

Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation

Consolidated Financial Statements

June 30, 2025 and 2024



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 |
| Consolidated Financial Statements: | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Functional Expenses | 6 |
| Consolidated Statements of Cash Flows | 8 |
| Notes to Consolidated Financial Statements | 9 |

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jackson-Feild Homes, Inc.
Jarratt, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation (collectively, "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

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 within one year after the date that the consolidated financial statements are available to be 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 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 judgement, there are conditions or events, considered in 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.



December 19, 2025
Glen Allen, Virginia

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Consolidated Statements of Financial Position June 30, 2025 and 2024

| <u>Assets</u> | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 478,209 | \$ 803,889 |
| Accounts receivable, less allowance for credit losses and contractual adjustments of \$204,762 in 2025 and \$252,395 in 2024 | 996,943 | 1,332,238 |
| Pledges receivable | 160,014 | 155,567 |
| Prepaid expenses | 53,259 | 53,620 |
| Investments | 6,476,048 | 5,683,600 |
| Property and equipment, net | 935,403 | 1,073,260 |
| Operating right-of-use asset, net | <u>7,565</u> | <u>13,733</u> |
| Total assets | <u>\$ 9,107,441</u> | <u>\$ 9,115,907</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 169,387 | \$ 106,828 |
| Accrued payroll and related taxes | 359,075 | 328,852 |
| Operating lease obligation | 7,763 | 13,897 |
| Finance lease obligations | <u>25,115</u> | <u>42,395</u> |
| Total liabilities | <u>561,340</u> | <u>491,972</u> |
| Net assets: | | |
| Without donor restrictions | 5,550,333 | 5,836,346 |
| With donor restrictions | <u>2,995,768</u> | <u>2,787,589</u> |
| Total net assets | <u>8,546,101</u> | <u>8,623,935</u> |
| Total liabilities and net assets | <u>\$ 9,107,441</u> | <u>\$ 9,115,907</u> |

See accompanying notes to consolidated financial statements.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Consolidated Statements of Activities
Year Ended June 30, 2025

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Operating revenue: | | | |
| Placement fees | \$ 6,244,342 | \$ - | \$ 6,244,342 |
| School funds | 1,725,405 | - | 1,725,405 |
| Psychological fees | 1,363,319 | - | 1,363,319 |
| | 9,333,066 | - | 9,333,066 |
| USDA reimbursement | 115,941 | - | 115,941 |
| Total operating revenue | 9,449,007 | - | 9,449,007 |
| Support: | | | |
| Contributions and grants | 315,096 | 263,630 | 578,726 |
| Bequests | 129,818 | - | 129,818 |
| Special events and other | 174,397 | - | 174,397 |
| Total support | 619,311 | 263,630 | 882,941 |
| Net investment income | 385,463 | 262,766 | 648,229 |
| Total operating revenue, support, and investment income | 10,453,781 | 526,396 | 10,980,177 |
| Net assets released from restrictions | 318,217 | (318,217) | - |
| Expenses: | | | |
| Program services | 9,716,989 | - | 9,716,989 |
| Supporting services: | | | |
| Management and general | 1,107,070 | - | 1,107,070 |
| Fundraising | 233,952 | - | 233,952 |
| Total expenses | 11,058,011 | - | 11,058,011 |
| Changes in net assets | (286,013) | 208,179 | (77,834) |
| Net assets, beginning of year | 5,836,346 | 2,787,589 | 8,623,935 |
| Net assets, end of year | \$ 5,550,333 | \$ 2,995,768 | \$ 8,546,101 |

