities:		
Accounts receivable	(1,381,741)	(118,788)
Prepaid expenses	12,766	(151)
Accounts payable	161,908	101,749
Accrued legal settlement	7,888	580,000
Accrued salaries and benefits	(59,124)	93,645
Pension payable	26,325	(4,775)
Unearned revenue	<u>52,549</u>	<u>112,475</u>
Net cash provided by operating activities	\$ <u>2,006,693</u>	\$ <u>665,074</u>

See accompanying notes to financial statements and independent auditor's report.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

1. Nature of activities

Artesia Christian Home (the “Organization”) is a non-profit organization operating in Los Angeles County, California, which provides skilled nursing care, assisted living including independent cottage and apartment care, and a memory care facility. The Organization has been granted provision by the State of California to operate as a continuing care retirement community. This allows the organization to enter into continuing care contracts, which provide varying levels of care based on need. Residents under continuing care contracts as of September 30, 2025 and 2024 were 39 and 32, respectively.

2. Summary of significant accounting policies

Basis of accounting

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”). Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is also required to present a statement of cash flows.

Classification of net assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions, unless otherwise specifically required to be included in net assets with donor restrictions by the donor or state law. The Organization does not interpret the guidance in the standard to include amounts restricted by Medicare, Medi-Cal, or federal government subsidies as net assets with donor restrictions. The Organization believes that these amounts do not meet the spirit of the standard for such a classification, nor is there any industry standard indicating that others will treat these assets as net assets with donor restrictions.

Revenue recognition

The Organization has assessed the predominant component of monthly lease payments for skilled nursing, assisted living, independent living, and memory care to be for the monthly rent of the apartment, as other services and ancillary revenue are reported separately. The Organization therefore recognizes monthly rent as lease income under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 840, *Leases*. The Organization further determined that other services and ancillary revenue are health care services and other services provided to residents that do not relate to the unit apartment rent. Therefore, such service revenues are not part of the calculation of lease payments, and revenue under these service lines is recognized under FASB ASC 606, *Revenue from Contracts with Customers*.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

2. Summary of significant accounting policies (continued)

Skilled nursing, assisted living, independent living, and memory care fees (together, “net health services revenues”) are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the personal care services provided. Performance obligations are determined based on the nature of the services provided. Revenues are recognized as performance obligations are satisfied.

Net health services revenues are primarily comprised of the following revenue streams:

Skilled Nursing – Skilled nursing revenues are primarily derived from providing personal care services to residents at a stated daily fees with the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, skilled nursing revenues are recognized on a daily basis.

Assisted Living – Assisted living revenues are primarily derived from providing personal care services to residents at a stated monthly fee with the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, assisted living revenues are recognized on a month-to-month basis.

Memory Care – Memory care revenues are primarily derived from providing personal care services to residents at a stated monthly fee with the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, memory care revenues are recognized on a month-to-month basis.

Independent Living (Cottages) – Independent living revenues are primarily derived from providing personal care services to residents at a stated monthly fee with the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, independent living revenues are recognized on a month-to-month basis.

Ancillary – Ancillary revenues are primarily derived from providing medication, physical, occupational, and speech therapy, x-ray and imaging, and medical supplies to skilled nursing residents. Ancillary revenue for net health services is recognized as services are rendered.

Payment terms and conditions for the Organization’s resident contracts vary by contract type, although terms generally include payment to be made within 30 days. Monthly rental fees and net health services revenue for assisted living, independent living, and memory care are billed to residents monthly in advance and are amortized ratably during the month. Net health services for skilled nursing and ancillary are billed in arrears. The Organization has agreements with the residents at established monthly rates. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net health services revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments due to audits, review or investigations are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods, as adjustments become known. Payment arrangements include prospectively determined rates per day, reimbursed costs, and discounted charges, and per diem payments. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates could change in the near term.

Cash and other assets received from donations are reported at fair value at the date of their receipt. These gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. In addition, from time to time, the Organization is identified as a beneficiary of various wills and trusts therefore contributions may be received. Such bequests are recorded when they are identified, generally at the distribution date.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents limited for long-term purposes by donor-imposed restrictions are presented as restricted cash. The Organization, at times, in the ordinary course of business, maintains cash balances at financial institutions in excess of federally insured amounts. No losses are anticipated thereon.

