

JOURNEY FOUND, INC.

**Financial Statements with
Independent Auditor's Report**

June 30, 2025 and 2024

JOURNEY FOUND, INC.

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Journey Found, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Journey Found, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Journey Found, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Journey Found, 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 Journey Found, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Journey Found, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Journey Found, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025 on our consideration of Journey Found, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Journey Found, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Journey Found, Inc.'s internal control over financial reporting and compliance.

Guilmodiu D'Am + Sokolowski, LLC

Middletown, Connecticut
December 23, 2025

JOURNEY FOUND, INC.

Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 3,249,963	\$ 3,859,907
Accounts receivable, net	670,113	189,445
Prepaid expenses and other current assets	<u>5,157</u>	<u>-</u>
Total current assets	<u>3,925,233</u>	<u>4,049,352</u>
Non-current assets:		
Property and equipment, net	2,973,553	3,286,354
Right-of-use (ROU) assets - operating, net	648,450	755,494
Security deposits	<u>113,133</u>	<u>107,933</u>
Total non-current assets	<u>3,735,136</u>	<u>4,149,781</u>
Total assets	<u>\$ 7,660,369</u>	<u>\$ 8,199,133</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 159,650	\$ 145,317
Accrued expenses	952,539	1,560,721
Current portion of long-term debt	119,006	111,633
Current portion of operating lease obligations	116,565	121,736
Current portion of finance lease obligations	250,471	263,133
Due to governmental agencies	146,911	162,022
Refundable advances	<u>856,020</u>	<u>558,359</u>
Total current liabilities	<u>2,601,162</u>	<u>2,922,921</u>
Long-term liabilities:		
Long-term debt, less current portion	1,249,726	1,368,732
Operating lease obligations, less current portion	532,080	634,418
Finance lease obligations, less current portion	327,424	497,221
DDS cash advances	<u>495,109</u>	<u>495,109</u>
Total long-term liabilities	<u>2,604,339</u>	<u>2,995,480</u>
Total liabilities	<u>5,205,501</u>	<u>5,918,401</u>
Net assets:		
Without donor restrictions	<u>2,454,868</u>	<u>2,280,732</u>
Total net assets	<u>2,454,868</u>	<u>2,280,732</u>
Total liabilities and net assets	<u>\$ 7,660,369</u>	<u>\$ 8,199,133</u>

See accompanying notes to financial statements.

JOURNEY FOUND, INC.

Statements of Activities

For the years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Changes in Net Assets Without Donor Restrictions</u>		
Revenues, gains and other support:		
Government grants and contracts:		
Department of Developmental Services	\$ 15,175,719	\$ 14,836,709
Department of Developmental Services - Fee for service	152,226	153,993
Department of Developmental Services - ARPA	483,150	1,285,968
Department of Social Services	900,961	877,301
Department of Mental Health and Addiction Services	952,084	955,304
Total government grants and contracts	<u>17,664,140</u>	<u>18,109,275</u>
Service income	21,405	97,559
Contributions	149,817	144,927
Gain on sale of assets	16,342	227,546
Insurance refunds	162,958	-
Interest income	60,774	15,931
Other	4,746	13,622
Net assets released from satisfaction of program restrictions	-	10,000
Total revenues, gains and other support	<u>18,080,182</u>	<u>18,618,860</u>
Expenses:		
Program services	15,412,185	14,920,579
Supporting services:		
Administrative and general	2,457,926	2,589,272
Fundraising	35,935	65,624
Total supporting services	<u>2,493,861</u>	<u>2,654,896</u>
Total expenses	<u>17,906,046</u>	<u>17,575,475</u>
Change in net assets without donor restrictions	174,136	1,043,385
Net assets without donor restrictions, beginning of year	<u>2,280,732</u>	<u>1,237,347</u>
Net assets without donor restrictions, end of year	<u>\$ 2,454,868</u>	<u>\$ 2,280,732</u>
<u>Changes in Net Assets With Donor Restrictions</u>		
Net assets released from restrictions	\$ -	\$ (10,000)
Change in net assets with donor restrictions	-	(10,000)
Net assets with donor restrictions, beginning of year	-	10,000
Net assets with donor restrictions, end of year	<u>\$ -</u>	<u>\$ -</u>
Change in net assets	\$ 174,136	\$ 1,033,385
Net assets, beginning of year	<u>2,280,732</u>	<u>1,247,347</u>
Net assets, end of year	<u>\$ 2,454,868</u>	<u>\$ 2,280,732</u>

See accompanying notes to financial statements.

