

Audited Financial Statements

Crisis Center, Inc.
dba Listening Ear Crisis Center

*Years Ended September 30, 2025 and 2024
with Report of Independent Auditors*

Crisis Center, Inc.
dba Listening Ear Crisis Center

Audited Financial Statements

Years Ended September 30, 2025 and 2024

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Report of Independent Auditors

To the Board of Directors Crisis Center, Inc.
dba Listening Ear Crisis Center
Mt. Pleasant, Michigan

Opinion

We have audited the accompanying financial statements of Crisis Center, Inc. dba Listening Ear Crisis Center (a nonprofit 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 Crisis Center, Inc. dba Listening Ear Crisis Center 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 (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crisis Center, Inc. dba Listening Ear Crisis Center 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.

Prior Period Financial Statements

The financial statements of Crisis Center, Inc. dba Listening Ear Crisis Center as of September 30, 2024 were audited by other auditors whose report dated January 31, 2025 expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 Crisis Center, Inc. dba Listening Ear Crisis Center'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAAS, 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 Crisis Center, Inc. dba Listening Ear Crisis Center'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 Crisis Center, Inc., dba Listening Ear Crisis Center'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.

Andrews Hooper Pavlik PLC

Midland, Michigan
February 12, 2026

Crisis Center, Inc. dba Listening Ear

Statements of Financial Position

	September 30	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,783,926	\$ 3,528,363
Accounts receivable, net of allowance of \$25,000	1,348,154	1,096,986
Prepaid expenses and other current assets	101,472	47,963
Total current assets	4,233,552	4,673,312
Property and equipment, net	5,237,773	4,460,064
Beneficial interest in assets held by Community Foundation	2,796,984	2,588,544
Life insurance cash value	23,958	23,223
Financing lease right-of-use asset	324,398	296,195
Operating lease right-of-use asset	349,388	185,358
Total assets	<u>\$ 12,966,053</u>	<u>\$ 12,226,696</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 276,997	\$ 224,980
Other payables	106,573	98,764
Accrued payroll and related taxes	460,303	611,947
Accrued leave time payable	187,936	203,387
Deferred revenue	34,965	24,586
Notes payable - current portion	39,597	186,062
Financing lease liability - current portion	65,069	47,530
Operating lease liability - current portion	186,038	104,856
Total current liabilities	1,357,478	1,502,112
Notes payable - net of current portion	1,314,064	599,464
Financing lease liability - net of current portion	216,954	204,534
Operating lease liability - net of current portion	164,288	81,303
Total liabilities	3,052,784	2,387,413
Net assets:		
Without donor restrictions	9,848,539	9,769,097
With donor restrictions	64,730	70,186
Total net assets	9,913,269	9,839,283
Total liabilities and net assets	<u>\$ 12,966,053</u>	<u>\$ 12,226,696</u>

See accompanying notes.

Crisis Center, Inc. dba Listening Ear

Statement of Activities

For the Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue, and gains:			
Contributions	\$ 15,722	\$ 6,000	\$ 21,722
United Way allocations	1,488	19,967	21,455
Governmental agency contracts/grants	13,855,826	17,400	13,873,226
Program service fees	15,212	-	15,212
Rental income	1,349,065	-	1,349,065
Interest income	88,572	-	88,572
Change in market value of assets held by			
Community Foundation	208,440	-	208,440
Management fees	364,949	-	364,949
Miscellaneous	57,124	-	57,124
Loss on asset disposal	(11,956)	-	(11,956)
Net assets released from restrictions	48,823	(48,823)	-
Total public support, revenue, and gains	15,993,265	(5,456)	15,987,809
Expenses:			
Program services:			
Program service expenses	14,520,475	-	14,520,475
Support services:			
Management and general	1,393,348	-	1,393,348
Total expenses	15,913,823	-	15,913,823
Change in net assets	79,442	(5,456)	73,986
Net assets as of beginning of year	9,769,097	70,186	9,839,283
Net assets as of end of year	\$ 9,848,539	\$ 64,730	\$ 9,913,269