Restricted cash

There is no restricted cash from grants and net assets with donor restrictions as of September 30, 2025 and 2024. The Organization does maintain a restricted cash account representing deposits from family members on behalf of residents for payment of future bills and a savings account for the purpose of obtaining an interest rate discount for their line of credit. The balance of the resident trust fund account was \$1,848 and \$483 as of September 30, 2025 and 2024, respectively.

In conjunction with their line of credit agreement with Citizens Business Bank, to attain a reduced interest rate, the Organization maintains a savings account with the lender with an approximate balance of \$111,000. The balance of the savings account was \$111,034 and \$0 as of September 30, 2025 and 2024, respectively.

Investments

Investments are reported at fair value in the statements of financial position and are based on quoted market prices. Net appreciation and depreciation on investments, included realized gains or losses and unrealized appreciation or depreciation on those investments, as well as all dividends, interest, and other investment income, net of investment expenses, is reported in the statement of activities. Investment income, net of investment expenses is reported as an increase or decrease to net assets without donor restrictions.

Accounts receivable

The Organization reviews its accounts receivable periodically for collectability and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of past due accounts including historical collection information and existing economic conditions. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined that there was no need for a valuation allowance for each of the years ended September 30, 2025 and 2024.

Effective October 1, 2023, the Organization adopted ASC Topic 326: *Financial Instruments – Credit Losses* which modifies the measurement of expected credit losses on certain financial instruments, including accounts receivable. The Organization adopted this guidance utilizing the modified retrospective transition method. The adoption did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

Prepaid expenses

Prepaid expenses are expenses that are paid in advance for goods or services that will be received in the future. Prepaid expenses are mostly comprised of vendor deposits, workers' compensation, and insurance.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

2. Summary of significant accounting policies (continued)

Property and equipment

Purchased property and equipment consist of land and improvements, buildings, equipment and furniture, and vehicles. Acquisitions of property and equipment in excess of \$2,500 are capitalized. Donations of property and equipment are recorded as support through the statement of activities at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed into service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	20-40 years
Equipment and furniture	5-20 years
Vehicles	7 years

Construction in progress

As of the year ended September 30, 2024, the Organization was in the process of planning for and purchasing an emergency generator. As of September 30, 2024, the Organization incurred and capitalized \$34,926 in construction in progress related to this project. During the year ended September 30, 2025, circumstances changed and the project was abandoned and associated costs expensed. There is no construction in progress as of September 30, 2025. No interest was capitalized to the project during the years ended September 30, 2025 and 2024.

Unearned revenue

The Organization recognizes a liability when it receives money in advance of providing goods or services. The Organization's unearned revenue the following for the years ended September 30:

	2025	2024
Resident prepayments	\$ 212,041	\$ 160,757
Resident deposits	1,748	483
Total unearned revenue	\$ 213,789	\$ 161,240

Fair value of financial instruments

The Organization's financial instruments consist principally of cash and cash equivalents, accounts receivable, short-term accounts payable and investments. The recorded values of these financial instruments approximates their fair values. Investments are recorded at fair value (see Note 7).

Income taxes

The Organization is an exempt from taxation under Internal Revenue Code Section 501(c)(3) and the comparable California Revenue and Taxation Code Section 23701(d). The Organization has been classified by the Internal Revenue Service as other than a private foundation.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

2. Summary of significant accounting policies (continued)

Net patient service revenue

Patient service revenues from patients and third-party payers are reported at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and are adjusted in future periods as final settlements are determined. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2025 and 2024 was not significant.

Contributions of cash

Contributions of cash are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor transactions. Net assets with donor restrictions include those resources subject to donor-imposed restrictions. Net assets without donor restrictions include resources that are not restricted by donor-imposed restrictions and are available for operations of the Organization, without limitation, unless designated by the board of directors.

Contributed goods and services

Contributions of goods and services that are measurable are valued at their estimated fair market value and are recorded in the statement of activities when received. The contributions are recorded as unrestricted support unless specific donor stipulations specify how the donated asset must be used. The related donated services are expensed in the functional expenses based on the types of professional services rendered.

Charity care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as net revenue.

Records are maintained to identify and monitor the level of charity care provided. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of these services and supplies. The value of charity care provided to patients for the years ended September 30, 2025 and 2024 was \$1,216,608 and \$1,210,507, respectively.