JOURNEY FOUND, INC.

Statement of Functional Expenses

For the year ended June 30, 2025
(with comparative totals for 2024)

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2025 Total Expenses</u>	<u>2024 Total Expenses</u>
Salaries and wages	\$ 10,016,875	\$ 1,242,287	\$ 25,042	\$ 11,284,204	\$11,199,143
Fringe benefits/payroll taxes	<u>3,243,927</u>	<u>334,108</u>	<u>5,493</u>	<u>3,583,528</u>	<u>3,328,013</u>
Total salaries and fringe benefits	<u>13,260,802</u>	<u>1,576,395</u>	<u>30,535</u>	<u>14,867,732</u>	<u>14,527,156</u>
Consultants and professional fees	230,473	500,124	4,925	735,522	742,293
Occupancy	540,335	101,202	-	641,537	614,689
Supplies	55,704	85,372	-	141,076	165,899
Depreciation and amortization	339,559	11,709	-	351,268	337,485
Food supplies	210,979	758	-	211,737	207,070
Transportation	235,412	19,330	-	254,742	253,186
Repairs and maintenance	142,168	15,863	-	158,031	187,310
Interest	166,429	4,073	-	170,502	171,829
Insurance	124,954	22,935	-	147,889	98,976
Training and conferences	22,229	38,736	475	61,440	65,302
Licenses, dues and subscriptions	1,299	57,497	-	58,796	93,474
Travel	25,743	16,720	-	42,463	48,264
Credit losses	42,930	-	-	42,930	39,612
Miscellaneous	<u>13,169</u>	<u>7,212</u>	<u>-</u>	<u>20,381</u>	<u>22,930</u>
Total expenses	<u>\$ 15,412,185</u>	<u>\$ 2,457,926</u>	<u>\$ 35,935</u>	<u>\$ 17,906,046</u>	<u>\$ 17,575,475</u>

See accompanying notes to financial statements.

JOURNEY FOUND, INC.

Statement of Functional Expenses

For the year ended June 30, 2024

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$10,019,721	\$1,133,620	\$45,802	\$11,199,143
Fringe benefits/payroll taxes	<u>2,784,953</u>	<u>531,999</u>	<u>11,061</u>	<u>3,328,013</u>
Total salaries and fringe benefits	<u>12,804,674</u>	<u>1,665,619</u>	<u>56,863</u>	<u>14,527,156</u>
Consultants and professional fees	256,221	483,761	2,311	742,293
Occupancy	510,380	104,309	-	614,689
Supplies	49,609	115,449	841	165,899
Depreciation and amortization	319,024	18,461	-	337,485
Food supplies	205,629	1,441	-	207,070
Transportation	233,220	19,966	-	253,186
Repairs and maintenance	176,769	10,541	-	187,310
Interest	168,602	3,227	-	171,829
Insurance	77,374	21,602	-	98,976
Training and conferences	13,533	46,160	5,609	65,302
Licenses, dues and subscriptions	23,090	70,384	-	93,474
Travel	26,110	22,154	-	48,264
Credit losses	39,612	-	-	39,612
Miscellaneous	<u>16,732</u>	<u>6,198</u>	<u>-</u>	<u>22,930</u>
Total expenses	<u>\$ 14,920,579</u>	<u>\$ 2,589,272</u>	<u>\$ 65,624</u>	<u>\$ 17,575,475</u>

See accompanying notes to financial statements.

JOURNEY FOUND, INC.