See accompanying notes to consolidated financial statements.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Consolidated Statements of Activities, Continued
Year Ended June 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Operating revenue: | | | |
| Placement fees | \$ 6,204,223 | \$ - | \$ 6,204,223 |
| School funds | 1,733,783 | - | 1,733,783 |
| Psychological fees | <u>1,505,156</u> | <u>-</u> | <u>1,505,156</u> |
| | 9,443,162 | - | 9,443,162 |
| USDA reimbursement | <u>122,645</u> | <u>-</u> | <u>122,645</u> |
| Total operating revenue | <u>9,565,807</u> | <u>-</u> | <u>9,565,807</u> |
| Support: | | | |
| Contributions and grants | 328,800 | 167,867 | 496,667 |
| Bequests | 54,996 | - | 54,996 |
| Special events and other | <u>192,077</u> | <u>-</u> | <u>192,077</u> |
| Total support | <u>575,873</u> | <u>167,867</u> | <u>743,740</u> |
| Investment income and other income: | | | |
| Net investment income | 264,965 | 304,599 | 569,564 |
| Employee retention credit | <u>1,531,665</u> | <u>-</u> | <u>1,531,665</u> |
| Total investment income and other income | <u>1,796,630</u> | <u>304,599</u> | <u>2,101,229</u> |
| Total operating revenue, support, investment income and other income | <u>11,938,310</u> | <u>472,466</u> | <u>12,410,776</u> |
| Net assets released from restrictions | <u>316,274</u> | <u>(316,274)</u> | <u>-</u> |
| Expenses: | | | |
| Program services | 9,144,007 | - | 9,144,007 |
| Supporting services | | | |
| Management and general | 1,254,259 | - | 1,254,259 |
| Fundraising | <u>246,313</u> | <u>-</u> | <u>246,313</u> |
| Total expenses | <u>10,644,579</u> | <u>-</u> | <u>10,644,579</u> |
| Changes in net assets | 1,610,005 | 156,192 | 1,766,197 |
| Net assets, beginning of year | <u>4,226,341</u> | <u>2,631,397</u> | <u>6,857,738</u> |
| Net assets, end of year | <u>\$ 5,836,346</u> | <u>\$ 2,787,589</u> | <u>\$ 8,623,935</u> |

See accompanying notes to consolidated financial statements.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Consolidated Statements of Functional Expenses
Year Ended June 30, 2025

| | Psychiatric Residential Treatment Services | | | | |
|--|--|---------------------------|-------------------|---------------------------------|---------------------|
| | Program Services | Supporting Services | | Total Supporting Services | Total |
| | | Management and General | Fundraising | | |
| Salaries | \$ 6,073,638 | \$ 652,503 | \$ 153,540 | \$ 806,043 | \$ 6,879,681 |
| Employee benefits | 600,459 | 72,132 | 360 | 72,492 | 672,951 |
| Payroll taxes | 462,342 | 47,597 | 11,832 | 59,429 | 521,771 |
| Total salaries and related expenses | 7,136,439 | 772,232 | 165,732 | 937,964 | 8,074,403 |
| Credit losses | 152,992 | - | - | - | 152,992 |
| Depreciation | 222,250 | 24,695 | - | 24,695 | 246,945 |
| Dues and subscriptions | 14,613 | 9,047 | 6,404 | 15,451 | 30,064 |
| Food | 552,982 | - | - | - | 552,982 |
| Fundraising, other | - | - | 31,549 | 31,549 | 31,549 |
| Insurance | 288,038 | 7,180 | 4,972 | 12,152 | 300,190 |
| Miscellaneous | - | 9,369 | 3,184 | 12,553 | 12,553 |
| Office | 333,914 | 38,741 | 2,627 | 41,368 | 375,282 |
| Other events | 14,318 | - | 9,395 | 9,395 | 23,713 |
| Professional services | 256,083 | 115,347 | - | 115,347 | 371,430 |
| Recruiting | 26,171 | 48,817 | - | 48,817 | 74,988 |
| Rent | 7,909 | 11,650 | 3,274 | 14,924 | 22,833 |
| Repairs and maintenance | 116,743 | 6,159 | 110 | 6,269 | 123,012 |
| Scholarships provided | 185,131 | - | - | - | 185,131 |
| Staff training | 20,439 | 360 | - | 360 | 20,799 |
| Student | 100,941 | - | - | - | 100,941 |
| Travel | 30,505 | 13,686 | 5,302 | 18,988 | 49,493 |
| Utilities | 243,266 | 49,787 | 1,403 | 51,190 | 294,456 |
| Vehicle | 14,255 | - | - | - | 14,255 |
| | <u>\$ 9,716,989</u> | <u>\$ 1,107,070</u> | <u>\$ 233,952</u> | <u>\$ 1,341,022</u> | <u>\$11,058,011</u> |

