SUNRISE CHILDREN’S SERVICES, INC.

FINANCIAL REPORT

August 31, 2025

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sunrise Children's Services, Inc.
Mt. Washington, Kentucky

Opinion

We have audited the accompanying financial statements of Sunrise Children's Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 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 Sunrise Children's Services, Inc. as of August 31, 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 Sunrise Children's Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunrise Children's Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Certified Public Accountants and Advisors

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

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

Jones, Nale & Mattingly PLC

Louisville, Kentucky
November 14, 2025

SUNRISE CHILDREN'S SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
August 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 1,479,279	$ 3,219,612
Accounts receivables, net of allowance for credit losses of $292,000 and $230,000 for 2025 and 2024, respectively.	2,318,503	2,292,885
Pledges receivable, net	100,936	135,936
Marketable securities	4,437,829	4,467,350
Beneficial interest in charitable trusts, net	1,615,991	1,706,127
Restricted cash	431,828	300,912
Other assets	697,066	705,929
Operating lease right-of-use assets	98,359	240,237
Property and equipment, net	15,260,343	14,972,544
Marketable securities, endowment	1,158,344	1,056,885
Funds held in trust by others	15,713,031	14,839,573
Total assets	$ 43,311,509	$ 43,937,990
LIABILITIES		
Accounts payable	$ 789,618	$ 1,065,454
Accrued expenses	1,531,727	1,546,616
Charitable gift annuity payable	55,404	65,982
Other liabilities	90,113	94,619
Operating lease liabilities	98,949	240,717
Finance lease liabilities	92,025	117,195
Long-term debt, net	2,205,346	2,298,547
Total liabilities	4,863,182	5,429,130
NET ASSETS		
Without donor restrictions		
Undesignated	6,433,961	7,216,149
Invested in property and equipment	13,054,997	12,673,997
	19,488,958	19,890,146
With donor restrictions		
Time or purpose restrictions	2,771,364	3,287,409
Perpetual in nature	16,188,005	15,331,305
	18,959,369	18,618,714
Total net assets	38,448,327	38,508,860
Total liabilities and net assets	$ 43,311,509	$ 43,937,990

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

SUNRISE CHILDREN'S SERVICES, INC.

STATEMENTS OF ACTIVITIES
Years Ended August 31, 2025 and 2024

	Year Ended August 31, 2025			Year Ended August 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support						
Resident support	$ 21,152,047	$ - -	$ 21,152,047	$ 21,310,837	$ - -	$21,310,837
Contributions	2,901,086	302,590	3,203,676	2,863,699	435,579	3,299,278
Contributions of nonfinancial assets	49,939	- -	49,939	398,782	- -	398,782
Interest and dividend income	53,839	14,863	68,702	52,637	14,122	66,759
Net assets released from program restrictions	231,307	(231,307)	- -	203,100	(203,100)	- -
Total operating revenues and support	24,388,218	86,146	24,474,364	24,829,055	246,601	25,075,656
Operating expenses						
Program expenses						
Residential services	11,633,175	- -	11,633,175	11,499,537	- -	11,499,537
Community based services	10,418,812	- -	10,418,812	9,703,330	- -	9,703,330
Total program expenses	22,051,987	- -	22,051,987	21,202,867	- -	21,202,867
Administrative expenses	4,075,504	- -	4,075,504	4,650,376	- -	4,650,376
Development expenses	993,736	- -	993,736	1,000,856	- -	1,000,856
Total operating expenses	27,121,227	- -	27,121,227	26,854,099	- -	26,854,099
Change in net assets from operations	(2,733,009)	86,146	(2,646,863)	(2,025,044)	246,601	(1,778,443)
Other revenues and expenses						
Contributions and bequests	279,165	426,301	705,466	218,122	1,401,665	1,619,787
Interest and dividend income	- -	6,590	6,590	- -	21,233	21,233
Net realized and unrealized gains (losses) on investments	1,044,877	(285,454)	759,423	1,114,101	321,289	1,435,390
Change in fair value of funds held in trust	- -	873,458	873,458	- -	1,606,365	1,606,365
Actuarial change on annuity obligations	- -	(7,660)	(7,660)	- -	(11,220)	(11,220)
Interest expense	(137,523)	- -	(137,523)	(154,389)	- -	(154,389)
Miscellaneous revenue	95,443	- -	95,443	105,952	- -	105,952
Net gain on disposal of property and equipment	217,129	- -	217,129	295,104	- -	295,104
Net assets released from time or purpose restrictions	792,029	(792,029)	- -	1,710,906	(1,710,906)	- -
Total other revenues and expenses	2,291,120	221,206	2,512,326	3,289,796	1,628,426	4,918,222
Change in net assets	(441,889)	307,352	(134,537)	1,264,752	1,875,027	3,139,779
Net assets at beginning of year	19,890,146	18,618,714	38,508,860	18,649,353	16,719,728	35,369,081
Acquisition of One Bridge to Hope	74,004	- -	74,004	- -	- -	- -
Transfers	(33,303)	33,303	- -	(23,959)	23,959	- -
Net assets at end of year	$ 19,488,958	$18,959,369	$ 38,448,327	$ 19,890,146	$18,618,714	$38,508,860