Statements of Cash Flows

For the years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 174,136	\$ 1,033,385
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	351,268	337,485
Amortization of right-of-use assets - operating	201,879	213,098
Gain on sale of assets	(16,342)	(227,546)
Changes in assets and liabilities:		
Accounts receivable, net	(480,668)	(61,593)
Prepaid expenses and other current assets	(5,157)	17,954
Security deposits	(5,200)	-
Accounts payable	14,333	7,065
Accrued expenses	(608,182)	183,918
Operating lease liabilities	(202,345)	(132,066)
Due to governmental agencies	(15,111)	1,139
Refundable advances	297,661	184,188
DDS cash advances	-	(31,348)
Net cash (used in) provided by operating activities	<u>(293,728)</u>	<u>1,525,679</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	36,499	113,262
Purchase of property and equipment	-	(15,489)
Net cash provided by investing activities	<u>36,499</u>	<u>97,773</u>
Cash flows from financing activities:		
Payments on long-term debt	(111,633)	(104,727)
Payments on finance lease obligations	(241,082)	(190,334)
Net cash (used in) financing activities	<u>(352,715)</u>	<u>(295,061)</u>
Net change in cash	(609,944)	1,328,391
Cash, beginning of year	<u>3,859,907</u>	<u>2,531,516</u>
Cash, end of year	<u>\$ 3,249,963</u>	<u>\$ 3,859,907</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 170,502</u>	<u>\$ 171,829</u>
Non-cash transactions:		
Property and equipment acquired through finance lease obligations	<u>\$ 58,623</u>	<u>\$ 565,880</u>

See accompanying notes to financial statements.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Journey Found, Inc. (the Organization) was founded in May 2013 and manages residential facilities in Central and Southeastern Connecticut and community day programs for individuals with special needs. The Organization also manages continuous residential supports and in-home supports for individuals with special needs.

Summary of Significant Accounting Policies:

Basis of Accounting and Presentation

The accounts of the Organization are maintained, and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2025 and 2024, the Organization had no net assets with donor restrictions.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. The Organization had no cash equivalents or restricted cash as of June 30, 2025 and 2024.

DDS Accounts Receivable

The Organization has accounts receivable related to cost reimbursement grants from third parties and government agencies, primarily the State of Connecticut Department of Developmental Services (DDS). Based on historical experience, management has concluded grants are considered fully collectable and any realization of uncollectable accounts at year end will be immaterial. Accordingly, there is no allowance for uncollectable accounts as of June 30, 2025 and 2024.

DSS Room and Board, Service Income Receivable and Allowance for Credit Losses

The Organization accounts for doubtful balances under the Current Expected Credit Loss (CECL) model. The Organization estimates an allowance for expected credit losses calculated on a pooled basis where similar risk characteristics exist. Receivables are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectable. At each reporting period, the allowance is updated to reflect any changes in credit risk since the related receivable was initially recorded. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables and 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.

For the years ended June 30, 2025 and 2024, the allowance for credit losses is based on historical loss rates applied to aging categories. Management has determined that its analysis of current conditions and forecast factors does not have a material impact on the allowance estimate.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Property and Equipment

The Organization follows the practice of capitalizing all property and equipment with a cost exceeding \$5,000 or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 30 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. Property under finance leases is amortized over the related lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Organization has determined that there was no impairment of long-lived assets as of June 30, 2025 and 2024.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. All leases are accounted for as right-of-use (ROU) assets and lease liabilities in the statements of financial position, with the exception of leases with an initial term of 12 months or less. Management has elected to account for lease payments for such short term leases as lease expense on a straight-line basis over the lease term. Management only reassesses its determination of a lease contract if the terms and conditions of the contract are changed.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The Organization uses the implicit rate when it is readily available to discount future lease payments; however, when unavailable, the Organization uses a risk-free rate based on readily available information at lease commencement. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease ROU assets and related lease liabilities are separately stated on the statements of financial position. Finance lease ROU assets are included in property and equipment, net and related lease liabilities are included in long-term lease liabilities on the statements of financial position. When lease agreements provide for the separate identification of lease and non-lease components, such components are accounted for separately using stand-alone prices; however, when non-lease components are not separately identifiable, the Organization accounts for the lease and non-lease components as a single lease.

Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease expense includes amortization of the ROU asset on a straight-line basis, and interest on the lease liabilities using the Organization's applied discount rate. All of the Organization's operating leases utilize a risk-free rate. See Note 9 for more information on the Organization's leasing arrangements.

