THE HAVEN AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

THE HAVEN AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Haven and Subsidiaries
Tucson, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Haven and Subsidiaries (nonprofit organizations) (collectively the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2024, and the changes in their net assets and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Month XX, 2025
Tucson, Arizona

THE HAVEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2024

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 723,448
Accounts receivable, net of allowance for doubtful accounts	476,962
Prepaid expenses and other current assets	22,748
Certificates of deposit, current portion	416,352
Total current assets	1,639,510
PROPERTY AND EQUIPMENT, NET	1,820,762
OTHER ASSETS	
Investments	521,094
Certificates of deposit, less current portion	2,336,438
Operating lease right-of-use assets	1,393,580
Deposits	18,086
Total other assets	4,269,198
Total assets	$ 7,729,470

The Notes to Consolidated Financial Statements are an integral part of these statements.

THE HAVEN AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2024

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 78,653
Accrued expenses	362,150
Refundable advances	342,372
Long term debt - current portion	31,090
Operating lease liabilities - current portion	344,552
Total current liabilities	1,158,817
LONG-TERM LIABILITIES	
Long-term debt, less current portion	580,077
Operating lease liabilities, less current portion	1,191,836
Total long-term liabilities	1,771,913
Total liabilities	2,930,730
NET ASSETS	
Without donor restrictions	4,597,930
With donor restrictions	200,810
Total net assets	4,798,740
Total liabilities and net assets	$ 7,729,470

The Notes to Consolidated Financial Statements are an integral part of these statements.

THE HAVEN AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Government contracts	$ 6,329,320	$ -	$ 6,329,320
Client service fees	15,900	-	15,900
Contributions and grants	295,142	23,741	318,883
Investment gain, net	255,933	-	255,933
Interest and dividends	87,605	-	87,605
Other support	4,037	-	4,037
Net assets released from restrictions	44,314	(44,314)	-
Total revenues	7,032,251	(20,573)	7,011,678
EXPENSES			
Program services	6,255,266	-	6,255,266
General and administrative	905,783	-	905,783
Fundraising and development	166,060	-	166,060
Total expenses	7,327,109	-	7,327,109
OTHER INCOME (EXPENSE)			
Loss on disposal of equipment	(737)	-	(737)
Total other income (expense)	(737)	-	(737)
CHANGE IN NET ASSETS	(295,595)	(20,573)	(316,168)
NET ASSETS, BEGINNING OF YEAR	4,893,525	221,383	5,114,908
NET ASSETS, END OF YEAR	$ 4,597,930	$ 200,810	$ 4,798,740

The Notes to Consolidated Financial Statements are an integral part of these statements.

THE HAVEN AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2024

	Program Services	General and Administrative	Fundraising and Development	Total
Salaries, related taxes and employee benefits	$ 4,167,783	$ 625,382	$ 118,689	$ 4,911,854
Professional fees and outside services	321,330	111,632	14,726	447,688
Facilities rental	282,778	120,488	-	403,266
Housekeeping and food	296,770	109	29	296,908
Bad debt expense	285,280	-	-	285,280
Supplies	233,892	10,072	10,671	254,635
Utilities	169,599	3,240	504	173,343
Depreciation and amortization	170,359	678	-	171,037
Repairs and maintenance	101,519	92	64	101,675
Travel	72,854	2,265	755	75,874
Insurance	49,846	14,882	-	64,728
Meetings expense	43,267	2,592	1,005	46,864
Interest	25,898	1,874	-	27,772
Dues and subscriptions	10,901	8,137	1,702	20,740
Property and equipment rental	18,133	-	442	18,575
Fundraising	-	-	15,289	15,289
Miscellaneous	1,877	3,206	321	5,404
Advertising	2,500	-	1,244	3,744
Postage and delivery	680	1,134	619	2,433
Totals	$ 6,255,266	$ 905,783	$ 166,060	$ 7,327,109

The Notes to Consolidated Financial Statements are an integral part of these statements.

THE HAVEN AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (316,168)
Adjustments to reconcile change in net assets to net cash from operating activities	
Net realized and unrealized loss on investments	(255,932)
Depreciation and amortization	171,037
Accretion of operating lease liabilities	52,489
Loss on disposition of equipment	737
Changes in operating assets and liabilities	
Accounts receivable	(79,559)
Prepaid expenses and other current assets	98,792
Deposits	48,052
Operating lease right-of-use assets	286,145
Accounts payable	(85,399)
Accrued expenses	31,502
Refundable advances	(8,850)
Operating lease liability	(328,144)
Net cash used by operating activities	(385,298)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(211,401)
Purchases of investments	(87,605)
Proceeds from sales and maturities of investments	907,064
Net cash provided by investing activities	608,058

(continued)

The Notes to Consolidated Financial Statements are an integral part of these statements.