See accompanying notes to consolidated financial statements.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Consolidated Statements of Functional Expenses, Continued
Year Ended June 30, 2024

| | Psychiatric Residential Treatment Services | | | | |
|--|--|---------------------------|-------------------|---------------------------------|---------------------|
| | Program Services | Supporting Services | | Total Supporting Services | Total |
| | | Management and General | Fundraising | | |
| Salaries | \$ 5,652,896 | \$ 585,013 | \$ 173,702 | \$ 758,715 | \$ 6,411,611 |
| Employee benefits | 549,378 | 64,052 | 363 | 64,415 | 613,793 |
| Payroll taxes | 428,547 | 40,119 | 13,090 | 53,209 | 481,756 |
| Total salaries and related expenses | 6,630,821 | 689,184 | 187,155 | 876,339 | 7,507,160 |
| Credit losses | 208,467 | - | - | - | 208,467 |
| College and vocational | 500 | - | - | - | 500 |
| Depreciation | 252,375 | 28,041 | - | 28,041 | 280,416 |
| Dues and subscriptions | 19,117 | 17,959 | 5,424 | 23,383 | 42,500 |
| Food | 545,067 | - | - | - | 545,067 |
| Fundraising, other | - | - | 11,892 | 11,892 | 11,892 |
| Insurance | 219,269 | 22,410 | 3,688 | 26,098 | 245,367 |
| Interest | - | 4,570 | - | 4,570 | 4,570 |
| Miscellaneous | - | 514 | 681 | 1,195 | 1,195 |
| Office | 255,957 | 34,912 | 15,645 | 50,557 | 306,514 |
| Other events | 11,768 | - | 7,414 | 7,414 | 19,182 |
| Professional services | 228,413 | 336,214 | - | 336,214 | 564,627 |
| Recruiting | 48,810 | 57,041 | - | 57,041 | 105,851 |
| Rent | 11,606 | 4,494 | 5,890 | 10,384 | 21,990 |
| Repairs and maintenance | 99,043 | 647 | - | 647 | 99,690 |
| Scholarships provided | 231,359 | - | - | - | 231,359 |
| Staff training | 24,503 | 342 | - | 342 | 24,845 |
| Student | 109,197 | - | - | - | 109,197 |
| Travel | 19,065 | 11,567 | 4,983 | 16,550 | 35,615 |
| Utilities | 214,107 | 46,364 | 3,541 | 49,905 | 264,012 |
| Vehicle | 14,563 | - | - | - | 14,563 |
| | <u>\$ 9,144,007</u> | <u>\$ 1,254,259</u> | <u>\$ 246,313</u> | <u>\$ 1,500,572</u> | <u>\$10,644,579</u> |

See accompanying notes to consolidated financial statements.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (77,834) | \$ 1,766,197 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 246,945 | 280,416 |
| Credit loss expense | 152,992 | 208,467 |
| Noncash lease expense | 34 | 164 |
| Unrealized gain on investments | (621,390) | (262,744) |
| Realized gain on sale of investments | (77,381) | (184,417) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 182,303 | (195,316) |
| Pledges receivable | (4,447) | (153,067) |
| Prepaid expenses | 361 | (8,872) |
| Accounts payable and accrued expenses | 62,559 | (160,995) |
| Accrued payroll and related taxes | <u>30,223</u> | <u>27,908</u> |
| Net cash (used in) provided by operating activities | <u>(105,635)</u> | <u>1,317,741</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (2,909,349) | (4,983,779) |
| Proceeds from sale of investments | 2,815,672 | 3,748,799 |
| Purchase of property and equipment | <u>(109,088)</u> | <u>(115,874)</u> |
| Net cash used in investing activities | <u>(202,765)</u> | <u>(1,350,854)</u> |
| Cash flows used in financing activities: | | |
| Principal payments on finance lease obligations | <u>(17,280)</u> | <u>(18,043)</u> |
| Net change in cash and cash equivalents | (325,680) | (51,156) |
| Cash and cash equivalents, beginning of year | <u>803,889</u> | <u>855,045</u> |
| Cash and cash equivalents, end of year | <u>\$ 478,209</u> | <u>\$ 803,889</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid during the year | <u>\$ 2,815</u> | <u>\$ 4,570</u> |
| Acquisition of operating right-of-use asset through lease obligations | <u>\$ -</u> | <u>\$ 18,738</u> |