Refundable Advances

The Organization presents refundable advances when grant advances and other revenue exceed the eligible costs incurred. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. Unspent grant funds of \$856,020 and \$558,359 as of June 30, 2025 and 2024, respectively, are included in the statements of financial position. Amounts are to be used for future programmatic expenses, in accordance with the funding agencies' guidelines.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Due to Governmental Agencies

Due to governmental agencies for the years ended June 30, 2025 and 2024 was \$146,911 and \$162,022, respectively.

Revenue and Revenue Recognition

Contributions

The Organization receives contributions in the form of promises to give (pledges), donations and other gifts. These contributions can be from individuals, foundations, corporations, trusts or others. The Organization recognizes contributions when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived by the donor. At June 30, 2025 and 2024, there are no conditional contributions that have not been recognized in the accompanying financial statements because the related conditions have not been met.

The Organization reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets, as support without donor restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets are reported as net assets with donor restrictions if such donor stipulations are not fully met in the year the award is received. 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 statements of activities as net assets released from restrictions.

Contributed (in-kind) services and nonfinancial assets are recorded as contributions at their estimated fair values at the date of donation. Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Organization's mission and fundraising campaign. Contributed nonfinancial assets include donated professional services, donated equipment and other in-kind contributions which are recorded at the respective fair values of the goods or services received at the date of donation. It is the Organization's policy to consume and use donated goods and other assets in accordance with donor wishes. The Organization does not sell contributed nonfinancial assets. There were no contributed services or nonfinancial assets during the years ended June 30, 2025 and 2024.

Government Grants and Contracts

The Organization is the recipient of federal and state grants to fund its primary programs. The Organization's grant funding from the Department of Developmental Services (DDS) and Department of Mental Health and Addiction Services (DMHAS) are accounted for consistently with conditional contributions. Grants are not recognized until the conditions on which they depend have been substantially met. Such grants are conditioned upon the incurrence of allowable qualifying expenses and are recorded as revenue when the related approved expenditures are made. At June 30, 2025 and 2024, conditional reimbursement-basis grants of \$34,984,752 and \$50,291,071, respectively, have not been recognized in the accompanying financial statements because qualifying expenditures have not yet been incurred.

The Organization is also party to contracts that provide funding for programming. Funding from such contracts, including those for room and board with the individual residents who receive funding through the State of Connecticut Department of Social Services (DSS), is based on contractually-identified performance obligations that include the nature and timing of services required in an exchange-type transaction. The Organization recognizes revenue over time as performance obligations are satisfied, which primarily includes the provision of room and board over the course of the year, based on contractual rates. The revenue is recognized at the amount reflecting the consideration the Organization expects to receive in exchange for the services provided.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Government Grants and Contracts, continued

The Organization received American Rescue Plan Act (ARPA) Home and Community Based Services (HCBS) funding during the years ended June 30, 2025 and 2024, which was provided by the State of Connecticut Department of Developmental Services (DDS). The funding provides for three initiatives: 1) Temporary provider stabilization (category 1), 2) Workforce stability incentives (category 2), and 3) Stability and infrastructure improvements through technology (category 3). The State has established expenditure deadlines, by category, for providers to adhere to and DDS will recover any funds not expended by the established deadlines. For the years ended June 30, 2025 and 2024, the Organization spent \$132,540 and \$530,019, respectively, in ARPA HCBS funding and has recorded \$0 and \$132,540, respectively, as a refundable advance, which represents the unspent funds as of the end of the fiscal years. The \$132,540 and \$530,019 ARPA revenue recognized is included in Department of Developmental Services - ARPA on the statements of activities for the years ended June 30, 2025 and 2024, respectively.

The Organization was awarded \$748,619 in ARPA one-time stabilization funds in fiscal year 2024. The Organization was awarded funds to cover losses from fiscal years 2020 through 2022. These funds are recognized as Department of Developmental Services - ARPA within the statements of activities.