Continuing care contracts

The Organization has entered into continuing care contracts with the residents upon admission into its independent living facilities. The continuing care contract remains in effect if these residents moves to various levels of care. Under the provision of these contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. According to the continuing care contracts, future services will be billed to the resident at current standard rates at the time the service is provided. Therefore, the Organization has determined that there is no liability related to future services.

Obligation to provide future services

The California Health and Safety Code requires continuing care contract providers to establish and maintain a statutory and refund reserve to assure financial resources will be available to fulfill contractual obligations to residents. A reserve fund escrow account is not required of the Organization. The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ended September 30, 2025 and 2024.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

Expenses are allocated on a functional basis among the various programs and support services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or service. Expenses that are common to several programs or services are allocated based on methods relevant to the function. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses are calculated on a percentage of total revenue basis or on estimates of time and resources, depending on the type of expense.

Use of estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make certain estimates and assumptions that directly affect the results of reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassification

Reclassification of prior year information was made to conform to current year presentation. There was no effect on prior year change in net assets.

3. Accounts receivable

Accounts receivable consists of the following as of September 30:

	2025	2024
Medicare	\$ 224,236	\$ 111,228
Medi-Cal	476,722	320,145
Private pay	173,829	162,767
Commercial insurance	163,677	182,649
Total accounts receivable	<u>\$ 1,038,464</u>	<u>\$ 776,789</u>

4. Property and equipment

Property and equipment consist of the following as of September 30:

	2025	2024
Land and improvements	\$ 1,216,889	\$ 1,216,889
Buildings and improvements	14,799,051	14,604,715
Equipment and furniture	2,679,841	2,646,588
Vehicles	255,371	255,371
Construction in progress	-	34,926
	<u>18,951,152</u>	<u>18,758,489</u>
Less accumulated depreciation	<u>9,135,238</u>	<u>8,601,152</u>
Property and equipment, net	<u>\$ 9,815,914</u>	<u>\$ 10,157,337</u>

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

5. Investments and net investment return

Investments consist of the following with total investments reflected in the statement of financial position as of September 30:

	2025	2024
Cash equivalents	\$ 288,072	\$ 41,780
Fixed income	750,150	100,000
Equities	34,185	12,630
Exchange-traded funds	631,773	480,197
Mutual funds	1,130,961	1,022,867
Total investments	\$ <u>2,835,141</u>	\$ <u>1,657,474</u>

Total investment return, net of investment expenses for the years ended September 30, is comprised of the following:

	2025	2024
Interest and dividend income	\$ 121,653	\$ 67,413
Realized losses	(11,509)	(1,873)
Total returns	110,144	65,540
Less investment expenses	(14,058)	(13,237)
Net realized returns	96,086	52,303
Unrealized gains	117,659	301,887
Investment return, net of investment expenses	\$ <u>213,745</u>	\$ <u>354,190</u>

6. Liquidity and availability of financial assets

The Organization's financial assets available within one year of the statement of financial position for general expenditure are as follows as of September 30:

	2025	2024
Cash and cash equivalents	\$ 2,216,706	\$ 865,076
Accounts receivable	1,038,464	776,789
Other receivables	1,120,066	-
Investments	2,835,141	2,271,397
Total liquid financial assets	\$ <u>7,210,377</u>	\$ <u>3,913,262</u>

None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Organization in the next 12 months.

As part of the Organization's liquidity management procedures, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization can withdraw investment funds held, spend from available donation dollars, or draw on its line of credit.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

7. Fair value of financial instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Examples of assets and liabilities utilizing Level 1 inputs are equities, exchange-traded funds (ETFs) and mutual funds.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Examples of assets and liabilities utilizing Level 2 inputs include certificates of deposit, corporate bonds, and United States (U.S.) government-sponsored agency bonds.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair value standard requires the assets and liabilities carried at fair value be classified and disclosed in one of the three levels. The Organization's investments are reported as Level 1 and Level 2 inputs within the fair value hierarchy, consisting of fixed income, equities, ETFs, and mutual funds. The Organization does not hold securities classified as Level 3.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Fixed income — The Level 2 investment is a certificate of deposit fixed income investment. In determining the fair value of the investments categorized as Level 2, a report from a nationally recognized broker-dealer detailing the fair value of each certificate of deposit investment held as of each reporting date was obtained. The broker-dealers use prices obtained from nationally recognized pricing services to value the fixed income securities.