Crisis Center, Inc. dba Listening Ear

Statement of Activities

For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue, and gains:			
Contributions	\$ 13,257	\$ 10,000	\$ 23,257
United Way allocations	2,489	23,767	26,256
Governmental agency contracts/grants	12,586,602	15,000	12,601,602
Program service fees	53,047	-	53,047
Rental income	1,225,139	-	1,225,139
Interest income	111,302	-	111,302
Change in market value of assets held by			
Community Foundation	456,341	-	456,341
Management fees	363,393	-	363,393
Miscellaneous	42,432	-	42,432
Gain on asset disposal	10,071	-	10,071
Net assets released from restrictions	26,850	(26,850)	-
Total public support, revenue, and gains	14,890,923	21,917	14,912,840
Expenses:			
Program services:			
Program service expenses	12,993,360	-	12,993,360
Support services:			
Management and general	1,337,152	-	1,337,152
Total expenses	14,330,512	-	14,330,512
Change in net assets	560,411	21,917	582,328
Net assets as of beginning of year	9,208,686	48,269	9,256,955
Net assets as of end of year	\$ 9,769,097	\$ 70,186	\$ 9,839,283

Crisis Center, Inc. dba Listening Ear

Statement of Functional Expenses

For the Year Ended September 30, 2025

	AFC	CLS	Foster Care	Rental	Crisis Center	Youth Grants	CSATP and ABA	Total Program Services	Management and General	Total
Salaries and wages	\$ 7,083,054	\$ 582,791	\$ 188,836	\$ 48,327	\$ 313,316	\$ 224,464	\$ 82,221	\$ 8,523,009	\$ 695,359	\$ 9,218,368
Employee health benefits	674,954	72,725	18,941	3,361	17,572	8,045	7,143	802,741	61,778	864,519
Payroll taxes	537,366	44,090	14,057	3,708	24,232	17,281	6,084	646,818	52,826	699,644
Professional fees	2,029	-	4,564	24,588	23,562	10,190	2,880	67,813	162,587	230,400
Consultant contract services	4,460	-	1,236,891	-	-	99,427	-	1,340,778	236,578	1,577,356
Supplies	673,589	7,390	9,628	1,739	1,506	44,733	177	738,762	55,666	794,428
Telephone	39,214	-	-	33,952	2,256	1,093	-	76,515	21,649	98,164
Occupancy	324,071	1,509	-	219,053	1,539	57,843	4,195	608,210	31,831	640,041
Local transportation	121,434	29,530	7,678	5	2	12,520	4,172	175,341	3,886	179,227
Printing and publications	-	-	-	-	-	-	-	-	2,213	2,213
Insurance	56,556	8,767	2,238	81,352	3,007	2,074	1,481	155,475	23,331	178,806
Repairs and maintenance	264,466	-	-	338,328	-	2,943	-	605,737	31,361	637,098
Miscellaneous	-	-	-	2,312	11,284	-	-	13,596	-	13,596
Aid to individuals	-	2,059	-	-	16,096	73,053	-	91,208	-	91,208
Interest expense	10,218	-	-	72,745	-	-	-	82,963	-	82,963
Bad debt	-	-	-	25,771	-	-	-	25,771	-	25,771
Operating lease	201,265	-	-	-	-	-	-	201,265	-	201,265
Capital outlay	27,342	-	-	-	-	-	-	27,342	-	27,342
Total expenses before depreciation and amortization	10,020,018	748,861	1,482,833	855,241	414,372	553,666	108,353	14,183,344	1,379,065	15,562,409
Depreciation expense	32,495	-	-	234,744	-	-	-	267,239	14,283	281,522
Amortization expense	69,892	-	-	-	-	-	-	69,892	-	69,892
Total expenses	<u>\$ 10,122,405</u>	<u>\$ 748,861</u>	<u>\$ 1,482,833</u>	<u>\$ 1,089,985</u>	<u>\$ 414,372</u>	<u>\$ 553,666</u>	<u>\$ 108,353</u>	<u>\$ 14,520,475</u>	<u>\$ 1,393,348</u>	<u>\$ 15,913,823</u>

See accompanying notes.