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

SUNRISE CHILDREN'S SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2025

	Program Services					
	Residential Treatment	Community Based Services	Total	General and Administrative	Development	Total Expenses
Advertising	$ - -	$ 5,530	$ 5,530	$ 93,606	$ - -	$ 99,136
Benefits	1,423,427	811,964	2,235,391	393,958	133,403	2,762,752
Capital spending under $3,000	22,823	8,608	31,431	8,912	- -	40,343
Client related expenses	214,465	998,971	1,213,436	- -	- -	1,213,436
Consultants	5,488	- -	5,488	38,627	24,000	68,115
Depreciation	870,652	134,026	1,004,678	203,867	69,278	1,277,823
Family and financial assistance	- -	26,981	26,981	- -	- -	26,981
Food and clothing	430,291	120,010	550,301	- -	- -	550,301
Foster parent payments	- -	3,771,701	3,771,701	- -	- -	3,771,701
Insurance	477,736	232,921	710,657	133,457	34,203	878,317
Maintenance and environment of care	325,603	28,398	354,001	181,077	1,745	536,823
Other expenses	348,029	163,410	511,439	886,782	226,327	1,624,548
Program support	15,634	42,271	57,905	12,591	- -	70,496
Rent	- -	170,739	170,739	- -	- -	170,739
Retirement	55,115	91,859	146,974	40,848	13,249	201,071
Salaries	6,799,340	3,393,924	10,193,264	1,897,533	480,676	12,571,473
Staff training	26,037	7,588	33,625	74,280	175	108,080
Staff travel and meals	75,853	89,062	164,915	17,424	640	182,979
Telephone	55,393	49,781	105,174	24,271	5,108	134,553
Therapist expenses	107,834	176,911	284,745	- -	- -	284,745
Utilities	330,212	66,856	397,068	27,057	2,970	427,095
Vehicle expense	49,243	27,301	76,544	41,214	1,962	119,720
	$ 11,633,175	$ 10,418,812	$ 22,051,987	$ 4,075,504	$ 993,736	$ 27,121,227

The Notes to Financial Statements are an integral part of this statement.

SUNRISE CHILDREN'S SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2024

	Program Services					
	Residential Treatment	Community Based Services	Total	General and Administrative	Development	Total Expenses
Advertising	$ - -	$ 1,751	$ 1,751	$ 71,136	$ - -	$ 72,887
Benefits	1,310,910	680,446	1,991,356	384,416	106,735	2,482,507
Capital spending under $3,000	6,973	5,077	12,050	4,352	- -	16,402
Client related expenses	222,689	696,808	919,497	- -	- -	919,497
Consultants	3,734	- -	3,734	43,171	60,320	107,225
Depreciation	836,923	108,140	945,063	238,418	70,679	1,254,160
Family and financial assistance	- -	23,818	23,818	- -	- -	23,818
Food and clothing	432,827	85,720	518,547	- -	- -	518,547
Foster parent payments	- -	3,695,211	3,695,211	- -	- -	3,695,211
Insurance	540,947	239,531	780,478	157,480	31,437	969,395
Maintenance and environment of care	245,515	26,927	272,442	149,836	3,244	425,522
Other expenses	314,395	270,605	585,000	1,438,758	303,945	2,327,703
Program support	21,539	58,236	79,775	12,356	- -	92,131
Rent	- -	171,831	171,831	- -	- -	171,831
Retirement	53,986	57,997	111,983	48,662	5,791	166,436
Salaries	6,864,166	3,195,472	10,059,638	1,988,576	394,900	12,443,114
Staff training	20,664	5,972	26,636	11,147	12,761	50,544
Staff travel and meals	76,864	89,899	166,763	14,274	1,679	182,716
Telephone	40,977	47,125	88,102	11,506	3,808	103,416
Therapist expenses	128,439	150,854	279,293	- -	- -	279,293
Utilities	317,310	62,800	380,110	24,507	2,624	407,241
Vehicle expense	60,679	29,110	89,789	51,781	2,933	144,503
	$ 11,499,537	$ 9,703,330	$ 21,202,867	$ 4,650,376	$ 1,000,856	$ 26,854,099

The Notes to Financial Statements are an integral part of this statement.

SUNRISE CHILDREN'S SERVICES, INC.