Equities, ETFs, and mutual funds — Investments are valued based on quoted market prices and are typically classified within Level 1. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows.

There have been no significant changes in the valuation techniques during the years ended September 30, 2025 and 2024.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

7. Fair value of financial instruments (continued)

Investments reported at fair value consist of the following as of September 30:

	2025		
	Level 1	Level 2	Total
	Fair Value	Fair Value	
Cash equivalents	\$ 288,072	\$ -	\$ 288,072
Fixed income	-	750,150	750,150
Equities	-	34,185	34,185
Exchange-traded funds	631,773	-	631,773
Mutual funds	1,130,961	-	1,130,961
Total investments	<u>\$ 2,050,806</u>	<u>\$ 784,335</u>	<u>\$ 2,835,141</u>

	2024		
	Level 1	Level 2	Total
	Fair Value	Fair Value	
Cash equivalents	\$ 21,528	\$ -	\$ 21,528
Fixed income	-	250,021	250,021
Equities	-	28,400	28,400
Exchange-traded funds	650,428	-	650,428
Mutual funds	1,321,020	-	1,321,020
Total investments	<u>\$ 1,992,976</u>	<u>\$ 278,421</u>	<u>\$ 2,271,397</u>

8. Line of credit

In February 2025, the Organization obtained a \$500,000 line of credit with Citizens Business Bank. The Organization maintains a specific savings account with Citizens Business Bank for the purpose of obtaining an interest rate discount of 0.25%. The line is secured by the specific savings account, inventory, chattel paper, accounts, equipment, and general intangibles of the Organization. The line bears interest at 6.875% (7.125% rate less 0.25% rate discount) at September 30, 2025 and matures on February 4, 2032. As of September 30, 2025, there were no borrowings or repayments and no balance outstanding on the line.

9. Employee benefit plan

The Organization offers a tax deferred annuity program under Internal Revenue Code Section 403(b) covering full-time employees. The voluntary program allows participants to contribute a percentage of salary to be placed in the individual's specific account. Through June 30, 2025, the Organization matched employee contributions up to 3% of the participant's wages. The employer match was discontinued as of July 1, 2025.

The Organization provides an additional annual discretionary contribution of 3% of the participant's wages. This discretionary contribution was also discontinued as of July 1, 2025. For the years ended September 30, 2025 and 2024, the Organization contributed \$188,927 and \$332,634, respectively.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

10. Professional liability and workers compensation claims

Professional liability claims

The Organization purchases professional liability insurance under an occurrence-based policy. The insurance provides \$1,000,000 maximum coverage per incident, with a \$3,000,000 aggregate limit. Premium expense was \$177,305 and \$175,251 for the years ended September 30, 2025 and 2024, respectively. The Organization is also insured for excess liability up to a limit of \$1,000,000 and \$3,000,000 for the years ended September 30, 2025 and 2024, respectively. Premium expense for the excess liability policy was \$31,770 and \$78,996 for the years ended September 30, 2025 and 2024, respectively.

Workers compensation claims

The Organization participates in GuardianComp, Inc. an alternative to traditional workers' compensation insurance for not-for-profit nursing and continuing care retirement communities in the state of California. Members of GuardianComp, Inc. make contributions based on estimated payroll figures, which fund losses and program expenses. After claims are closed and expenses are paid at the end of the program year, GuardianComp, Inc. conducts an audit by member and determines the amount of underpaid or overpaid contribution to be remitted to or paid by the participating member.

For the years ended September 30, 2025 and 2024, contributions made to GuardianComp, Inc. were \$464,620 and \$406,828, respectively. During the year ended September 30, 2025, the Organization owed an additional balance of \$35,714, which was considered an underpaid contribution. The payment increases workers compensation expense. During the year ended September 30, 2024, received a refund of \$16,012, which was considered an overpaid contribution. The refund reduced workers compensation expense.

11. Concentrations of risk and disaggregation of revenue

The Organization maintains cash deposits at multiple financial institutions. At times, the deposits may exceed the amount covered by the Federal Depository Insurance Corporation. Management does not anticipate any losses based on this risk.