The Organization received \$532,971 in American Rescue Plan Act (ARPA) Vehicles and Infrastructure Maintenance funding during the year ended June 30, 2025, which was provided by the State of Connecticut Department of Developmental Services (DDS). The funding provides for two initiatives: 1) The purchase of vehicles used to assist in transportation of served individuals to community-based supports and services, and 2) Maintenance, repairs or enhancements of physical structures where individuals supported by the State are served. The funding is allowed to be spent on qualifying expenditures from February 1, 2025 through March 31, 2026 and any funding not used by the Organization will be required to be repaid to DDS. For the year ended June 30, 2025, the Organization did not spend ARPA Vehicles and Infrastructure Maintenance funding. The Organization has also recorded \$532,971 as a refundable advance, which represents the unspent funds as of the end of the fiscal year.

Service Income

The Organization recognizes revenue from service income based on contracts with other organizations. The contracts represent exchange transactions, and revenue is recognized when the performance obligations are satisfied, which is based on the point in time when services are performed. Unbilled services performed represent contract assets and services paid for in advance represent contract liabilities. Based on the timing of satisfying performance obligations and the billing practices of the Organization, there were no contract assets or liabilities as of June 30, 2025 and 2024.

Fundraising and Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to the donors when the special event takes place. The Organization recognizes the contribution element of special events revenue immediately, unless there is a right of return if the special event does not take place.

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and by nature and function in the statements of functional expenses. The Organization charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs are those that can be specifically identified as being incurred for the activities of that program or supporting service. Other costs incurred that benefit more than one program or supporting service are allocated. Expenses allocated based on square footage include occupancy charges, building operations, technology, depreciation and amortization. Salaries, not directly charged, are allocated on the basis of estimates of time and effort. Employee benefits are allocated based on the program percentage of salary. Administrative and general expenses are allocated based on the percentage of a program expense to the total. The Organization reevaluates its allocation method each year.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising expenses totaled \$560 and \$758 for the years ended June 30, 2025 and 2024, respectively.

Income Taxes

The Organization has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for June 30, 2025, 2024 and 2023 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

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

Concentrations

The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federal depository insurance limits. To date, the Organization has not experienced losses in any of these accounts. At June 30, 2025, the cash balance exceeded the federally insured limit by \$2,959,018.

A substantial portion of the Organization's revenue is derived from grant contracts. Since the contracts are evidenced by signed contracts with government and other agencies, management believes there is nominal credit risk associated with any outstanding grants receivable. For the years ended June 30, 2025 and 2024, approximately 88% and 87%, respectively, of its revenue is from the State of Connecticut Department of Developmental Services (DDS). Approximately 100% and 91%, respectively, of its accounts receivable is due from DDS for the years ended June 30, 2025 and 2024.

Collective Bargaining Agreement

The Organization has an agreement with the New England Health Care Employees Union. The collective bargaining agreement pertains to approximately 79% and 83% of the Organization's employees for the years ended June 30, 2025 and 2024, respectively.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through December 23, 2025, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization manages its liquid resources by focusing on collecting receivables timely. The Organization prepares budgets and monitors expenses. The Organization also has a line of credit to assist in meeting cash needs if a lag between receipt of contributions and grants and payment of costs occurs, which would be considered a last resort option for the Organization. See Note 7 for more information on the Organization's line of credit.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Liquidity and Availability, continued

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

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$3,249,963	\$3,859,907
Accounts receivable, net	<u>670,113</u>	<u>189,445</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$3,920,076</u>	<u>\$4,049,352</u>

NOTE 3 – ACCOUNTS RECEIVABLE/DDS BRIDGE FUNDING ADVANCES

The Organization retains bridge funding advances from DDS to fund the cash flow requirements of the Organization’s DDS programs in the amount of \$1,032,937 as of June 30, 2025 and 2024.

As shown below, these advances are offset against DDS accounts receivable on the accompanying statements of financial position.

	<u>2025</u>	<u>2024</u>
DDS accounts receivable	\$ 1,703,050	\$ 1,204,873
Less: DDS advance	<u>(1,032,937)</u>	<u>(1,032,937)</u>
Net DDS receivable	670,113	171,936
DSS room and board	191,242	148,312
Service income receivable	-	17,509
Less: allowance for credit losses	<u>(191,242)</u>	<u>(148,312)</u>
Accounts receivable, net	<u>\$ 670,113</u>	<u>\$ 189,445</u>

As of June 30, 2023, the DSS room and board receivable was \$135,300 and service income receivable was \$39,902.