STATEMENTS OF CASH FLOWS
Years Ended August 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (134,537)	$ 3,139,779
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,277,823	1,254,160
Capitalized nonfinancial asset	- -	19,371
Non-cash operating lease expense	141,878	143,022
Amortization of finance lease right-of-use asset	26,678	17,786
Amortization of deferred loan costs included in interest expense	16,830	27,158
Provision for credit losses	158,150	291,810
Net (gain) loss on disposal of property and equipment	(217,129)	(295,104)
(Income) from charitable gift annuity	(9,465)	- -
Net realized and unrealized (gains)	(1,379,305)	(2,839,249)
Actuarial change on annuity obligations	7,660	11,220
Change in assets and liabilities net of the effects of investing and financing activities:		
Accounts receivable	(183,768)	(501,037)
Pledges receivable, net	35,000	(135,936)
Other assets	8,863	(84,613)
Accounts payable	(10,145)	(55,107)
Accrued expenses	(14,889)	111,764
Operating lease liabilities	(141,768)	(147,433)
Other liabilities	(4,506)	(4,731)
Net cash provided by (used in) operating activities	(422,630)	952,860
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(556,364)	(505,355)
Proceeds from sale of marketable securities	1,080,409	908,207
Purchase of property and equipment	(2,207,099)	(1,520,841)
Proceeds from sale of property and equipment	566,237	454,363
Proceeds from acquisition of One Bridge to Hope	74,004	- -
Net cash (used in) investing activities	(1,042,813)	(663,626)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred financing costs	(10,197)	(7,104)
Payments of annuity obligations	(8,773)	(11,220)
Principal payments on finance leases	(25,170)	(16,197)
Principal payments on long-term debt	(99,834)	(335,205)
Net cash (used in) financing activities	(143,974)	(369,726)
Net (decrease) in cash and cash equivalents (carried forward)	$ (1,609,417)	$ (80,492)

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

SUNRISE CHILDREN'S SERVICES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended August 31, 2025 and 2024

	2025	2024
Net (decrease) in cash and cash equivalents (brought forward)	$ (1,609,417)	$ (80,492)
Cash and cash equivalents, beginning of year	3,520,524	3,601,016
Cash and cash equivalents, end of year	$ 1,911,107	$ 3,520,524
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 120,693	$ 127,231
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Donation of vehicle	$ - -	$ 19,371
Purchase of property and equipment included in accounts payable	$ - -	$ 265,691
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	$ 1,479,279	$ 3,219,612
Restricted cash	431,828	300,912
Total	$ 1,911,107	$ 3,520,524

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

Note 1. Significant Accounting Policies

Nature of operations

Sunrise Children's Services, Inc. (the "Organization") provides residential and foster care programs, among other programs, to children and adults in the Commonwealth of Kentucky.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

Changes in net assets from operations include the revenues and support and expenses associated with operating the residential and foster care programs.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Donor-imposed restrictions

The Organization records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions according to the two classes of net assets as follows:

> *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization reports cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Note 1. Significant Accounting Policies (Continued)

Revenue recognition

Revenue from contracts – resident support

The Organization has established charges for daily residential and community-based services. Revenue under governmental and third-party payer contracts are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered.

Significant judgements

Management considers total expected charges to be the best available measure of progress on governmental and third-party payer contracts. Because of inherent uncertainties in estimating charges and level of services, it is at least reasonably possible that estimates used could change within the near term.

Contract charges are measured by level of services provided in the facilities related to daily residential or community-based services. The Organization bills the residents and third-party payers including the Cabinet for Health and Family Services of the Commonwealth of Kentucky, Medicaid, and private health insurers, after services are rendered.

Performance obligations

Performance obligations are determined based on the nature of services provided. Revenue for performance obligations satisfied over time is recognized based on the actual charges incurred in relation to total expected charges. Performance obligations satisfied over time relate to residents in the facilities receiving daily services in accordance with government and third-party payer contracts. These performance obligations are satisfied when the Organization is no longer required to provide services to a resident, which is generally at the time of discharge.

Contributed nonfinancial assets

Contributed nonfinancial assets include contributed supplies, property and equipment, and professional services and are recorded as support and expenses at fair value when determinable, otherwise at values indicated by the donor. Contributed nonfinancial assets are typically distributed for program use but may be sold. Contributed property and equipment that is sold is valued according to the actual cash proceeds on its disposition. There were no donor-imposed restrictions associated with the contributed nonfinancial assets for the years ended August 31, 2025 and 2024.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity when purchased of three months or less not restricted for a specific purpose, to be cash equivalents. The Organization typically maintains balances with its bank in excess of federally insured limits. Management believes the Organization is not exposed to any significant risk on bank deposits.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Accounts receivable and allowance for credit losses

The Organization operates behavioral health programs for children and adults in the Commonwealth of Kentucky and its account receivables are primarily derived from governmental and third-party payer contracts. Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges net of an allowance for contractual adjustments. The allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies. Accounts receivable are stated at net realizable value. The Organization uses the allowance method to account for uncollectible patient receivables. Management maintains an allowance for potential credit losses based on its assessment of the current status of the residents accounts. At each balance sheet date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are usually collected within 40 days.