Contractual allowances have been deducted from gross revenue to arrive at net skilled nursing and ancillary fees as set forth below for the years ended September 30:

	2025	2024
Skilled nursing and ancillary revenue	\$ 10,772,803	\$ 9,419,199
Contractual and other allowances	<u>(1,605,219)</u>	<u>(1,271,859)</u>
Totals	<u>\$ 9,167,584</u>	<u>\$ 8,147,340</u>

A substantial portion of the Organization's skilled nursing revenue and accounts receivable is from federal Medicare and state Medi-Cal programs. For the years ended September 30, 2025 and 2024, skilled nursing revenue from Medicare was \$1,160,666 and \$865,672, respectively. Skilled nursing Medi-Cal revenue for the years ending September 30, 2025 and 2024 was \$6,416,513 and \$5,197,960, respectively. Reimbursement is based on a standard fee schedule established by Medi-Cal for each type of service. Contracts may also have been signed with health maintenance organizations and insurance companies to provide service rates that are lower than the standard rates.

Included in accounts receivable as of September 30, 2025 and 2024 for Medicare was \$224,236 and \$111,228, respectively. Included in accounts receivable as of September 30, 2025 and 2024 for Medi-Cal was \$476,722 and \$320,145, respectively.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

11. Concentrations of risk and disaggregation of revenue (continued)

Following is the percentage of skilled nursing revenue and accounts receivable that the Medicare and Medi-Cal programs represent for each of the years ending:

	<u>2025</u>	<u>2024</u>
Medicare		
Skilled nursing revenue	10.8%	9.2%
Total accounts receivable	21.6%	14.3%
Medi-Cal		
Skilled nursing revenue	59.6%	55.2%
Total accounts receivable	45.9%	41.2%

12. Net asset balances and releases from restrictions

The net assets with donor restrictions released during the years ending September 30, 2025 and 2024 were utilized as follows:

	<u>2025</u>	<u>2024</u>
Purpose restrictions accomplished:		
C.A.R.E. fund expenses	\$ 167,417	\$ 192,920
Special projects	<u>176,633</u>	<u>93,345</u>
Total	<u>\$ 344,050</u>	<u>\$ 286,265</u>

The C.A.R.E. fund is utilized to provide board designated discounts on care provided to residents with financial hardships who are deemed to not have the wherewithal to pay in full.

Special projects funds represent donations received with any designation other than the C.A.R.E. fund. Typically, special project funds are designated for use by a specific department or to be used towards a specific project the Organization is involved in.

As the purpose restrictions were fully accomplished during the years, there were no net assets with donor restrictions as of each of the years ended September 30, 2025 and 2024.

13. State funding incentive

During the year ended September 30, 2025, the Organization received funds from the Skilled Nursing Facility (SNF) Workforce and Quality Incentive Program (WQIP) funds from the Department of Health Care Services of the State of California totaling \$155,146. These funds cover the calendar year program years of 2023, 2024, and 2025. The state funding is intended to incentivize facilities to improve quality of care for residents, advance equity in healthcare outcomes, and invest in workforce. \$126,871 of state funding incentive monies related to this program were received during the year ended September 30, 2024. As of September 30, 2025 and 2024, all funds received were used for the specified purposes.

The SNF WQIP is authorized for years of service beginning January 1, 2023 through December 31, 2026. However, based on the State of California's enacted budget for state fiscal year 2025-2026, the SNF WQIP will end one year short, on December 31, 2025.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

14. Donated goods and services

For the years ended September 30, 2025 and 2024, \$41,749 and \$40,334, respectively, is recorded within the statement of activities for donated services.

For the years ended September 30, 2025 and 2024, the Organization recognized contributed nonfinancial assets, also referred to as donated goods, within the statement of activities of \$8,466 and \$15,717, respectively.