NOTE 4 – ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses for DSS room and board receivables and the related activity are as follows for the years ended June 30, 2025 and 2024:

	<u>Department of Social Services Room and Board Allowance</u>	
	<u>2025</u>	<u>2024</u>
Beginning balance	\$148,312	\$108,700
Provision for credit losses	<u>42,930</u>	<u>39,612</u>
Ending balance	<u>\$191,242</u>	<u>\$148,312</u>

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 635,953	\$ 635,953
Building and improvements	2,005,922	2,005,922
Leasehold improvements	452,586	452,586
Machinery and equipment	117,838	117,838
Furniture and fixtures	69,001	69,001
Vehicles	<u>1,078,031</u>	<u>1,089,249</u>
	4,359,331	4,370,549
Less: accumulated depreciation	<u>(1,385,778)</u>	<u>(1,084,195)</u>
Property and equipment, net	<u>\$ 2,973,553</u>	<u>\$ 3,286,354</u>

Depreciation and amortization expense was \$351,268 and \$337,485 for the years ended June 30, 2025 and 2024, respectively.

NOTE 6 – REFUNDABLE ADVANCES

Refundable advances consist of the following as of June 30:

	<u>2025</u>	<u>2024</u>
DDS - Enhanced benefit funds	\$ -	\$ 91,100
DDS surplus	323,049	334,719
ARPA - DDS funding	-	132,540
ARPA infrastructure - DDS funding	<u>532,971</u>	<u>-</u>
Total refundable advances	<u>\$856,020</u>	<u>\$558,359</u>

NOTE 7 – LINES OF CREDIT

The Organization has a line of credit with Webster Bank as of June 30, 2025. The Webster Bank line of credit is for \$1,300,000, which can be utilized for working capital. Borrowing under the Webster Bank line of credit bears an interest rate of The Webster Bank Prime Rate and is collateralized by all business assets of the Organization. The Webster Bank line of credit replaced two lines of credit with M&T Bank on December 14, 2023. The first M&T Bank line of credit was for \$900,000, which can be utilized for working capital. The second M&T Bank line of credit was for \$300,000 that can be utilized for capital expenditures. Borrowings under these lines bear interest at the bank's prime rate and are collateralized by all business assets of the Organization. There was no activity on the line during the years ended June 30, 2025 and 2024.

NOTE 8 – LONG-TERM DEBT

Mortgages Payable

	<u>2025</u>	<u>2024</u>
6.63% mortgage payable to Connecticut Housing Finance Authority (CHFA), collateralized by real estate. Monthly principal and interest payments of \$2,311 are payable through October 2030.	\$ 110,008	\$ 126,657

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Mortgages Payable, continued

	<u>2025</u>	<u>2024</u>
6.93% mortgage payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,627 are payable through August 2027.	\$ 56,188	\$ 79,413
6.93% mortgage payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$1,917 are payable through February 2028.	55,870	74,304
7.34% mortgage payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$1,900 are payable through September 2026.	27,149	47,150
6.00% mortgage payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$2,350 are payable through September 2037.	244,226	257,344
6.00% mortgage payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$3,045 are payable through October 2048.	458,354	467,109
6.00% mortgage payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$186 are payable through November 2034.	15,997	17,225
3.00% mortgage payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$1,868 are payable through February 2051.	<u>400,940</u>	<u>411,163</u>
Total mortgages payable	1,368,732	1,480,365
Less: current portion	<u>(119,006)</u>	<u>(111,633)</u>
Total	<u>\$1,249,726</u>	<u>\$1,368,732</u>

Future maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	
2026	\$ 119,006
2027	109,358
2028	77,984
2029	62,560
2030	66,201
Thereafter	<u>933,623</u>
Total	<u>\$1,368,732</u>

Related interest expense was \$76,277 and \$83,040 for the years ended June 30, 2025 and 2024, respectively.

NOTE 9 – LEASES

The Organization maintains the following leasing arrangements:

Real Estate - Operating

The Organization leases facilities for programmatic use, expiring at various dates through June 2026. The Organization leases administrative office space through May 2033. Monthly payments for the leased facilities and office space range between \$1,217 and \$7,061. The Organization is responsible for utilities, maintenance and insurance.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Vehicles - Finance

The Organization leases vehicles that expire at various dates through January 2028. Aggregate monthly rent expense on ongoing leases range between \$348 and \$826.