The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point with which to calculate the expected allowance for credit losses as the Organization's portfolio segments have remained consistent since the Organization's inception.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

Pledges receivable

Pledges receivable consist primarily of amounts due from individuals. Pledges receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges receivable becoming due in the next year are recorded at net realizable value. Pledges receivable due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises were received. The Organization uses the allowance method to estimate uncollectible promises to give. The allowance is based on collection experience in prior years and management's analysis of specific promises made. The allowance for doubtful accounts was zero as of August 31, 2025 and 2024.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Restricted cash

Restricted cash represents cash the Organization must maintain on deposit with Peoples Bank (Marietta, Ohio) as part of the loan agreement as well as donor restricted cash the Organization must maintain on deposit separately from operating funds. Restricted cash was as follows for the years ending August 31, 2025 and 2024:

	2025	2024
Restricted under loan agreement	$ 200,000	$ 200,000
Restricted by donors	231,828	100,912
	$ 431,828	$ 300,912

Marketable securities

Investments are recorded at fair value. Fair value is 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. Net realized and unrealized gains and losses are reflected in the statements of activities.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization. The Organization also has interests in private equity and alternative funds that represent approximately 0.41% and 0.49% of total investments held in trust by the Kentucky Baptist Foundation, Inc. (the "Foundation") for the Organization at August 31, 2025 and 2024, respectively. Because these alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed.

Operating revenue includes all interest and dividend income except that which is restricted for higher education. Net realized and unrealized gains are considered non-operating revenue. Investment income is reported net of investment expenses of approximately $202,000 and $191,000 in 2025 and 2024, respectively.

Funds held in trust by others

Funds held in trust by others represent resources neither in the possession nor under the control of the Organization, but held and administered by an outside party, with the Organization deriving income from such funds. The fair value of the Organization's share of the assets is reflected in the accompanying statements of financial position, and the income, including fair value adjustments, is recorded in the accompanying statements of activities.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Property and equipment

The Organization's policy is to capitalize property and equipment over $3,000. Lesser amounts are expensed. Property and equipment are recorded at cost at date of acquisition or fair value at date of donation and are depreciated using the straight-line method over their estimated useful lives which range from 3-10 years for vehicles and furniture and equipment and 20-30 years for buildings. Depreciation expense for the years ended August 31, 2025 and 2024 was $1,277,823 and $1,254,160, respectively. The Organization's policy is to not fund depreciation.

The Organization periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For the years ended August 31, 2025 and 2024, the Organization recognized no impairment losses.

Leases

The Organization leases offices, apartments, and office equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and operating lease liabilities on the statements of financial position. Finance leases are included in property and equipment and finance lease liabilities on the statements of financial position.

Right-of-use assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, the Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of building insurance and property taxes, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has elected to apply the short-term lease exemption its assets. For the years ended August 31, 2025 and 2024, the short-term lease cost recognized and disclosed for those leases was $232,598 and $233,685, respectively. The remaining lease payments due after August 31, 2025 are $245,302.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Deferred loan costs

Deferred loan costs are reported as a direct deduction from the face amount of the related debt on the statements of financial position and amortization of such costs are reported as interest expense in the statements of activities.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. The statements of functional expenses present expenses by function and natural classification. Certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Maintenance costs are allocated on the basis of time and efforts of maintenance staff, and space costs are allocated on the basis of square footage.

Income taxes

The Organization has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements.

The Organization's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Organization has no uncertain tax positions resulting in an accrual of tax expense or benefit.

The Organization's Federal Return of Organization Exempt from Income Tax is subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on the return, which is generally three years.

Advertising costs

Advertising costs are expensed as incurred. These expenses amounted to $99,136 and $72,887 for the years ended August 31, 2025 and 2024, respectively.

Reclassification

Certain reclassifications have been made to the 2024 financial statements to be in conformity with the 2025 presentation. The reclassifications had no effect on net assets or the change in net assets.

Subsequent events

Management has evaluated subsequent events through November 14, 2025, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Its working capital and cash flows have both monthly and seasonal variations due to state reimbursements and donor tax planning. Operating revenues and cash flow correlate to the census levels maintained at the residential treatment centers, the foster care program and the independent living program. Foster care census fluctuates based on the number of clients assigned by the Commonwealth and the number of adoptions through foster-to-adopt. The Organization is pleased to have facilitated over 718 adoptions since the inception of the foster-to-adopt program in 2006. Additional revenues are generated by the family services program. The Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following reflects the Organization's financial assets as of August 31, 2025 and 2024:

