CHRISTIAN FAMILY CARE AGENCY, INC.

Financial Statements As Of September 30, 2025

With Independent Auditors' Report

JDS professional group

certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Christian Family Care Agency, Inc.:

Opinion

We have audited the accompanying financial statements of Christian Family Care Agency, Inc. (an Arizona, not-for-profit organization), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 Christian Family Care Agency, Inc. as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Christian Family Care Agency, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Christian Family Care Agency, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (Continued)

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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.

JDS Professional Group

February 23, 2026

CHRISTIAN FAMILY CARE AGENCY, INC

Statement Of Financial Position
As Of September 30, 2025

ASSETS		
Cash and cash equivalents	$	2,064,482
Accounts receivable, net		330,159
Investments		4,189,302
Prepaid expenses		159,323
Deposits		15,471
Inventory		199,026
Beneficial interest in charitable trust		1,950,275
Right-of-use assets, net		520,865
Property and equipment		5,795,400
TOTAL ASSETS	$	15,224,303
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	149,514
Accrued liabilities -		
Payroll and other benefits		469,889
Deferred revenue		9,828
Agency fund		6,647
Lease liabilities		534,216
Note payable		2,581,184
Total Liabilities		3,751,278
Net Assets:		
Without donor restrictions		9,435,164
With donor restrictions		2,037,861
Total Net Assets		11,473,025
TOTAL LIABILITIES AND NET ASSETS	$	15,224,303

The accompanying notes are an integral part of the financial statements.

CHRISTIAN FAMILY CARE AGENCY, INC.

Statement Of Activities
For The Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support And Revenue:			
Service fees	$ 3,755,223	$	$ 3,755,223
Contribution of cash and other financial assets	5,364,416	127,977	5,492,393
Contribution of nonfinancial assets	12,565		12,565
Thrift store sales	534,799		534,799
Investment income, net	384,336		384,336
Change in beneficial interest in charitable trust		69,202	69,202
Other	4,462		4,462
Net assets released from restriction -			
Satisfaction of program and time restrictions	186,806	(186,806)	
Total Support And Revenue	10,242,607	10,373	10,252,980
Expenses:			
Program Services -			
Adoption / pregnancy	1,733,209		1,733,209
Counseling	1,513,109		1,513,109
Foster care	2,627,906		2,627,906
Family care KIDS	1,484,252		1,484,252
Thrift stores	531,146		531,146
Other	399,851		399,851
Total Program Services	8,289,473		8,289,473
Supporting Services -			
Management and general	1,242,602		1,242,602
Fundraising	886,606		886,606
Total Supporting Services	2,129,208		2,129,208
Total Expenses	10,418,681		10,418,681
CHANGES IN NET ASSETS FROM OPERATIONS	(176,074)	10,373	(165,701)
Net Assets, Beginning Of Year	9,611,238	2,027,488	11,638,726
NET ASSETS, END OF YEAR	$ 9,435,164	$ 2,037,861	$ 11,473,025

The accompanying notes are an integral part of the financial statements.

CHRISTIAN FAMILY CARE AGENCY, INC.