For the years ended September 30, 2025 and 2024, the Organization recognized contributed nonfinancial assets, also referred to as donated goods, of \$8,466 and \$15,717, respectively, within the statement of activities. Of the donated goods, the Organization recognized \$8,466 and \$15,617 of supplies and equipment, respectively, and \$0 and \$100 for employee enhancement, for the years ended September 30, 2025 and 2024, respectively. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed supplies and equipment were utilized by the residents and staff of the Organization. Contributed gifts and food were utilized by the Organization's employees for employee enhancement purposes. In valuing the contributed supplies, equipment, gifts and food, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

15. Commitments and contingencies

Dining services

The Organization has an agreement with Morrison Management Specialists, Inc. ("Morrison") for dining services for the Resident Care Facility. The contract is renewed annually, effective October through September of each fiscal year. The contract stipulates a monthly rate with a separate charge for resident meals. For the year ended September 30, 2025, the Organization paid Morrison a monthly rate of \$39,868, which is based on providing services for 60 resident care, 60 skilled nursing, and 26 memory care projected resident days per day. For the year ended September 30, 2024, the Organization paid Morrison a monthly rate of \$38,334, which is based on providing services for 63 resident care, 55 skilled nursing, and 27 memory care projected resident days per day. Should actual resident days for any consecutive three-month period be 10% higher or lower than the projected resident days for that same period, then the Organization and Morrison would renegotiate the monthly rate. In addition to the monthly rate, for the years ended September 30, 2025 and 2024, Morrison charges the Organization \$10.24 and \$9.85 per resident day, respectively, to cover the costs of food for resident meals and related supplies for the resident care, skilled nursing, and memory care residents. The charges cover up to three meals per day. On each October 1, the monthly rate, and any other fixed cost charges such as the daily resident meal charge, will be increased by the 12-month percentage change in the Consumer Price Index for All Urban Consumers: Food Away from Home, U.S. City Average (Not Seasonally Adjusted) as published by the Bureau of Labor Statistics of the U.S. Department of Labor.

Third-party payers for residents without a continuing care contract

Amounts received or receivable from third-party payers are subject to review by the third-party payers. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, which may be disallowed by third-party payers is not determinable. No valuation allowance for estimated adjustments was determined necessary for the years ended September 30, 2025 and 2024.

Unemployment insurance

The Organization is self-insured for unemployment insurance. Each quarter, the State of California invoices the Organization for its estimated share of state unemployment liability based on experience. The Organization records the expense when incurred.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

15. Commitments and contingencies (continued)

Continuing care contracts

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Litigation

From time to time, the Organization is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. When the Organization becomes aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. In accordance with authoritative guidance, the Organization records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Organization records the minimum estimated liability. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Organization discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible, and the amount involved is material. The Organization continuously assesses the potential liability related to the Organization's pending litigation and revises its estimates when additional information becomes available.

As of September 30, 2024, the Organization had ongoing legal proceedings regarding an employee class action complaint. The lawsuit was settled in early 2025 for \$587,888 which was paid out on November 17, 2025.

16. Employee retention credit

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. The Organization determined they were eligible for a refundable employer retention credit subject to certain criteria.

The Organization applied the model outlined in FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* and determined that the conditions were substantially met during the year ended September 30, 2025, and income was recognized. For the year ended September 30, 2025, employee retention credit revenue recognized totaled \$3,318,794, which represents refunds of the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Returns or Claim for Refund for the three quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. The \$1,120,066 refund for the quarter ended September 30, 2021 was received by the Organization subsequent to year-end and is recorded as receivable as of September 30, 2025.

As of September 30, 2025, the Organization recorded \$497,819 of expenses related to professional fees for filing for the ERC, which are due upon the receipt of refunds. The amount related to the refund for the quarter ended September 30, 2021, \$168,010, is included in accounts payable as of September 30, 2025.

ARTESIA CHRISTIAN HOME

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

17. Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Effective October 1, 2025, the Organization amended its dining services agreement with Morrison. As part of the amendment, Morrison will provide the hourly-paid personnel by agreeing to offer employment to all qualified and available personnel who were actively employed by the Organization in connection with dining services immediately prior to October 1, 2025. As a result of this transition of the hourly personnel to Morrison's payroll, there were adjustments to Morrison's rates and charges going into the Organization's next fiscal year beginning October 1, 2025. The most significant adjustment is the monthly rate increase to \$138,836. The amendment extended the term, with the agreement renewing through September 30, 2030, automatically renewing for successive one-year periods unless earlier terminated. Lastly, Morrison agrees to invest up to \$150,000 toward renovation, expansion, and improvement of the Organization's dining program.

Management has evaluated subsequent events through January 15, 2026, the date on which the financial statements were available to be issued.