	2025	2024
Financial assets at year end:		
Cash and cash equivalents	$ 1,479,279	$ 3,219,612
Restricted cash	431,828	300,912
Accounts receivable, net	2,318,503	2,292,885
Pledges receivable, net	100,936	135,936
Marketable securities	4,437,829	4,467,350
Beneficial interests in charitable trusts	1,615,991	1,706,127
Marketable securities, endowment	1,158,344	1,056,885
Funds held in trust by others	15,713,031	14,839,573
Total financial assets	27,255,741	28,019,280
Less amounts not available to be used within one year:		
Restricted under loan agreement	200,000	200,000
Restricted by donors due to time or purpose	2,771,364	3,287,409
Restricted by donors in perpetuity	16,188,005	15,331,305
	19,159,369	18,818,714
	$ 8,096,372	$ 9,200,566

The Organization's primary banking and credit relationship is with Peoples Bank. The Organization has a $2 million line of credit that can be drawn upon as needed during the year to manage cash flow. The balance drawn on this line of credit was zero at August 31, 2025.

Note 2. Liquidity and Availability of Resources (Continued)

The Commonwealth of Kentucky officially increased the daily rates starting May 4, 2023 for the residential programs, except the Psychiatric Residential Treatment Facility (PRTF) which were increased on September 1, 2023. In January 2025, the Organization received a rate increase for Foster Care Level 2 (9% increase) and Foster Care Level 3 program (12% increase). Based on current budgeted census numbers at the new rates, the Organization will be able to sustain its program operations before any donor assistance. With these rates, the Organizations anticipates a two to three-year window of positive operations before additional rate increases will be needed as inflation, personnel and general operating costs continue to increase. The Organization will continue to lobby with the Commonwealth of Kentucky for increase rates.

The Organization has three expansion opportunities to meet the needs of families and children, and the Organization anticipates these opportunities to have a positive impact on the financials. The Organization is in the process of building two foster care homes in Winchester on previously donated land and funded by various donors separate from operations. The Organization is also remodeling one of the buildings on the Danville campus to house nine more boys in the PRTF program. These updates are being funded with previously donated funds. The estimated completion date for both projects is December 2025. During the year ended August 31, 2025, the Organization acquired the operations of a girls' facility in Springfield, Kentucky called One Bridge to Hope.

The Organization still has additional infrastructure items to update and debt to pay off. The Organization started a capital campaign with the objective of replacing four cabins and building a gymnasium for the Cumberland Adventure Program with estimated costs of $5 million, infrastructure needs across all seventeen locations with an estimated cost of $1.5 million, $750,000 for the Birney House located on the Danville Campus, $650,000 for the Harlan Project and $2.3 million to pay off debt. Projects are in the planning phase until the capital campaign funds are received.

The Organization recognizes the variability of cash flows both in timing and amounts due to the quantity of clients served in the Organization's care. In order to improve liquidity and reduce expenses, the Organization continues to implement some staff position reductions an restructuring, benefit plan savings, office configurations and other expense reductions. The Organization is also initiating local marketing activities in each service area to increase the census of the foster care and family services programs.

Note 3. Accounts Receivable

Accounts receivable consist of the following at August 31, 2025, 2024, and 2023:

	2025	2024	2023
Receivable from the Cabinet for Families and Children	$ 1,403,000	$ 1,231,919	$ 1,248,662
Receivables from others	1,207,503	1,290,966	864,996
	2,610,503	2,522,885	2,113,658
Allowance for credit losses	(292,000)	(230,000)	(30,000)
	$ 2,318,503	$ 2,292,885	$ 2,083,658

Note 3. Accounts Receivable (Continued)

The allowance for credit losses for accounts receivable and the related activity are as follows:

	2025	2024
Beginning balance	$ 230,000	$ 30,000
Provision for credit losses	158,150	291,810
Write-offs	(96,150)	(91,810)
Ending balance	$ 292,000	$ 230,000

Note 4. Pledges Receivable

Pledges receivable consist of unconditional promises to give. All pledges have been determined to be fully collectible. Pledges receivable due after one year are reflected at the present value of estimated future cash flows using risk-free interest rates applicable to the years in which the promises are received. The risk-free interest rate used was 4%. Pledges receivable as of August 31, 2025, and 2024 are as follows:

	2025	2024
Amounts due in:		
One year or less	$ 35,000	$ 35,000
One to five years	70,000	105,000
Total pledges receivable	105,000	140,000
Less discount to net present value	(4,064)	(4,064)
Net pledges receivable	$ 100,936	$ 135,936

Note 5. Fair Value Measurements

U.S. GAAP provides a framework for fair value measurements. Fair value is defined 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. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect an organization’s own assumptions of market participant valuation (Level 3).

The following is a description of the valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2025 and 2024.

Cash and Cash Equivalents: Valued at cost which approximates fair value.

Mutual Funds: Valued at the net asset value of shares held by the Organization at year end.

Common Stocks: Valued at the net asset value of shares held by the Organization at year end.

Note 5. Fair Value Measurements (Continued)

Funds Held in Trust by the Kentucky Baptist Foundation: Valued using Level 2 and Level 3 measurements based on net asset per share value of quoted prices for assets held by the fund.