See accompanying notes to consolidated financial statements.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements

1. Nature of Organization:

Jackson-Feild Homes, Inc. (the "Home") d/b/a Jackson-Feild Behavioral Health Services is a not-for-profit Psychiatric Residential Treatment Center which operates in the provision of care and clinical treatment for adolescents with mental illness and substance use disorders. Additionally, the Home operates a licensed and accredited school for the provision of educational services rendered to the residents in care.

The Jackson-Feild Homes Foundation (the "Foundation") was formed to provide investment oversight for the Home. The Foundation is a separate legal entity and is governed by a separate Board of Trustees, the majority of which are appointed by the Board of Trustees of the Home.

2. Summary of Significant Accounting Policies:

Basis of Consolidation: The consolidated financial statements include the accounts of the Home and the Foundation (collectively, the "Organization"). All significant inter-organization balances and transactions have been eliminated in the consolidation.

Basis of Accounting: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Net Assets: Under FASB guidance on financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets currently available at the discretion of the Board of Trustees for use in the Organization's operations, including net assets undesignated and designated by the Board of Trustees.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenues are reported in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents: The Organization considers all money market and other highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets.

The Organization evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. The Organization employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, the magnitude and duration of the decline in fair value; for equity and debt securities, the financial health of and business outlook for the issuer; the performance of the underlying assets for interests in securitized assets; and the Organization's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

Net investment return less external investment expenses are reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses for years ended June 30, 2025 and 2024.

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from balances at year end. The Organization has agreements with third-party payors that provide for payments to the Organization based on established rates. Net program service fees are reported at the estimated net realizable amounts from consumers, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Consumers not covered by Medicaid are billed directly after primary and secondary insurance payments are recognized. The Organization provides an allowance for credit losses based upon prior experience, management's assessment of the collectability of existing specific accounts, and reasonable and supportable forecasts. As of July 1, 2023, accounts receivable was \$1,345,389, including an allowance for doubtful accounts and contractual adjustments of \$242,681.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Pledges Receivable: Pledges receivable, or unconditional promises to give, represent amounts committed by donors to be paid within a specific period of time.

Pledges receivable are recorded at the present value of their net realized value if considered material. As of June 30, 2025 and 2024, management believes that all pledge receivables will be received in accordance with the terms of the respective agreement and that no allowance for uncollectible pledge receivables was necessary.

Property and Equipment: Property and equipment are stated at cost or estimated fair market value if donated. Acquisitions with a value in excess of \$2,500 are capitalized. Donated assets are capitalized at their fair value at the date of the gift. Repairs and maintenance, which do not increase the life of the asset, are expensed as incurred.

Property and equipment is depreciated over estimated useful lives, which range from three to forty years, using the straight line method. Depreciation is not recorded on construction in process until such time as the relevant assets are completed and put into service.

Operating Revenue: Operating revenue is recorded as income at the time services are provided. See Note 3 for further discussion on operating revenue.

Support Revenue: The Organization recognizes contributions and other forms of support when cash, securities or other assets; an unconditional promise to give; or a notice of a grant award is received. All grants and contributions are considered to be available for general use unless specifically restricted by the grantor or donor.

Leases: The Organization accounts for leases in accordance with ASC Topic 842, Leases, which requires lessees to recognize a right-of-use asset and a lease liability on the consolidated statements of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations.

The lease liability is measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent.

The right-of-use asset and lease liability are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies, as well as the nature, length, and terms of the lease agreements. The Organization has elected to not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less, and to account for lease and non-lease components as a single lease component.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis by natural classification in the accompanying consolidated statements of functional expenses. Costs that benefit multiple functional areas, primarily salaries, have been allocated across programs and other supporting services based on time and effort incurred.

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

Credit Risk: The Organization's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Organization maintains cash balances at several financial institutions and at times, the balances exceed the insured amounts.