THE HAVEN AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the Year Ended September 30, 2024

CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment on line of credit	(10,000)
Advances on line of credit	10,000
Principal payments on notes payable	(30,165)
Net cash used by financing activities	(30,165)
Net increase in cash and cash equivalents	192,595
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	530,853
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 723,448
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	$ 27,772

The Notes to Consolidated Financial Statements are an integral part of these statements.

1. ORGANIZATION

Nature of Operations

The Haven was founded in 1970 to provide effective substance use recovery specifically for women. It is licensed by the Arizona Department of Health Services and is CARF-accredited. The mission of The Haven is to provide professional, holistic services to all women as they unlock their potential, while recovering from substance use and moving towards their best mental health. Because 7 in 10 women in recovery are mothers, The Haven approaches the process of healing from substance use and co-occurring disorders with a goal to reunite families, rebuild communities, and strengthen the mother/child bond. The Haven's approach is unique because it has always focused on women and their children and allows mothers to bring their young children into treatment with them.

The Haven's mission is carried out through three programs:

- Residential

  The Haven's residential program creates a space where women are provided with the tools, trauma-informed clinical treatments, and unwavering support they need to heal from substance use disorders. Treatment is individualized, to address each woman's emotional, psychological, physical, and spiritual needs. The residential facility is in midtown Tucson and covers more than three acres. The facility features shared bed-and-bath suites and small cottages as well as outdoor courtyards and a children's playground for recreation and relaxation.

- Outpatient Services

  The Haven's Intensive Outpatient Program provides a higher level of care than traditional outpatient programs. The Program is intended for women who are struggling with substance use disorders and would benefit from the more structured model. The program may also serve as a steppingstone between residential treatment and ongoing outpatient treatment. The Haven provides its intensive outpatient members housing free of charge if the women don't have stable and safe housing in the community.

(continued)

1. **ORGANIZATION** (continued)

Nature of Operations (continued)

- Native Ways program

  The Haven's Native Ways Program was developed in 2005 to create a space in which Indigenous women could feel whole and respected. In addition to trauma-informed clinical treatment interventions, the program includes the teachings of the White Bison Wellbriety Movement, and clients engage in drumming circles, smudging, Native crafts, blessings, counseling and healing, and traditional ceremonies. The Native Ways Program capitalizes on Indigenous communities' strengths and resilience and provides historical trauma-informed care.

Refugio3727, LLC (a wholly-owned Arizona LLC, disregarded as a separate entity for income tax purposes), was formed in 2019. The LLC was formed to purchase and hold real property used by The Haven.

The Haven Butterfly Foundation was founded in 2021 as a nonprofit organization under the laws of the State of Arizona to promote the mission and vision of The Haven, support women and families in the pursuit of living free of substance misuse, and provide education and public advocacy in the area of women's health.

The consolidated financial statements include The Haven, its wholly-owned subsidiaries, Refugio3727, LLC, and The Haven Butterfly Foundation (collectively referred to as the "Organization"). All significant intercompany transactions have been eliminated.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets the United States' generally accepted accounting principles ("U.S. GAAP"), which are followed by the Organization in order to ensure the consistent reporting of its financial position, changes in net assets, and cash flows. The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all receivables, payables, and other liabilities.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization reports information regarding its consolidated financial position and activities according to the presence or absence of donor-imposed restrictions, which are segregated into the following categories:

<u>Net assets without donor restrictions</u> – Net assets that are not subject to donor-imposed stipulations. Items that affect this net asset category principally consist of fees for service and related expenses associated with core activities of the Organization.

<u>Net assets with donor restrictions</u> – Net assets which are subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the consolidated statement of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has elected to record contributions with donor restrictions as contributions without donor restrictions if the restrictions are met in the current year.