Funds Held in Trust by Others: Valued using Level 2 measurements based on net asset per share value of quoted prices for assets held by the fund.

Beneficial Interest in Charitable Trusts: The fair value of beneficial interest in charitable trusts to be received in more than one year have been recorded at the net present value of the expected future cash flows, net of allowances.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of August 31, 2025:

	Marketable securities			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 333,916	$ - -	$ - -	$ 333,916
Mutual funds	55,395	- -	- -	55,395
Funds held at Kentucky Baptist Foundation	- -	5,199,186	7,676	5,206,862
	$ 389,311	$ 5,199,186	$ 7,676	$ 5,596,173

	Beneficial interest in charitable trusts			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	$ - -	$ - -	$ 1,615,991	$ 1,615,991

	Funds held in trust by others			
	Level 1	Level 2	Level 3	Total
Funds held in trust by the Kentucky Baptist Foundation	$ - -	$10,236,025	$ 55,136	$10,291,161
Funds held in trust by others	- -	5,421,870	- -	5,421,870
	$ - -	$15,657,895	$ 55,136	$15,713,031

Note 5. Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2024:

	Marketable securities			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 338,777	$ - -	$ - -	$ 338,777
Mutual funds	282,670	- -	- -	282,670
Funds held at Kentucky Baptist Foundation	- -	4,892,321	10,467	4,902,788
	$ 621,447	$ 4,892,321	$ 10,467	$ 5,524,235

	Beneficial interest in charitable trusts			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	$ - -	$ - -	$ 1,706,127	$ 1,706,127

	Funds held in trust by others			
	Level 1	Level 2	Level 3	Total
Funds held in trust by the Kentucky Baptist Foundation	$ - -	$ 9,694,217	$ 60,742	$ 9,754,959
Funds held in trust by others	- -	5,084,614	- -	5,084,614
	$ - -	$14,778,831	$ 60,742	$14,839,573

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended August 31, 2025 and 2024:

	Private equity funds	Alternative funds	Beneficial interest in charitable remainder trust	Total
Balance, September 1, 2023	$ 39,488	$ 34,904	$ 1,530,149	$ 1,604,541
Sales	- -	- -	(49,492)	(49,492)
Realized and unrealized gains (losses)	(5,316)	2,133	225,470	222,287
Balance, August 31, 2024	34,172	37,037	1,706,127	1,777,336
Sales	- -	- -	(46,568)	(46,568)
Realized and unrealized gains (losses)	715	(9,112)	(43,568)	(51,965)
Balance, August 31, 2025	$ 34,887	$ 27,925	$ 1,615,991	$ 1,678,803

Note 6. Beneficial Interest in Charitable Trusts

Beneficial interests are included in the accompanying financial statements as an asset and the change in their fair value as revenue in the appropriate net asset group. Beneficial interests to be received in more than one year have been recorded at the net present value of the expected future cash flows, net of allowances.

As of August 31, 2025 and 2024, beneficial interests of $1,976,989 and $1,994,295, respectively, consists of charitable remainder trusts which are expected to be realized over 5 years and are recorded net of discounts of $360,998 and $288,168, respectively.

Note 7. Property and Equipment

Property and equipment consist of the following at August 31, 2025 and 2024:

	2025	2024
Land and land improvements	$ 2,717,936	$ 2,799,603
Buildings and building improvements	21,950,041	21,777,185
Furniture and equipment	3,685,799	3,410,130
Construction in progress	2,239,674	1,225,993
	30,593,450	29,212,911
Accumulated depreciation	(15,422,035)	(14,355,973)
Finance lease right-of-use asset, net	88,928	115,606
	$ 15,260,343	$ 14,972,544

As of August 31, 2025, the Organization had three projects near completion, which include the Winchester Homes and Sanders Center remodel. The estimated remaining cost of the projects is $500,000 and costs of $2,239,674 were incurred during the years ended August 31, 2025 and 2024. The projects are expected to be completed and placed in service in the year ended August 31, 2026.

Note 8. Leases

The Organization has operating and finance leases for offices and office equipment. The leases have remaining lease terms of one to four years, some of which may include options to extend the leases for up to three years.

The components of lease expense were as follows for the year ended August 31, 2025 and 2024:

	2025	2024
Finance lease cost		
Right-of-use asset amortization	$ 26,678	$ 17,786
Interest expense	4,379	3,502
Operating lease cost	148,209	154,809
Short-term lease cost	232,598	233,685
Variable lease expense	7,187	3,041
Total lease cost	$ 419,051	$ 412,823

Total lease expense is included in rent and client related expenses on the statements of functional expenses for the years ended August 31, 2025 and 2024.