The Organization's investments are held in a professionally managed portfolio that contains common stocks and bonds of publicly traded companies, money market funds, and mutual funds. Such investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements. The Organization does not have any unfunded commitments related to the investments.

For 2025, one customer accounted for 66% of accounts receivable. For 2024, two customers accounted for 77% of accounts receivable. The Organization believes its credit risk related to accounts and pledges receivable is limited due to the nature of its customers (third-party insurance payors) and the collection history with its customers and contributors.

Income Taxes: Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation are both qualified not-for-profit organizations as defined in Section 501(c)(3) of the internal revenue code and the tax statutes of the Commonwealth of Virginia, and therefore, are exempt from federal and state income taxes. The Organization has also been classified an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Advertising: The Organization follows the policy of charging the costs of advertising to expenses as incurred. Advertising expense was \$25,968 for 2025 and \$24,878 for 2024.

Subsequent Events: Management has evaluated subsequent events for potential recognition and/or other disclosure through December 19, 2025, the date the consolidated financial statements were available to be issued and has determined that there are no subsequent events to be reported in the accompanying consolidated financial statements.

3. Revenue Recognition - Program Service Fees, Net:

The Organization recognizes revenue from resident services on the accrual basis of accounting as the services are delivered to residents. Revenue is earned for the resident services primarily from Medicaid and other third-party payors. Reimbursement rates are set annually by each insurer for specific services, and the Organization bills according to its understanding of the appropriate rate for the services delivered to each resident. Resident invoices are subject to approval by each insurer, and the Organization estimates revenue for certain services not yet completed. Because the scope of services and the required documentation are subject to insurer approval and also subject in some cases to interpretation and estimation, the Organization provides an allowance for revenue adjustments to cover estimated adjustments made to billed and estimated service revenue by the insurers. The allowance is recorded as a reduction of revenue in the consolidated statements of activities and as a reduction in accounts receivable in the consolidated statements of financial position.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

3. Revenue Recognition - Program Service Fees, Net, Continued:

Resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Medicaid | \$ 7,307,288 | \$ 7,177,669 |
| Other third party payors | 2,355,221 | 2,499,692 |
| Scholarships | <u>167,644</u> | <u>231,359</u> |
| Gross program service fees | 9,830,153 | 9,908,720 |
| Less contractual allowance | <u>(497,087)</u> | <u>(465,558)</u> |
| Resident revenue, net of contractual allowance | <u>\$ 9,333,066</u> | <u>\$ 9,443,162</u> |

4. Property and Equipment:

The Organization's property and equipment consists of improvements made to the Organization's facility, equipment (computers, furniture, vehicles and other equipment), and buildings. Property and equipment consists of the following:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|--------------------|---------------------|
| Land and improvements | \$ 42,105 | \$ 42,105 |
| Buildings | 4,772,871 | 4,753,820 |
| Furniture and equipment | 1,481,416 | 1,488,294 |
| Construction in progress | <u>1,800</u> | <u>-</u> |
| | 6,298,192 | 6,284,219 |
| Less accumulated depreciation | <u>(5,362,789)</u> | <u>(5,210,959)</u> |
| Property and equipment, net | <u>\$ 935,403</u> | <u>\$ 1,073,260</u> |

5. Pledges Receivable:

Unconditional pledges receivable were \$160,014 at June 30, 2025, and \$155,567 at June 30, 2024. All unconditional pledges receivable are expected to be collected during 2026.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

6. Investments:

The cost, fair value, and unrealized gains (losses) on investments are as follows:

| | June 30, 2025 | | |
|---------------------------|---------------------|---------------------|------------------------|
| | Cost | Fair Value | Unrealized Gain/(Loss) |
| Corporate stocks | \$ 1,308,045 | \$ 1,696,803 | \$ 388,758 |
| Money market funds | 258,520 | 258,520 | - |
| Mutual funds | 2,582,802 | 3,163,506 | 580,704 |
| Corporate bonds | 1,056,352 | 1,046,505 | (9,847) |
| U.S. Treasury obligations | 311,377 | 310,714 | (663) |
| | <u>\$ 5,517,096</u> | <u>\$ 6,476,048</u> | <u>\$ 958,952</u> |

| | June 30, 2024 | | |
|--------------------|---------------------|---------------------|------------------------|
| | Cost | Fair Value | Unrealized Gain/(Loss) |
| Corporate stocks | \$ 3,170,472 | \$ 3,702,139 | \$ 531,667 |
| Money market funds | 657,633 | 657,633 | - |
| Mutual funds | 21,907 | 28,818 | 6,911 |
| Corporate bonds | 1,338,510 | 1,295,010 | (43,500) |
| | <u>\$ 5,188,522</u> | <u>\$ 5,683,600</u> | <u>\$ 495,078</u> |