Use of 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

It is the Organization's policy to invest cash in excess of operating requirements in income-producing investments. Cash and equivalents consist of operating cash and temporary cash investments. For purposes of the statement of cash flows, The Organization considers all highly-liquid cash investments purchased with an original maturity of three months or less to be cash equivalents. Certificates of deposits with original maturities of less than 90 days are considered cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount that the Organization expects to collect on outstanding balances. The Organization provides for losses using the allowance method. The allowance is a significant estimate that is based on historical experience, third-party remittances, current and predicted future economic conditions and other circumstances, which may affect the collectability of accounts receivable. Receivables are considered impaired if full principal payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable if and when management determines the receivable will not be collected. The allowance for uncollectible amounts was $539,771, at September 30, 2024.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities are carried at market value determined at the date of the statement of financial position. Unrealized gains and losses are included as part of investment income in the change in net assets in the accompanying statement of activities.

Property and Equipment

Purchased property and equipment are carried at cost. The cost of maintenance and repairs is charged to expense in the year incurred. Expenditures in excess of $2,000 that increase the useful lives of the assets are capitalized and depreciated. Donated property and equipment are recorded at their fair value at the date of gift. Depreciation for financial reporting is computed using straight-line and accelerated methods over the following estimated useful lives of the assets:

Buildings and improvements	39 years
Furniture and equipment	3 to 15 years
Software	3 years
Vehicles	3 to 5 years

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in several noncancellable operating leases for office space. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization recognizes a right-of-use ("ROU") asset and lease liability at the commencement date of the lease. Operating lease ROU assets and related current and long-term portions of operating lease liabilities are presented on the consolidated statement of financial position in operating lease right-of-use assets; operating lease liabilities, due in one year and operating lease liabilities, due after one year.

ROU assets: A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

(continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Leases (continued)

Lease liabilities: A lease liability is measured based on the present value of its future lease payment, which is a significant estimate. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. If present, options to extend or terminate the lease are considered in determining the lease term, if it is reasonably certain that the option will be exercised.

As a practical expedient, the Organization has elected an accounting policy not to separate non-lease components from lease components and instead account as a single lease component. The Organization has also elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Vacation Pay

Vacation pay is accrued as a liability when earned by the employees since the employees receive vested rights to this employee benefit.

Contributions

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions.

(continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Functional Allocation of Expenses

The cost of providing program and supporting services has been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, which is a significant estimate. Management allocates shared facilities expenses based on a per capita basis. Technology and equipment expenses are allocated based on percentage of total units as surveyed at the start of the year. Payroll expenses are allocated directly to the programs and supporting services benefited based on actual time worked or time studies.

Revenue from Contracts with Customers

Management has analyzed the Organization's contracts with customers and evaluated the nature, amount, timing and uncertainty of revenue and cash flows in accordance with ASC 606 using the five-step process provided in the accounting standard.

Revenue from contracts with customers is derived from services rendered to clients for residential and outpatient substance abuse disorder treatment. The services provided have no fixed duration and can be terminated by the client or the Organization at any time, and therefore, each service is its own stand-alone contract consisting of a single performance obligation. Contracts do not contain any form of variable consideration and there are no contract assets or contract liabilities arising from the services provided. Outpatient services consist of group and individual therapy as well as education programs. Residential services provide room and board, daily. Performance obligations are satisfied at a point in time, when the client has received and consumed the benefits of the service provided. The transaction price of each performance obligation is determined by established billing rates reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured clients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience. Typically, clients and third-party payers are billed within several days of the service being performed and payments are due based on contract terms. Revenue from contracts with customers is reported at the estimated net realizable amount from payers for services rendered. As performance obligations relate to contracts with a duration of one year or less the Organization elected the optional exemption under ASC 606 to not disclose the transaction price for remaining performance obligations at the end of the reporting period or when the Organization expects to recognize the revenue. As clients are under no obligation to continue treatment with the Organization, there are minimal unsatisfied performance obligations at the end of the reporting period.

See Note 11 – Revenue from Contracts with Customers, for additional related disclosures.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Goods, Facilities and Services

Donated goods and facilities are valued at fair market value. Donated services are recognized in the consolidated financial statements at fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- Their services would typically need to be purchased if not donated.

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred or when the first advertising takes place. The Organization does not participate in direct-response advertising which requires the capitalization and amortization of the related cost. Total advertising was $3,744 for the year ended September 30, 2024.

Income Tax

The Haven is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Arizona Revised Statutes Section 43-1201(4). The Haven Butterfly Foundation intends to file Form 1023 with the Internal Revenue Service to also be considered exempt, but it did not have any receipts for the year ended September 30, 2024. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements. However, income from certain activities not directly related to the organizations' tax-exempt purpose may be subject to taxation as unrelated business income. The Haven qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Haven Butterfly Foundation intends to file Form 1023 to also qualify for the aforementioned charitable contribution deduction and classification as an organization other than a private foundation.