Other information related to leases is as follows for the year ended August 31, 2025 and 2024:

	2025	2024
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 148,100	$ 159,219
Operating cash flows from finance leases	4,379	3,502
Financing cash flows from finance leases	25,170	16,197
Right-of-use assets obtained in exchange for lease obligations		
Finance leases	- -	133,392
Operating leases	- -	- -
Weighted average remaining lease term		
Finance leases	3.33 years	4.33 years
Operating leases	1.12 years	1.83 years
Weighted average discount rate		
Finance leases	4.24%	4.24%
Operating leases	4.02%	3.87%

Note 8. Leases (Continued)

Future undiscounted lease payments for leases with initial terms of one year or more as of August 31, 2025 were as follows:

	Operating Leases	Finance Leases
2026	$ 80,200	$ 29,549
2027	20,950	29,549
2028	- -	29,549
2029	- -	9,848
	101,150	98,495
Less: imputed interest	(2,201)	(6,470)
Net lease liabilities	$ 98,949	$ 92,025

Note 9. Lines of Credit

The Organization entered into a $2,000,000 operating line of credit with Peoples Bank on March 23, 2020, bearing interest at the Wall Street Journal Prime rate plus .25%, which shall not fall below 4.00% (7.75% at August 31, 2025). The line of credit is collateralized by certain personal property and equipment maintained by the Organization and is subject to certain restrictive covenants. The line of credit matures in March 2026. There was no balance outstanding on the line of credit as of August 31, 2025 and 2024. The line of credit is subject to certain financial and restrictive covenants that were either met or waived at August 31, 2025 and 2024.

The Organization entered into a $100,000 construction line of credit with Peoples Bank on March 23, 2020, bearing interest at the Wall Street Journal Prime rate plus 2.00%. The line of credit increased to $200,000 on March 23, 2022. The line of credit matured in March 2024 and was not renewed.

Note 10. Long-term Debt

Long-term debt consists of the following at August 31, 2025 and 2024:

	2025	2024
Bank term loan payable to Peoples Bank with an interest rate of 6.75% and 4.98% at August 31, 2025 and 2024, payable in monthly principal and interest installments of $15,884, with balance due in March 2030. Secured by certain real property and subject to certain restrictive covenants that were met or waived at August 31, 2025 and 2024. The note payable is shown net of unamortized financing costs of $11,588.	$ 1,741,861	$ 1,822,169
Economic Injury Disaster Loan payable to the United States Small Business Administration (SBA) with an interest rate of 2.75% payable in monthly principal and interest installments of $2,158 with the balance due in May 2050. Secured by all tangible and intangible property.	463,485	476,378
	$ 2,205,346	$ 2,298,547

At August 31, 2025, the aggregate annual maturities of principal payments on the long-term debt are:

Year ending August 31,	
2026	$ 87,815
2027	93,374
2028	99,271
2029	105,630
2030	1,437,655
Thereafter	393,189
	2,216,934
Deferred loan costs	(11,588)
	$ 2,205,346

Note 11. Endowment Fund

The Organization's endowment consists of donor-restricted funds placed with the Foundation and with various other fund managers (at the direction of individual donors). The endowment funds were established to support the programs of the Organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Kentucky has enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the provisions of which apply to endowment funds existing on or established after enactment. The Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Organization classifies as net assets restricted in perpetuity the original value of gifts donated to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified as net assets restricted in perpetuity is classified as net assets with donor time or purpose restrictions until appropriated for expenditure by the Organization. The Organization considers the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The endowment fund assets at August 31, 2025 and 2024 are included in the following categories in the statements of financial position:

	2025	2024
Funds held in trust by others	$ 15,713,031	$ 14,839,573
Marketable securities	1,158,344	1,056,885
	$ 16,871,375	$ 15,896,458

NOTES TO FINANCIAL STATEMENTS

Note 11. Endowment Fund (Continued)

Changes in endowment net assets for the years ended August 31, 2025 and 2024 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 1, 2023	$ - -	$ 14,151,747	$ 14,151,747
Endowment borrowing repayments	- -	23,959	23,959
Investment return	- -	2,258,196	2,258,196
Distributions from funds held in trust	532,565	(532,565)	- -
Appropriation for expenditures	(532,565)	(4,879)	(537,444)
Endowment net assets, August 31, 2024	- -	15,896,458	15,896,458
Contributions	- -	5,554	5,554
Endowment borrowing repayments	- -	33,303	33,303
Investment return	- -	1,381,782	1,381,782
Distributions from funds held in trust	444,383	(444,383)	- -
Appropriation for expenditures	(444,383)	(1,339)	(445,722)
Endowment net assets, August 31, 2025	$ - -	$ 16,871,375	$ 16,871,375

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the Board or the individual donor, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of approximately 3.8% over the rate of inflation, as measured by the Consumer Price Index, while assuming a moderate level of investment risk.

The focus on an annualized return may cause the portfolios to experience periods of negative rates of return while aiming for a higher return over a multi-year annualized period.