7. Fair Value Measurements:

The Organization follows FASB guidance with respect to fair value measurements. This guidance provides a framework for measuring fair value under generally accepted accounting principles for all financial assets and liabilities measured at fair value on a recurring basis.

The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

7. Fair Value Measurements, Continued:

Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no level 3 assets or liabilities as of June 30, 2025 or 2024.

The following is a description of the valuation methodologies used for assets measured at fair value:

Corporate stocks: Valued at the closing price as reported on the active market on which stocks are traded.

Money market funds: Valued at the cash balance.

Mutual funds: Valued at the net asset value (“NAV”) of shares held in the fund at the end of the trading day.

Corporate bonds: Valued at the closing price as reported on the active market in which the bonds are traded.

U.S. Treasury obligations: The fair value of U.S. government securities is estimated using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

7. Fair Value Measurements, Continued:

The following tables present the Organization's financial assets measured at fair value on a recurring basis as of June 30, 2025 or 2024, classified by accounting standards regarding fair value hierarchy:

| | June 30, 2025 | | |
|---------------------------|---------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Total |
| Assets: | | | |
| Corporate stocks: | | | |
| Domestic | \$ 1,696,803 | \$ - | \$ 1,696,803 |
| Money market funds | 258,520 | - | 258,520 |
| Mutual funds: | | | |
| Equities - domestic | 2,449,312 | - | 2,449,312 |
| Equities - international | 714,194 | - | 714,194 |
| Corporate bonds | - | 1,046,505 | 1,046,505 |
| U.S. Treasury obligations | - | 310,714 | 310,714 |
| Total assets | <u>\$ 5,118,829</u> | <u>\$ 1,357,219</u> | <u>\$ 6,476,048</u> |
| | | | |
| | June 30, 2024 | | |
| | Level 1 | Level 2 | Total |
| Assets: | | | |
| Corporate stocks: | | | |
| Domestic | \$ 3,354,906 | \$ - | \$ 3,354,906 |
| International | 347,233 | - | 347,233 |
| Money market funds | 657,633 | - | 657,633 |
| Mutual funds: | | | |
| Equities - domestic | 28,818 | - | 28,818 |
| Corporate bonds | - | 1,295,010 | 1,295,010 |
| Total assets | <u>\$ 4,388,590</u> | <u>\$ 1,295,010</u> | <u>\$ 5,683,600</u> |

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

8. Net Assets with Donor Restrictions:

Net assets with donor restrictions available for use are held by the Organization and are restricted for the following purposes for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Endowment scholarships | \$ 152,085 | \$ 219,030 |
| Scholarships | 119,417 | 76,860 |
| Accumulated endowment investment gains | 1,424,439 | 1,214,730 |
| Capital expenditures, including improvements | 79,953 | 41,938 |
| Specified purposes | 653 | 15,810 |
| | <u>\$ 1,776,547</u> | <u>\$ 1,568,368</u> |

Education Improvement Scholarships Tax Credits Program: The Organization participates in the Commonwealth of Virginia's Education Improvement Scholarships Tax Credits Program (EISTCP). The purpose of the program is to provide scholarships via donations to eligible students for qualified educational expenses incurred in attending eligible nonpublic schools. The Organization received contributions of \$79,138 and \$43,280 under the program during the years ended June 30, 2025 and 2024, respectively. In turn, the Organization awarded \$39,467 and \$56,943 to eligible students in the form of scholarships during the years ended June 30, 2025 and 2024, respectively.

Under the Virginia code section for the EISTCP, a donee organization is allowed to retain 10% of amounts received through the program annually to cover administrative costs associated with the program. No amount was retained for the years ended June 30, 2025 and 2024.