Statement Of Functional Expenses
For The Year Ended September 30, 2025

	Program Services							Supporting Activities			
	Adoption/ Pregnancy	Counseling	Foster Care	Family Care KIDS	Thrift Stores	Other	Total Program Services	Fundraising	General and Administrative	Total Supporting Activities	Total
Salaries	1,120,044	$ 944,006	$ 1,445,395	$ 910,117	$230,205	$244,617	$4,894,384	$ 312,760	$ 671,401	$ 984,161	$ 5,878,545
Employee benefits and taxes	217,914	183,349	315,294	135,807	35,768	38,505	926,637	46,174	141,066	187,240	1,113,877
Total Salaries and Related Benefits	1,337,958	1,127,355	1,760,689	1,045,924	265,973	283,122	5,821,021	358,934	812,467	1,171,401	6,992,422
Professional services	11,173	11,851	13,463	12,064	2,000	11,740	62,291	194,307	170,421	364,728	427,019
Printing and marketing	29,543	19,682	12,872	17,737	6,353	9,973	96,160	125,425	14,212	139,637	235,797
Office	82,479	69,697	110,701	21,790	26,288	14,925	325,880	48,664	84,700	133,364	459,244
Facilities	46,353	41,915	61,395	44,009	37,674	11,012	242,358	11,148	26,763	37,911	280,269
Rent	4,107	38,586	7,290	56,220	85,973		192,176			-	192,176
Insurance	40,782	46,582	132,915	15,597	69,826	7,669	313,371	10,878	37,579	48,457	361,828
Employee training and other related	6,258	3,428	7,918	4,314	614	2,278	24,810	389	28,004	28,393	53,203
Travel and transportation	42,042	1,631	62,275	1,244	4,047	2,897	114,136	24	823	847	114,983
Dues and subscriptions	430	30,970	3,132	3,779	1	17,377	55,689	16,590	6,605	23,195	78,884
Birth mother living and legal fees	22,480		-				22,480			-	22,480
Therapeutic foster and respite care			292,162				292,162			-	292,162
Foster care recruitment and training	11,399		671				12,070			-	12,070
Banking fees	1,954	5,106			1,566	5	8,631	98,032	9,593	107,625	116,256
Interest	16,902	20,631	22,482	904	622	4,731	66,272	5,066	11,400	16,466	82,738
Bad debts		18,768	10,877				29,645			-	29,645
Depreciation	67,183	70,258	97,133	71,157	13,974	13,022	332,727	12,903	27,789	40,692	373,419
Other	12,166	6,649	31,931	189,513	16,235	21,100	277,594	4,246	12,246	16,492	294,086
Total Expenses	$ 1,733,209	$ 1,513,109	$ 2,627,906	$ 1,484,252	$531,146	$399,851	$8,289,473	$ 886,606	$ 1,242,602	$2,129,208	$10,418,681

The accompanying notes are an integral part of these financial statements.

Cash flows from operating activities:		
Changes in net assets from operations	$	(165,701)
Adjustments to reconcile changes in net assets from operations		
to net cash provided by operating activities:		
Depreciation		373,419
Amortization of ROU assets		150,695
Donated stock		4,794
Donated inventory		10,996
Change in beneficial interest in charitable trust		(69,202)
Net realized and unrealized losses on investments		(88,509)
Changes in assets and liabilities -		
(Increase) in account receivable		(12,232)
Decrease in prepaid expenses		24,323
Increase in accounts payable		16,336
Increase in accrued liabilities		30,302
(Decrease) in agency fund		(102)
(Decrease) in deferred revenue		(9,142)
(Decrease) in lease liabilities		(204,754)
Net cash provided by operating activities		61,223
Cash flows from investing activities:		
Purchases of investments		(1,211,758)
Purchases of property and equipment		(131,220)
Net cash (used in) investing activities		(1,342,978)
Cash flows from financing activities:		
Payment on notes payable		(273,122)
Net cash (used in) financing activities		(273,122)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,554,877)
Cash And Cash Equivalents, Beginning Of Year		3,619,359
CASH AND CASH EQUIVALENTS, END OF YEAR	$	2,064,482

The accompanying notes are an integral part of the financial statements.

(1) Nature Of The Organization

Christian Family Care Agency, Inc. ("CFC"), incorporated in March 1982 in the State of Arizona, is a not-for-profit corporation. CFC is a social services organization that envisions a future where every child is loved and nurtured in Christ-centered families and their purpose is to strengthen the family and serve Arizona's vulnerable children in the name of Jesus Christ. CFC provides family resources, early childhood education, adoption, foster care, family empowerment services and counseling programs focused on meeting the needs of pregnant women, children, young adults and families throughout Arizona.

CFC is a qualified charitable organization in the State of Arizona to receive foster care tax credit contributions that provide immediate basic needs to Arizona residents who are low income, chronically ill, or physically disabled. Contributions received must be allocated at least 50 percent for qualified services that aid qualified residents and individuals in the foster care system.

CFC has contracts with the Arizona Department of Child Safety (DCS) and the Arizona Department of Economic Security (DES) to provide certain client services to families and individuals within their programs. This income is subject to specific compliance and service delivery requirements and are subject to review by the grantor.

(2) Summary Of Significant Accounting Policies

Basis Of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis Of Presentation

CFC reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

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-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.

Estimates

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

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents may include all cash, demand deposits, and investments with original maturities of three months or less, except those held in investment portfolio.