To satisfy its long-term rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Organization targets diversified asset allocations that place a greater emphasis on equity-based investment to achieve its long-term objectives within prudent risk constraints.

Based on the individual endowment fund agreements, the distributions of net income from the funds may occur on a quarterly or annual basis and includes realized income, net of fees. The distributions are determined by the individual fund managers or restrictions placed by the donor, not the Organization.

Note 11. Endowment Fund (Continued)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions when they occur. During the year ended August 31, 2018, the Organization made withdrawals from the endowment corpus totaling $1,000,000, which is reflected in net assets with donor restrictions in perpetuity. During the years ended August 31, 2025 and 2024, the Organization repaid $33,303 and $23,959, respectively, to the endowment. The amount of corpus to be repaid was $657,140 and $690,443, respectively, as of August 31, 2025 and 2024.

Endowment net asset composition as of August 31, 2025 and 2024 is as follows:

	2025	2024
Unappropriated endowment earnings	$ 683,370	$ 565,153
Restricted in perpetuity	16,188,005	15,331,305
	$ 16,871,375	$ 15,896,458

Note 12. Net Assets

At August 31, 2025 and 2024, net assets with donor restrictions consist of the following:

	2025	2024
Net assets with time or purpose restrictions:		
Restricted for expenditure in future periods	$ 611,530	$ 983,665
Subject to expenditure for specified purposes:		
Operations	1,476,464	1,738,591
Unappropriated endowment earnings	683,370	565,153
Total subject to expenditure for specified purposes	2,159,834	2,303,744
Total net assets with time or purpose restrictions	2,771,364	3,287,409
Endowments to be maintained in perpetuity:		
General operations	15,201,378	14,344,678
Higher education	986,627	986,627
Total endowments to be maintained in perpetuity	16,188,005	15,331,305
Total net assets with donor restrictions	$ 18,959,369	$ 18,618,714

NOTES TO FINANCIAL STATEMENTS

Note 13. Contributed Nonfinancial Assets

Contributed nonfinancial assets consisted of the following for the years ended August 31, 2025 and 2024:

	2025	2024
Clothing, toys, and supplies	$ 15,864	$ 22,894
Food	26,604	3,871
Furniture and equipment	366	2,195
Gift cards	2,960	8,575
Land and buildings	- -	306,960
Maintenance expenses	579	- -
Rent	- -	1,500
Software	- -	28,913
Travel expenses	2,645	2,628
Vehicle	- -	19,371
Youth activities	921	1,875
	$ 49,939	$ 398,782

Note 14. Retirement Plan

The Organization has a contributory retirement plan for the benefit of all eligible employees through contracts with GuideStone Financial Resources of the Southern Baptist Convention. Contract premium costs are based on a specified percentage of each employee's annual salary and these costs are funded as they accrue. The plan allows the Organization to make a discretionary match. Total cost to the Organization under this defined contribution plan was approximately $201,000 and $166,000 in 2025 and 2024, respectively.

Note 15. Covenant Agreement

In 1986, the Organization entered into a covenant agreement with the Kentucky Baptist Convention (the "Convention"). The Convention supports the Organization by financial contributions made to the Organization through the Thanksgiving Offering, Cooperative Program and other designations, in accordance with recommendations as approved by the Executive Board of the Convention. For the years ended August 31, 2025 and 2024, the Organization received unrestricted revenues of approximately $962,000 and $1,021,000, respectively, from the Convention, which included approximately $481,000 and $489,000, respectively, from the Cooperative Program. For the years ended August 31, 2025 and 2024, the Organization received unrestricted revenues from Thanksgiving Offerings independent of the Convention of approximately $59,000 and $76,000, respectively. Such revenue has been recorded as unrestricted revenues in the accompanying statements of activities.

The agreement also provides for the Convention to annually elect new members to the Board of Directors of the Organization.

NOTES TO FINANCIAL STATEMENTS

Note 16. Contingencies

In the ordinary course of its operations, the Organization is a party to certain claims and litigation. In management's opinion, the ultimate liability resulting from such claims and litigation, if any, will not materially affect the Organization's financial statements.

Note 17. Concentration

For the years ended August 31, 2025 and 2024, the Organization received 70% and 68% of its support for its residential and foster care programs from the Commonwealth of Kentucky, respectively. A significant reduction in the level of this support, if this were to occur, could have a material adverse effect on the Organization's programs. At August 31, 2025 and 2024, the receivable from the Kentucky Cabinet for Health and Family Services represents approximately 61% and 54% of total receivables, respectively. At August 31, 2025 and 2024, the receivable from Medicaid represents approximately 28% and 42% of total receivables, respectively.

Note 18. Acquisition

On March 1, 2025, the Organization acquired the assets of One Bridge to Hope, a nonprofit organization, in order to provide additional services in Springfield, Kentucky. No consideration was transferred to facilitate the acquisition of One Bridge to Hope. The acquisition included $74,004 in cash.