Crisis Center, Inc. dba Listening Ear

Statement of Functional Expenses

For the Year Ended September 30, 2024

	AFC	CLS	Foster Care	Rental	Crisis Center	Youth Grants	CSATP and ABA	Total Program Services	Management and General	Total
Salaries and wages	\$ 6,502,951	\$ 601,666	\$ 167,661	\$ -	\$ 236,539	\$ 187,149	\$ 99,186	\$ 7,795,152	\$ 687,395	\$ 8,482,547
Employee health benefits	529,717	82,653	21,134	-	11,086	10,776	5,855	661,221	53,191	714,412
Payroll taxes	493,886	46,000	12,561	-	18,124	14,235	7,721	592,527	51,346	643,873
Professional fees	6,136	-	2,666	2,880	11,337	13,309	2,666	38,994	178,119	217,113
Consultant contract services	8,734	-	1,064,338	-	150	91,337	-	1,164,559	181,683	1,346,242
Supplies	625,001	4,021	11,257	-	1,256	38,965	1,952	682,452	59,065	741,517
Telephone	35,966	-	-	32,146	2,028	-	-	70,140	6,923	77,063
Occupancy	257,396	1,384	-	192,415	1,394	29,257	208	482,054	26,313	508,367
Local transportation	112,967	16,790	12,029	-	144	16,182	8,277	166,389	2,722	169,111
Printing and publications	710	-	-	-	-	50	-	760	-	760
Insurance	50,148	7,774	1,985	72,133	2,666	1,652	1,313	137,671	19,384	157,055
Repairs and maintenance	227,315	383	-	461,272	-	-	-	688,970	15,070	704,040
Miscellaneous	-	-	-	-	-	-	-	-	2,370	2,370
Aid to individuals	-	-	-	-	-	12,307	-	12,307	-	12,307
Interest expense	2,199	-	-	35,671	-	-	-	37,870	-	37,870
Bad debt	-	-	-	-	-	-	-	-	28,869	28,869
Operating lease	201,508	-	-	-	-	-	-	201,508	-	201,508
Capital outlay	8,974	-	-	-	-	-	-	8,974	8,285	17,259
Total expenses before depreciation and amortization	9,063,608	760,671	1,293,631	796,517	284,724	415,219	127,178	12,741,548	1,320,735	14,062,283
Depreciation expense	29,138	-	-	212,634	-	-	-	241,772	16,417	258,189
Amortization expense	10,040	-	-	-	-	-	-	10,040	-	10,040
Total expenses	<u>\$ 9,102,786</u>	<u>\$ 760,671</u>	<u>\$ 1,293,631</u>	<u>\$ 1,009,151</u>	<u>\$ 284,724</u>	<u>\$ 415,219</u>	<u>\$ 127,178</u>	<u>\$ 12,993,360</u>	<u>\$ 1,337,152</u>	<u>\$ 14,330,512</u>

See accompanying notes.