The Organization presents the following balances related to leases on its statements of financial position as of June 30, 2025 and 2024. Finance ROU assets net of accumulated amortization are included within property and equipment on the statements of financial position.

	2025		2024	
	Operating	Finance	Operating	Finance
ROU assets	\$1,017,693	\$1,078,031	\$1,094,744	\$1,089,249
Accumulated amortization	<u>(369,243)</u>	<u>(519,966)</u>	<u>(339,250)</u>	<u>(302,995)</u>
	<u>\$ 648,450</u>	<u>\$ 558,065</u>	<u>\$ 755,494</u>	<u>\$ 786,254</u>
Lease liabilities - current	\$ 116,565	\$ 250,471	\$ 121,736	\$ 263,133
Lease liabilities - non-current	<u>532,080</u>	<u>327,424</u>	<u>634,418</u>	<u>497,221</u>
	<u>\$ 648,645</u>	<u>\$ 577,895</u>	<u>\$ 756,154</u>	<u>\$ 760,354</u>

Lease costs during the years ended June 30, 2025 and 2024 consist of the following:

	2025	2024
Operating leases:		
Operating lease costs	\$221,870	\$236,111
Short-term lease costs	<u>70,905</u>	<u>27,876</u>
Total operating lease costs	<u>292,775</u>	<u>263,987</u>
Finance leases:		
Amortization of ROU assets	266,657	253,192
Interest on lease liabilities	<u>94,385</u>	<u>88,789</u>
Total finance lease costs	<u>361,042</u>	<u>341,981</u>
Total lease costs	<u>\$653,817</u>	<u>\$605,968</u>

For the years ended June 30, 2025 and 2024, operating lease costs are included in occupancy expenses and financial lease costs are included in interest expense and depreciation and amortization on the statements of functional expenses.

Cash paid for amounts included in the measurement of lease liabilities and other information for the years ended June 30, 2025 and 2024 include:

	2025	2024
Operating cash flows from operating leases	\$239,641	\$239,641
Operating cash flows from finance leases	94,385	88,789
Financing cash flows from finance leases	241,082	236,927
ROU assets obtained in exchange for lease obligations:		
Operating leases	92,825	84,562
Finance leases	58,623	565,880

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

Leases, continued

Average lease terms and discount rates at June 30, 2025 and 2024 were as follows:

	2025		2024	
	<u>Operating</u>	<u>Finance</u>	<u>Operating</u>	<u>Finance</u>
Weighted average remaining lease term (years)	7.40	2.00	8.10	3.13
Weighted average discount rate	2.95%	13.45%	2.95%	13.66%

Aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating and finance leases as of June 30, 2025:

<u>Years Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2026	\$133,257	\$314,853
2027	84,732	261,081
2028	84,732	92,451
2029	84,732	23,566
2030	84,732	2,443
Thereafter	<u>247,135</u>	<u>-</u>
Total lease payments	719,320	694,394
Less: amount representing interest	<u>(70,675)</u>	<u>(116,499)</u>
Present value of lease liabilities	<u>\$648,645</u>	<u>\$577,895</u>

NOTE 10 – DDS CASH ADVANCES

When a facility commences operations, the Organization may receive an operational advance equal to the service revenue for one month based on full capacity. These operational advances are applied against the final reimbursement when a facility ceases their agency relationship with DDS. Total operational advances were \$495,109 for the years ended June 30, 2025 and 2024.

NOTE 11 – RETIREMENT PLANS

403(b) Plan

The Organization maintains a 403(b) retirement plan covering all eligible employees. Eligible employees may contribute up to the maximum amounts allowed under the plan document and current Internal Revenue Service regulations. All regularly scheduled part-time and full-time employees are eligible to participate. There is no age or service requirements to participate in the elective deferral portion of the plan. To participate in the employer discretionary match on elective deferrals portion of the plan, employees must attain age 21 and complete 1 year of service, as defined by the plan. There were no matching contributions for the years ended June 30, 2025 and 2024.