The Organization has adopted the revised provisions of FASB ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended September 30, 2024, the Organization has no material uncertain tax positions to be accounted for in the consolidated financial statements under these rules.

Any interest and penalties assessed to the Organization are recorded in operating expenses. For the year ended September 30, 2024, there were no interest or penalties recorded in the accompanying consolidated financial statements.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle - Financial Instruments – Credit Losses

Effective October 1, 2023, the Organization adopted the new standard, Financial Instruments – Credit Losses, (also known as "CECL") which requires a measurement of expected credit losses (allowance for doubtful accounts) that is based on historical experience and current conditions and reasonable and supportable forecasts that affect collectability of reported amounts. The Organization assessed all accounts receivable and determined there was no material impact to the Organization's financial statements as a result of adoption.

3. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's 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, are as follows.

Financial assets at year-end:	
Cash and cash equivalents	$ 723,448
Accounts receivable, net	476,962
Investments and certificates of deposit	937,446
Total financial assets	2,137,856
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(200,810)
Financial assets available to meet general expenditures over the next twelve months	$ 1,937,046

The Organization regularly monitors liquidity required to meet its operating needs and other commitments, while also maximizing funds available for low-risk investment with a focus on maintaining principle. The Organization invests primarily in a brokered certificate of deposit account with a small allocation to mutual funds and exchange-traded funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of behavioral health substance use disorder services for women to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12-months, the Organization operates with a balanced budget and anticipates collections of earned revenue sufficient to cover general expenditures. Donations and grants with restrictions are minimal and ordinarily spent within a year's time.

(continued)

4. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation at September 30, 2024, consists of the following:

Land	$ 378,866
Building and improvements	2,390,406
Furniture, fixtures, and refurbishments	633,080
Vehicles	179,514
Software	302,303
Total	3,884,169
Less accumulated depreciation	(2,063,407)
Net property and equipment	$ 1,820,762

5. LEASES

The Organization has obligations as a lessee in several noncancelable leases for office space with initial noncancelable terms in excess of one year. These leases have initial terms ranging from 7 to 11 years and contain options to extend the term an additional 10 years. Because the Organization is not reasonably certain to exercise the renewal options, the optional periods are not included in determining the lease term, and associated payments under the renewal options are excluded from lease payments used to determine the lease liabilities. The Organization's leases do not include early termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants. These leases have been classified as operating leases.

Payments due under the office space lease contracts include both fixed payments and variable payments. The variable payments are for the Organization's proportionate share of the buildings' property taxes. These variable payments are not included in lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred.

In July 2020, the Organization entered into a lease for four copiers. The lease requires payments of $1,139 per months, with interest of 10%. The lease term is five years. The lease allows for a purchase option of $1 at the end of the term.

(continued)

5. **LEASES** (continued)

The components of lease expenses allocated in the consolidated statement of financial position for the year ended September 30, 2024, are as follows:

	Program Services	General and Administrative	Fundraising and Development	Total
Operating lease expense	$ 237,458	$ 101,178	$ -	$ 338,636
Variable payment lease expense	45,320	19,310	-	64,630
Capital lease expense	16,839	-	-	16,839
Short-term lease expense	1,294	-	442	1,736
Total lease expense	$ 300,911	$ 120,488	$ 442	$ 421,841

Supplemental operating cash flow information related to leases for the year ended September 30, 2024 is as follows:

Cash paid for operating leases included in cash flows from operating activities	$ 328,144
Cash paid for variable lease expenses included in cash flows from operating activities	$ 64,630

For the year ended September 30, 2024, the weighted average remaining lease term for operating leases is 4.7 years and the weighted average discount rate is 3.11%.

Maturities of future minimum undiscounted lease payments, including interest, are as follows for the years ending September 30:

2025	$ 344,552
2026	361,780
2027	379,869
2028	210,673
2029	158,477
Thereafter	208,501
Total minimum lease payments	1,663,582
Less present value adjustment	(127,194)
Present value of operating lease liabilities	$ 1,536,388

(continued)

6. INVESTMENTS

Investments are valued at fair market value and consist of the following at September 30, 2024:

Marketable securities	
Mutual Funds	$ 362,586
Exchange-traded funds	158,508
Certificates of deposit	2,752,790
Total investments	$ 3,273,884

Investment loss consisted of the following for the year ended September 30, 2024:

Unrealized and realized gains and losses	$ 275,914
Fees	(19,981)
Investment gain, net	$ 255,933

7. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for similar assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair values using Level 1 input because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

(continued)

7. **FAIR VALUE MEASUREMENTS** (continued)

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2024.