Supplementary Cash Flow Statement Disclosures

Cash paid for interest during the year was $82,739, none of which was capitalized. No cash was paid for income or excise taxes. Cash paid for leases during the year was $236,115.

Accounts Receivable

CFC's policy for charging off receivables is when future payments thereon are determined to be improbable. In determining the amount of the allowance as of the statement of financial position date, CFC develops a loss rate. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions and based on a specific assessment of the creditworthiness of each customer.

Inventory

Donated clothing and household items inventory is valued based upon estimated fair value.

Property and Equipment

Land, buildings and equipment are stated at cost, or, for donated assets, the fair value as of the date of donation. Maintenance and repairs are expensed as incurred; significant acquisitions and improvements, which cost more than $1,500 with a useful life of more than three years are capitalized, or for leasehold improvements, over the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 years
Improvements	2 - 25 years
Equipment, fixtures and vehicles	3 - 7 years

Fair Value Measurements

CFC follows *Fair Value Measurements* which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the standard are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

Certificates of deposit: The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

Equity securities and U.S. Treasuries: Valued at the closing price reported on the active market on which the individual securities are traded.

Mineral rights: The fair value of mineral rights is based on quoted values of the interests a reported by Plains Capital Bank.

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

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Measure Of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CFC ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

CFC recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year.

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period on which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Service fee revenue is derived from resource provider contracts and from individuals, which are conditioned upon certain performance requirements being provided by CFC, including foster care, adoption and counseling. Amounts are recorded as revenue and considered due to CFC when the related service has been provided in compliance with the specific contracts and agreements at a point

in time. Amounts for services provided before payment for those services totaled $330,159 as of September 30, 2025, and reported as accounts receivable. During the fiscal year ended September 30, 2025 and 2024, CFC had $20,233 and $9,828 in advanced contract services which is reflected in deferred revenue.

Revenues from thrift store sales are recognized at the time of the sale.

Leases

CFC determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. CFC does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Methods Used For Allocation Of Expenses From Management And General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, and employee taxes and benefits, professional services, printing and marketing, which are allocated on the basis of estimates of time and effort. Facilities, rent, office expenses and interest are allocated based on square footage. Office expense and insurance are allocated based on full time equivalent.

Subsequent Events

CFC has performed an evaluation of subsequent events through February 23, 2026, which is the date the financial statements were made available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Income Taxes

CFC has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to CFC. Accordingly, the accompanying financial statements contain no provision for income taxes.

Management believes that the CFC has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material

to the financial statements. CFC would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

CFC is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for years ending prior to September 30, 2022. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, CFC believes no issues would arise.

(4) Accounts Receivable

Accounts receivable consisted of the following as of September 30, 2025:

DCS/DES contracts	$	121,736
Therapeutic foster care contracts		67,301
Counseling services		144,011
Other		20,363
		353,411
Less: allowance for credit losses		(23,252)
Accounts receivable, end of the year	$	330,159

Accounts receivable more than ninety days old were $15,704 as of September 30, 2025.

Accounts receivable amounted to $317,927 as of September 30, 2024.

For the year ended September 30, 2025, the allowance for credit losses was as follows:

Beginning balance allowance for credit losses	$	23,966
Provision for credit losses		28,930
Bad debt expense		(29,644)
Ending balance, allowance for credit losses	$	23,252

(5) **Investments**

The following table summarizes CFC's investments by the fair value hierarchy levels as of September 30, 2025:

	Level 1	Level 2	Level 3	Total
Investment -				
U.S. Treasuries	$ 2,132,995	$	$	$ 2,132,995
CDs	1,632,140			1,632,140
Equities -				
Large blend	381,018			381,018
Mineral rights			5,607	5,607
Investments at fair value	$ 4,146,153	$ 0	$ 5,607	4,151,760
Money market funds				37,542
Total investments				$ 4,189,302

	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust -				
Fixed income	$ 296,788	$	$	$ 296,788
Equity securities	1,602,180			1,602,180
Investments at fair value	$1,898,968	$ 0	$ 0	1,898,968
Money market funds				51,307
Total				$1,950,275

The Beneficial Interest in the Charitable Trust which is considered Level 1 based upon the underlying investments. The level 1 trust is maintained in separate investment accounts held at Arden Trust - Arizona (the "Trustee") and are not commingled with other funds by the Trustee. Accordingly, such investments are not reflected as Level 2 or 3 as investments fair market value represents CFC's interest. There was not concentration in investments within the trust during the fiscal year ended September 30, 2025.