Crisis Center, Inc. dba Listening Ear

Statements of Cash Flows

	Year Ended September 30	
	2025	2024
Operating activities		
Change in net assets	\$ 73,986	\$ 582,328
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	281,522	258,189
Net appreciation of beneficial interest in assets held by Community Foundation	(208,440)	(456,341)
Financing lease amortization	69,892	10,040
Loss (gain) on asset disposal	11,956	(10,071)
Change in assets and liabilities:		
Accounts receivable	(251,168)	(45,323)
Prepaid expenses and other current assets	(53,509)	85,123
Life insurance cash value	(735)	(672)
Operating lease right-of use asset	(164,030)	10,493
Accounts payable	52,017	397
Other payables	7,809	6,815
Accrued payroll and related taxes	(151,644)	(270,241)
Accrued leave time payable	(15,451)	9,788
Deferred revenue	10,379	(12,789)
Operating lease liability	164,167	(9,692)
Net cash from operating activities	(173,249)	158,044
Investing Activities		
Proceeds from sale of property and equipment	2,400	20,097
Direct acquisition costs of financing leases	(13,409)	(49,646)
Purchase of property and equipment	(67,714)	(288,016)
Net cash from investing activities	(78,723)	(317,565)
Financing Activities		
Debt payments	(804,865)	(211,056)
Proceeds from debt agreements	367,127	-
Principal payments on financing leases	(54,727)	(4,526)
Net cash from financing activities	(492,465)	(215,582)
Net change in cash and cash equivalents	(744,437)	(375,103)
Cash and cash equivalents at beginning of year	3,528,363	3,903,466
Cash and cash equivalents at end of year	<u>\$ 2,783,926</u>	<u>\$ 3,528,363</u>
Other required disclosures		
Interest paid	\$ 82,963	\$ 37,870
Supplemental disclosures of non-cash operating activities		
Cash paid for amounts included in measurement of liabilities		
Operating cash flows from operating leases	\$ 205,054	\$ 201,508
Debt proceeds used to purchase property and equipment	\$ 1,005,873	\$ -

See accompanying notes.

Crisis Center, Inc.
dba Listening Ear Crisis Center

Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Crisis Center, Inc., dba Listening Ear Crisis Center (the Organization) provides a variety of services to the community. The Organization operates a 24-hour crisis intervention phone line, a runaway youth advocacy and counseling program, sexual abuse treatment program, and other similar programs. The Organization also operates a number of Group Homes, Community Living supported programs and income-based rental units.

Method of Accounting

The record of the Organization are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following mutually exclusive net assets classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The Board of Directors has designated, from net assets without donor restrictions, net assets for residential needs, staff and accounting needs, and building and technology improvements.

Net Assets without Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. If a restriction is fulfilled in the same time period in which the funding is received, the Organization reports the support as net assets without donor restrictions.

Crisis Center, Inc.
dba Listening Ear Crisis Center

Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are carried at invoiced amounts less an allowance for credit losses, when deemed necessary. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for credit losses using an expected loss rate method, based on industry experience, collections and the current credit condition of each account. The Organization does not charge interest on outstanding receivables. The Organizations trade receivables are largely made up of reimbursements from Community Mental Health and Department of Health and Human Service Organizations, which the expected loss is zero. The Organization analyzes all remaining trade receivables as one portfolio segment. The allowance for credit losses on trade accounts receivable balances was \$25,000 as of September 30, 2025 and 2024.

Prepaid Expenses and Other Current Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Other current assets consists of health insurance and life insurance policies held for employees.

Property and Equipment

The Organization capitalizes all acquisitions greater than \$5,000 at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets which range from 19 to 40 years for buildings, 10 to 15 years for land and building improvements, and 3 to 7 years for equipment and vehicles.

Beneficial Interest in Assets Held by Community Foundation

The Organization established a permanent endowment fund (the Fund) at the Mount Pleasant Area Community Foundation (the Foundation) and named itself as the beneficiary. The Organization granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community.

Crisis Center, Inc.
dba Listening Ear Crisis Center

Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Beneficial Interest in Assets Held by Community Foundation (continued)

The Fund is held and invested by the Foundation for the benefit of the Organization and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. Investment income is recorded as it is earned. Investment expenses are reported as reductions to investment income. There were no distributions received from the Fund during the years ended September 30, 2025 and 2024.

Life Insurance Cash Value

The Organization is the owner and beneficiary of a life insurance policy taken out on a key officer. The reported value is the amount to be received if the policy is surrendered. The policy may only be surrendered by the Board of Directors.

Leases

The Organization leases certain adult foster care homes as well as some vehicles. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating and financing leases are included in operating and financing lease right-of-use ("ROU") assets and under current and long-term liabilities as financing and operating lease liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating and financing lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate based on the information available at lease commencement. The lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option.