Endowment contributions to be held indefinitely, the income from which is expendable, were given for the following purposes:

| | <u>2025</u> | <u>2024</u> |
|--------------------|---------------------|---------------------|
| Scholarships | \$ 1,044,221 | \$ 1,044,221 |
| Buildings | 150,000 | 150,000 |
| Chapel maintenance | 25,000 | 25,000 |
| | <u>\$ 1,219,221</u> | <u>\$ 1,219,221</u> |

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

8. Net Assets with Donor Restrictions, Continued:

Net assets were released from donor restrictions by incurring expenditures satisfying the purpose restrictions specified by donors, as follows, for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Capital expenditures, including improvements | \$ 125,192 | \$ 95,900 |
| Scholarships: | | |
| Scholarships - direct student support | 5,165 | 17,937 |
| Scholarships - other | 120,000 | 125,000 |
| EISTC scholarship program: | | |
| Scholarships | 39,467 | 56,943 |
| Specified purposes | <u>28,393</u> | <u>20,494</u> |
| | <u>\$ 318,217</u> | <u>\$ 316,274</u> |

9. Endowment:

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as Donor-restricted endowment funds with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 fund that is not classified as Donor-restricted endowment funds With Donor Restrictions is classified as accumulated investment gains with donor restrictions net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

9. Endowment, Continued:

Return Objectives and Risk Parameters: The Foundation 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to the annual spending rate plus inflation as measured by the Consumer Price Index, while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which includes equity funds, fixed income instruments and cash, in order to minimize risks while achieving total return objectives.

Spending Policy: The Foundation has a policy of appropriating for distribution each year up to five (5) percent of the market value of endowment fund units assuming annual inflation of three (3) percent and a target return of eight (8) percent. In establishing this policy, the Foundation considered the long term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2025 and 2024.

The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2025:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|----------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 1,219,221 | \$ 1,219,221 |
| Accumulated investment gains | - | 1,424,439 | 1,424,439 |
| Total endowment funds | <u>\$ -</u> | <u>\$ 2,643,660</u> | <u>\$ 2,643,660</u> |

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

9. Endowment, Continued:

The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|----------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 1,219,221 | \$ 1,219,221 |
| Accumulated investment gains | - | 1,214,730 | 1,214,730 |
| Total endowment funds | <u>\$ -</u> | <u>\$ 2,433,951</u> | <u>\$ 2,433,951</u> |

The following schedules summarize the changes in endowment net assets for the years ended June 30, 2025 and 2024:

| | June 30, 2025 | | |
|---|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ - | \$ 2,433,951 | \$ 2,433,951 |
| Net investment return | - | 259,709 | 259,709 |
| Scholarships paid | - | (50,000) | (50,000) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 2,643,660</u> | <u>\$ 2,643,660</u> |

| | June 30, 2024 | | |
|---|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ - | \$ 2,211,269 | \$ 2,211,269 |
| Net investment return | - | 272,682 | 272,682 |
| Scholarships paid | - | (50,000) | (50,000) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 2,433,951</u> | <u>\$ 2,433,951</u> |

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

10. Retirement Plan:

The Organization sponsors a 401(k) plan for employees who eligible to participate in the plan after 90 days of employment. The Organization will match 50% of employee contributions up to 3% of salaries at their discretion. The Organization contributed \$72,316 for 2025 and \$66,435 for 2024.

11. Related Party Balances and Transactions:

A member of the Board of Trustees for the Foundation is also on the Board of the bank that holds all of the Foundation's investments. Under the Foundation's Conflict of Interest Policy, that Foundation Board member is recused from participating in the selection and evaluation of the Foundation's investment manager and asset custodian.