Changes in the level 3 investment held for the level 3 investment in mineral rights was as follows as of September 30, 2025:

	Mineral Rights
Balance beginning of year	$ 10,996
Income	3,526
Distributions	(3,526)
Change in fair value	(5,389)
	$ 5,607

(6) **Beneficial Interest In Charitable Trust**

CFC is the recipient of a charitable trust. The trust agreement states that distributions from the trust must be held as an endowment fund to support future operational activity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, CFC classifies as net assets with donor restrictions (a) the original value of gifts on the date received by CFC, (b) the original value of subsequent gifts on the date received by CFC and (c) accumulations to the endowment with donor restrictions made under the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Under UPMIFA, CFC considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CFC and, (7) CFC investment policies.

The spending policy is defined by the charitable trust agreement, which allows the greater of (1) the entire net income generated by the fund or (2) the "minimum investment return" to be distributed each calendar year to CFC for operational activities. The term "minimum investment return" refers to a calculation under Section 4942 of the Internal Revenue Code, which is essentially 5% of the assets of the charitable trust.

CFC has adopted investment policies, approved by the Board of Directors, to provide a predictable stream of funding for operations while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual

distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, and is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund and the investment strategy is to not expose the fund to unacceptable levels of risk.

Fair values of investments and investments restricted for charitable trust are determined by the market approach, using quoted market prices for similar investments, yield curves, and other relevant information.

Changes in endowment net assets as of September 30, 2025, were as follows:

Endowment net assets, beginning of the year	$ 1,881,073
Interest	63,425
Realized/unrealized gains, less investment fees	91,544
Distributions	(85,767)
Endowment net assets, end of year	$ 1,950,275

(7) Property and Equipment

Property and equipment consisted of the following as of September 30, 2025:

Land	$ 2,637,800
Building and improvements	3,150,617
Leasehold improvements	679,812
Furniture and equipment	889,276
Vehicles	39,334
Construction in progress	15,139
	7,411,978
Less: accumulated depreciation	(1,616,578)
Total	$ 5,795,400

Depreciation expense for the year ended September 30, 2025, was $373,419.

(8) **Note Payable**

Bank loan, 2.99% with principal payments of $10,519 which matures in March 2032, secured by real property. Management has elected to pay an additional $13,000 per month towards principal. The note payable balance as of September 30, 2025, was $2,581,184.

Maturities on the note payable at September 30, 2025, which reflect the additional $13,000 paid towards principal, are as follows as of:

Year Ending September 30,	
2026	$ 281,646
2027	290,304
2028	299,066
2029	308,421
2030	317,902
Thereafter	1,083,845
Total	$ 2,581,184

The loan agreement requires the furnishing of financial statements upon the lender's request.

(9) **Line of Credit**

CFC has a $300,000 line of credit that matures in March 2028, with interest at 8.25%. The line of credit is secured by real property. There were no borrowings or repayments on the line of credit during the year ended September 30, 2025.

(10) **Agency Fund**

In 1992, CFC received funds from the former clients of two adoption agencies, which are no longer in existence. The funds are to be used for the storage of adoption files for ninety-nine years. The balance in the agency fund liability account is $6,647 as of September 30, 2025.

(11) **Leases**

CFC evaluated current contracts to determine which met the criteria of a lease. The right-of-use asset represents CFC right to use the underlying asset for the lease term, and the lease liability represents CFC obligation to make lease payments arising from the lease. The right-of-use asset and lease liability, which arise from financing and operating leases, were calculated based on the present value of the future minimum lease payments over the lease term. Because CFC does not have access to the rates implicit in the leases, CFC elected to use the incremental borrowing rate from a mortgage to

discount future lease payments. The incremental borrowing rate associated with the leases as of September 30, 2025, was 2.99%.

Office Equipment

CFC leases a copier under an operating agreement which expires on August 2028 and requires monthly payments of $1,746 increasing annually to $2,043. CFC also leases a copier under an operating agreement which expires on April 2029 and requires monthly payments of $245 increasing annually to $276.

Real Property

Family Care KIDS Space –

CFC leases space under an operating agreement that requires monthly payments of $3,000 beginning September 2022 that increases annually to $5,000 and expires in August 2026 with the option to extend.