Crisis Center, Inc.
dba Listening Ear Crisis Center

Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Accounts Payable

Accounts payable consists of amounts due for expenses incurred and goods received but not yet paid for as of fiscal year-end.

Other Payables

The Organization's other payables consisted of several miscellaneous liabilities as of September 30, 2025 and 2024, as follows:

	2025	2024
Security deposit payables	\$ 77,308	\$ 72,292
General liabilities	2,436	704
Accrued property taxes	26,829	25,768
Total other payables	<u>\$ 106,573</u>	<u>\$ 98,764</u>

Accrued Wages and Related Taxes

Accrued wages and related taxes consists of wages that were incurred but not yet paid as of fiscal year-end.

Accrued Leave Time Payable

Accrued leave time payable includes future personal pay and similar benefits that meet all of the following conditions:

- The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered;
- The obligation relates to rights that vest or accumulate;
- The payment of compensation is probable; and
- The amount can be reasonably estimated.

The Organization's policy and agreements with its employees for personal time meet these criteria and accordingly constitute an accrued liability (shown as "Accrued Leave Time Payable") on the statements of financial position.

Deferred Revenue

Deferred revenue primarily consists of amounts received in advance for rent and is recognized once earned.

Crisis Center, Inc.
dba Listening Ear Crisis Center

Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Notes Payable

Notes payable consists of mortgages and promissory notes payable to Isabella Bank. These notes are secured by related assets and paid in monthly installment payments.

Public Support and Revenue

Contributions

All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for special purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions. Conditional contributions, 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.

Revenue From Contracts with Customers

The Organization derives most of its revenue from short-term direct care, call center, and foster care contracts with local and state agencies, rental management contracts, and tenant charges from the Organization's lease arrangements. The Organization typically accounts for its contracts and non-leasing components as a single performance obligation.

The Organization has elected to use the right to invoice practical expedient, under which the Organization recognizes revenue in the amount that it has the right to consideration from a customer that corresponds directly with the value of the Organization's performance completed to date.

The Organization feels the tenant charge related services rendered at a point in time best exhibits the satisfaction of the Organization's tenant charge related performance obligations. Direct care related services are rendered over time at hourly rates and billed monthly. Foster care and call center services are rendered over time and billed monthly or annually.

The Organization's contracts do not typically include variable consideration. The Organization has elected to recognize incremental costs of obtaining contracts with customers as an expense when incurred.

Crisis Center, Inc.
dba Listening Ear Crisis Center

Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Economic Factors

The following economic factors affect the nature, amount, timing, and uncertainty of the Organization's revenue and cash flows as indicated:

- Overall health of the economy: Declines in the overall health of the economy will typically affect the availability of local and state agency funding to the Organization.
- Geographical location of clients: Services are provided by the Organization to citizens in Isabella County, Clare County, and the areas adjacent to those locations.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages and payroll taxes	Time and effort
Employee health benefits	Time and effort
Professional fees and contract services	Relative program activity
Supplies	Relative program activity
Telephone	Relative program activity
Occupancy	Square footage
Local Transportation	Relative program activity
Insurance	Relative program activity
Repairs and maintenance	Relative program activity
Depreciation	Square footage

Income Tax Status

The Organization qualifies as an exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code.

Generally, tax years from 2022 through the current year remain open to examination. Management does not believe that the results from any examination of these open years would have a material adverse effect on the Organization.

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Notes to Financial Statements

September 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Event

The Organization has evaluated subsequent events through February 6, 2026, the date which the financial statements were available to be issued.