Annually, the Board of Directors determines the profit-sharing contribution, if any, to the plan. The Organization contributed \$131,260 and \$224,266 for the years ended June 30, 2025 and 2024, respectively.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

New England Health Care Employees Pension Fund

The Organization is a participating employer in a multi-employer defined benefit pension plan for employees who participate in the collective bargaining agreement with the District 1199 New England Health Care Employees Union. The plan generally provides retirement benefits to employees based on years of service to participating employers. The plan is managed by the plan trustees. Under the terms of the collective bargaining agreement, the Organization's contribution rate for the years ended June 30, 2025 and 2024 was 10.7% and 10.5%, respectively, of gross wages for all bargaining unit employees who regularly work at least 20 hours per week and who have completed 2 months of service. Union pension contributions for the years ended June 30, 2025 and 2024 totaled \$725,141 and \$633,286, respectively.

The risks of participating in this multi-employer defined benefit pension plan are different from single-employer plans because in the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded obligations. The Organization has not received information from the plan's administrators to determine its share of unfunded obligations and according to the collective bargaining agreement, the Organization assumes no other obligation than the contributions and once remitted, the administration of the contributed funds is the sole responsibility of the plan trustees. The Organization has no plans to withdraw from the plan and there is no expectation of a plan termination.

The Organization's contribution to the multi-employer defined benefit pension plan was less than 5.0% of the plan's total contributions. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2025 and 2024 is for the plan's calendar year-end at December 31, 2024 and 2023, respectively.

As a result of its actuarial certification, the multi-employer pension plan was certified as having entered 'red zone' critical status for the plan years beginning January 1, 2025 and 2024, respectively. In order to improve the plan's funding status over a specified period of time, the trustees adopted a rehabilitation plan in October 2023 requiring the Organization to either pay a surcharge in addition to the normal plan contributions or agree to an increased contribution rate. The Organization agreed to an increased contribution rate of 10.5% under the terms of the current collective bargaining agreement ratified in February 2024, which was increased to 10.7% in the year ended June 30, 2025.

The following presents information about the Organization's multi-employer pension plan for the years ended June 30, 2025 and 2024:

<u>Pension fund</u>	<u>EIN/Pension plan number</u>	<u>Pension zone status 2025</u>	<u>Pension zone status 2024</u>	<u>FIP/RP status pending/implemented</u>	<u>Contributions</u>		<u>Surcharge imposed</u>	<u>Expiration date of collective bargaining agreement</u>
					<u>2025</u>	<u>2024</u>		
New England Health Care Employees Pension Plan	22-3071963/001	Red	Red	Implemented	\$725,141	\$633,286	Yes	March 31, 2025

NOTE 12 – CONTINGENCIES

Litigation

The Organization is subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the Organization's financial position or cash flows.

JOURNEY FOUND, INC.

Notes to Financial Statements

June 30, 2025 and 2024

NOTE 13 – RISKS AND UNCERTAINTIES

Multi-Employer Pension Fund

Under federal pension law, a plan generally is in “endangered” status if its funded percentage is less than 80% or there is a projected funding deficiency within seven years. A plan is in “seriously endangered” status if its funded percentage is less than 80% and there is a projected funding deficiency within seven years. A plan is in “critical” status if the funded percentage is less than 65% and the plan assets are less than present value of projected future benefits and costs or if there are other factors that apply, including a projected funding deficiency within four years along with other factors that indicate projected values of plan assets and future contributions may not be sufficient to cover future benefits. A plan is in “critical and declining” status if it is in critical status and is projected to become insolvent within 15 years.

For the plan year ended December 31, 2024, it was projected to be in a funding deficiency within four years and therefore, the New England Health Care Employees Pension Fund is considered to be in “critical” status. In response to the plan’s critical status, the trustees adopted a rehabilitation plan to improve the funding status over a specified period of time, which required the Organization to pay a surcharge in addition to normal plan contributions until an increased contribution rate was agreed to in collective bargaining negotiations. Actual results may differ from projected amounts depending on future participation and performance of plan investments, and, as such, any potential liability to the Organization is not estimable at this time. See Note 11 for more information on the multi-employer pension plan.