- Certificates of deposits are traded on the secondary market. They are carried at fair value and are classified as either short-term or long-term based on their maturity dates.

- Mutual funds and exchange-traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of September 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 362,586	$ -	$ -	$ 362,586
Exchange-traded funds	158,508	-	-	158,508
Certificates of deposit	-	2,752,790	-	2,752,790
Total investments at fair value	$ 521,094	$ 2,752,790	$ -	$ 3,273,884

(continued)

8. REFUNDABLE ADVANCES

Refundable advances of $342,372 at September 30, 2024, consists of American Rescue Plan grant funds received but not yet earned. The Organization expects to perform the services necessary in order to earn as revenue the entire balance within the next fiscal year.

9. LONG-TERM DEBT

Long-term debt consists of the following as of September 30, 2024:

	Collateral	Interest Rate	Monthly Payment	Maturity Date	Balance
Business loan	Real property	4.24%	$ 3,681	Dec 2034	$ 599,217
Capital lease	Equipment	10.00%	1,139	Aug 2025	11,950
					611,167
	Less amounts due within one year				(31,090)
	Notes payable due after one year				$ 580,077

The aggregate annual maturities of long-term debt are as follows for the years ending September 30,

2025	$ 31,090
2026	19,967
2027	20,830
2028	21,668
2028	22,667
Thereafter	494,945
Total	$ 611,167

(continued)

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions activity was as follows for the year ended September 30, 2024:

	Beginning Balance	Additions	Releases	Ending Balance
Stonewall	$ 168,974	$ 8,341	$ (2,890)	$ 174,425
Arizona Blue Foundation	43,439	-	(30,540)	12,899
All Smiles Program	3,221	-	(80)	3,141
Kid Costs	80	5,000	(1,844)	3,236
Wellbriety	2,455	-	-	2,455
Other miscellaneous	1,247	400	(790)	857
Native Ways	1,967	10,000	(8,170)	3,797
Total	$ 221,383	$ 23,741	$ (44,314)	$ 200,810

All the Organization's net assets with donor restrictions are restricted for purpose. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period when the donor specified purpose has been satisfied.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates revenue by major source and type of service for the year ended September 30, 2024:

	Government Contract	Client Self-pay
Residential	$ 3,616,265	$ 15,900
Outpatient	2,328,049	-
CRRSAA	176,952	-
Intake	80,995	-
Native Ways	69,380	-
Administration	57.679	-
Total	$ 6.329.320	$ 15.900

Receivables from contracts with customers at September 30, 2024 and October 1, 2023 were $476,962 and $397,403, respectively, net of allowance for uncollectible amounts of $539,771 and $137,653, respectively.

(continued)

12. CONCENTRATION OF CREDIT RISK

The Organization grants unsecured short-term credit to its various customers. The Organization performs ongoing credit evaluations of its customers. Accounts receivable from four major funding agencies account for 81% of total accounts receivable. No other customer represents more than 10% of total accounts receivable.

The Organization maintains its cash balances in financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the Organization's cash balances up to $250,000 per federally insured institution. The Organization did not have any uninsured balances At September 30, 2024, the Organization had approximately $266,000 of cash in excess of FDIC limits. The Organization maintains investment accounts which are comprised in part of marketable securities from various United States banks. The balance of these investment accounts at September 30, 2024 was $3,318,633, which is included in investments, certificates of deposit, and cash equivalents in the statement of financial position. It is the opinion of management that the solvency of the referenced financial institutions and government agencies is not of concern at this time.

13. CONCENTRATION OF REVENUE

During the year ended September 30, 2024, revenue from government contracts was concentrated in three major funding agencies.

14. RETIREMENT PLAN

The Organization sponsors a simplified employee plan (the "Plan") covering substantially all employees who have completed at least one year of service and have attained the age of 21 years at the anniversary date of the Plan. The Organization's matching and nonelective contribution is an amount the employer, in its sole discretion, may determine. Total plan expense for the year ended September 30, 2024 was $83,466.

15. OTHER CONTINGENCIES

Support from government agencies

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in the level of this support could have a material effect on the programs and activities of the Organization. Governmental agency funding is subject to compliance audits. Assessments for such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

16. SUBSEQUENT EVENTS

Management evaluated subsequent events through Month XX, 2025, which is the date on which the consolidated financial statements were available to be issued.