Phoenix Thrift Store –

CFC leases property for the Phoenix thrift store location under an operating agreement that require initial monthly payments of $6,558 increasing annually to $6,959 and expiring in February 2030.

Tucson Office Space –

CFC leases office space in Tucson, Arizona under an operating lease which expires April 2027 with no current option to renew. The lease requires payments of $3,583 escalating to $3,801.

Prescott Office Space –

CFC leases office space in Prescott, Arizona, under an operating lease. The lease is month to month and requires monthly payments of $600.

Future maturities of the operating lease liability as of September 30, 2025 were as follows:

Components of lease cost:	
Operating lease cost	$ 168,178
Finance lease cost:	
Amortization of right-of-use assets	21,599
Interest on lease liabilities	2,428
Total finance lease cost	24,027
Total lease cost	$ 192,205

Supplemental statement of financial position information related to leases:	Operating	Finance
ROU assets	$ 681,249	$ 115,296
Accumulated amortization	(234,204)	(41,476)
	$ 447,045	$ 73,820
Lease liabilities	$ 457,753	$ 76,463
Weighted average remaining lease term:	3.18 years	1.61 years
Weighted average discount rate:	2.99%	2.99%
Future maturities of the lease liabilities are as follows:		
2026	$ 178,534	$ 25,727
2027	106,218	26,756
2028	81,200	25,702
2029	82,824	1,930
2030	34,794	
Total lease payments	483,570	80,115
Less present value discount	(25,817)	(3,652)
Total lease obligation	$ 457,753	$ 76,463

(12) **Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted by the donor for specific purposes and the activity for the year ended September 30, 2025, was as follows:

Subject to expenditure for specified purpose:

	Beginning Balance	Additions	Releases	Ending Balance
Foster Care	$ 11,488	$ 3,514	$ 9,711	$ 5,291
Pregnancy/Adoption/SYP	560	3,496	2,824	1,232
Family Care KIDS	113,466	31,783	96,277	48,972
Other	20,901	89,184	77,994	32,091
Total	146,415	127,977	186,806	87,586
Subject to spending policy and appropriation:				
Charitable trust, income distributions for general operations	1,881,073	69,202		1,950,275
Grand Total	$ 2,027,488	$ 197,179	$ 186,806	$ 2,037,861

(13) **Concentrations Of Credit Risk**

CFC's cash demand deposits are held at financial institutions at which deposits are insured up to $250,000 by the FDIC. As of September 30, 2025, CFC exceeded the FDIC limit by approximately $945,000.

Contributors to CFC reside primarily in the State of Arizona. Concentrations of risk for the contributions are limited due to a large number of contributors comprising CFC contribution base and their reliance on many different revenue sources for their discretionary income.

CFC is eligible to receive contributions that may qualify as the Arizona Foster Care Tax Credit to individuals and residents who file taxes in Arizona. Any legislative changes enacted to Arizona Revised Statues related to tax credits could significantly impact revenues.

(14) **Service Fee Revenue**

For the year ended September 30, 2025, service fee revenue consisted of the following:

DCS/DES	$ 1,379,408
Therapeutics foster care services	480,252
Other	1,895,563
Total	$ 3,755,223

(15) **Pension Plan**

CFC established a retirement plan under Section 403(b) of the Internal Revenue Code covering employees eligible to participate in the plan. A predetermined contribution is made to the account of each eligible employee based on annual compensation levels. The Board of Directors establishes contributions annually and can be up to 15% of eligible compensation, as set by Federal regulations. The contribution match rate for eligible employee's compensation is 3%. The total pension expense was $64,842 for the year ended September 30, 2025.

(16) **Liquidity and Funds Available**

CFC has procedures to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. CFC has a $300,000 line of credit, which could be drawn upon in the event of a liquidity need. CFC also has established an operating reserve policy to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured loss. The target minimum operating reserve is equal to three to six months of average recurring operating costs.

The following table reflects CFC financial assets at September 30, 2025, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, are assets held for others or received from donors for specific purposes.

Financial assets, at year-end	
Cash and cash equivalents	$ 2,064,482
Investments	4,189,302
Accounts receivable, net	330,159
Financial assets available to meet cash needs for general expenditures within one year	$ 6,583,943