12. Leases:

The Organization has four copiers under the provisions of non-cancelable long-term leases with original terms of five years expiring in 2027. The remaining life of the finance lease is 1.25 years and the discount rate used in the calculation of the lease liability is 8%. These leases are accounted for as finance leases, and the right-of-use assets are included as components of property and equipment as of June 30:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 117,602 | \$ 167,470 |
| Less accumulated depreciation | <u>(73,563)</u> | <u>(130,689)</u> |
| | <u>\$ 44,039</u> | <u>\$ 36,781</u> |

Commencing September 2023, the Organization leases office space under a non-cancelable long-term lease that expires in August 2026. This lease is accounted for as an operating lease. The remaining life of the lease is 1.17 years and the discount rate used in the calculation of the lease liability is 4.57%.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

12. Leases, Continued:

The following is a schedule by year of future minimum lease payments under operating and finance leases, together with the present value of the net minimum lease as of June 30, 2025:

| Year Ending June 30, | Operating | Financing |
|-----------------------------------|-----------|-----------|
| 2026 | \$ 6,841 | \$ 21,180 |
| 2027 | 1,146 | 5,295 |
| Total minimum lease payments | 7,987 | 26,475 |
| Less amount representing interest | (224) | (1,360) |
| | \$ 7,763 | \$ 25,115 |

13. Line of Credit:

The Organization maintains a \$150,000 line of credit with Truist at the prime rate plus 0.5% (8.0% at June 30, 2025). This line is secured by certain investments whose fair market value at June 30, 2025 and 2024 was \$1,264,343 and \$1,113,269, respectively. There was no balance due on this line of credit at June 30, 2025 or June 30, 2024. The line was renewed in August 2024 and matures in September 2026.

14. Economic Dependency:

The Organization generated 78% and 76% of its total program operating revenue from the Department of Medicaid Services for the years ended June 30, 2025 and 2024, respectively. There was a net receivable from the Department of Medicaid Services of \$864,164 and \$1,104,272 as of June 30, 2025 and 2024, respectively. The Organization also receives a significant amount of support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

15. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2025 and 2024, are:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|--------------------|
| Cash and cash equivalents | \$ 478,209 | \$ 803,889 |
| Investments | 6,476,048 | 5,683,600 |
| Accounts receivable, net | 996,943 | 1,332,238 |
| Pledges receivable | <u>160,014</u> | <u>155,567</u> |
| Total financial assets | <u>8,111,214</u> | <u>7,975,294</u> |
| Less financial assets held to meet donor-imposed restrictions: | | |
| Purpose-restricted net assets | 1,776,547 | 1,568,368 |
| Donor-restricted endowment funds | <u>1,219,221</u> | <u>1,219,221</u> |
| | <u>2,995,768</u> | <u>2,787,589</u> |
| Amount available for general expenditures within one year | <u>\$ 5,115,446</u> | <u>\$5,187,705</u> |

As part of the Organization's liquidity management process, an annual operating budget is approved that details both the sources and uses of funds without donor restrictions. Sufficient carryover funds available for general expenditures are noted as available to cover the operating budget for the coming year. In addition, the Organization has a \$150,000 line of credit facility on which it could draw if needed.

16. Employee Retention Credit:

The CARES Act provided for an Employee Retention Credit ("ERC") that was designed to encourage eligible employers to keep employees on their payroll despite experiencing an economic hardship related to COVID-19. The Organization accounted for the ERC in accordance with FASB ASC 958-605, with the ERC income presented as a component of other income in the 2024 consolidated statement of activities.

The Organization received a total of \$1,531,665 during 2024. As of June 30, 2024, the Organization has used all of the grant proceeds for qualifying costs. The grant is recognized as other income in the accompanying 2024 consolidated statement of activities.

The ERC is subject to audit by the IRS. Such an audit could result in claims against the Organization for disallowed costs or noncompliance with ERC restrictions, and could result in repayment of some or all of the proceeds. No provision has been made for any liabilities that may arise from such an audit since the amount, if any, cannot be determined at this date.

JACKSON-FEILD HOMES, INC. AND JACKSON-FEILD HOMES FOUNDATION

Notes to Consolidated Financial Statements, Continued

17. Contingency:

In September 2019, the Organization has been named as defendant in a case stemming from ongoing operations. The case is ongoing and the Organization is contesting the case vigorously. An adverse result is not considered probable, but could result in potential costs of up to \$350,000.

In 2022, the Organization has been named as a defendant in a case stemming from ongoing operations. The case is ongoing and the Organization is contesting the case vigorously. An adverse result is not considered probable, but could result in potential costs of up to \$250,000.