2. Concentration of Credit Risk

The carrying value of cash and investments held by the Organization as of September 30, is as follows:

	2025	2024
Petty cash	\$ 1,250	\$ 1,100
Deposits with financial institutions		
Cash in checking and savings account	2,782,676	3,058,524
Certificates of deposit	-	468,739
Total deposits with financial institutions	2,782,676	3,527,263
Total cash and cash equivalents	<u>\$ 2,783,926</u>	<u>\$ 3,528,363</u>

The risk disclosure for the Organization's cash and cash equivalents deposits are as follows:

	FDIC Insured	Uninsured	Total
September 30, 2025			
Bank balances	\$ 250,000	\$ 2,609,021	\$ 2,859,021
September 30, 2024			
Bank balances	\$ 250,000	\$ 3,339,886	\$ 3,589,886

Due to varying cash flows, the Organization's deposits with financial institutions may have been higher during the year than at year end. Therefore, there may have been more deposits that were uninsured during the year. The Organization believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. A portion of the uninsured cash held in the account is uninsured by the FDIC but is collateralized by the bank. The balance in the sweep account as of September 30, 2025 was \$2,722,294 and \$2,982,442 as of September 30, 2024.

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3. Liquidity and Availability of Financial Assets

The Organization's primary source of revenue is derived from governmental contracts and grants that generally have no donor restrictions. The Organization has the following financial assets available for general expenditures within one year as of September 30.

	2025	2024
Cash and cash equivalents	\$ 2,783,926	\$ 3,528,363
Accounts receivable	1,348,154	1,096,986
Total financial assets	4,132,080	4,625,349
Less amounts not available to be used within one year:		
Board designated funds	(1,723,836)	(1,832,033)
Donor restricted funds	(64,730)	(70,186)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,343,514	\$ 2,723,130

4. Beneficial Interest in Assets Held by Community Foundation

The restricted asset "Beneficial Interest in Assets Held by Community Foundation" consists of the cumulative contributions made by the Organization to the Foundation naming itself or its affiliates as the designated beneficiary. The contributions to this fund are irrevocable. This account contains funds approved and directed by the board of directors to be made to the Foundation from net assets without donor restrictions. The beneficial interest is reported at the fair market value of the fund as determined by the Foundation. Investment income of the fund, net of expenses, and any net realized and unrealized gains and losses, are included in "Change in Market Value of Assets Held by Community Foundation," in the statement of activities. The Foundation has variance power to redistribute these contributions to another beneficiary in the event that it finds the Organization is unnecessary, incapable of fulfillment, or is inconsistent with the needs of the community. The fund shall continue so long as assets are available in the fund and the purposes of the fund can be served by its continuation. If the fund is terminated, the Foundation shall devote any remaining assets in the fund exclusively for charitable purposes consistent with those of the original purpose. Distribution from the endowment funds to the Organization and/or its affiliates are made only from annual earnings net of fees and expenses.

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) to permit spending the fair value of the assets associated with individual endowment funds that may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration.

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4. Beneficial Interest in Assets Held by Community Foundation (continued)

These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriations for certain programs deemed prudent by the Foundation.

Current and cumulative information is available as follows:

Fiscal Year Ended September 30, 2025	Crisis Services Fund	Child Sexual Abuse Treatment Fund	Consumer Needs and Dreams Fund	Phil A. Langlois Fund	Total
Endowment net assets as of beginning of year	\$ 1,145,213	\$ 1,180,061	\$ 56,213	\$ 207,057	\$ 2,588,544
Disbursements	-	-	(5,000)	-	(5,000)
Investment income	33,894	34,926	1,563	6,127	76,510
Administrative expenses	(14,713)	(15,082)	(712)	(2,861)	(33,368)
Net realized and unrealized gains	75,522	77,827	3,306	13,643	170,298
Endowment net assets as of end of year	<u>\$ 1,239,916</u>	<u>\$ 1,277,732</u>	<u>\$ 55,370</u>	<u>\$ 223,966</u>	<u>\$ 2,796,984</u>

Fiscal Year Ended September 30, 2024	Crisis Services Fund	Child Sexual Abuse Treatment Fund	Consumer Needs and Dreams Fund	Phil A. Langlois Fund	Total
Endowment net assets as of beginning of year	\$ 943,277	\$ 971,898	\$ 46,340	\$ 170,688	\$ 2,132,203
Investment income	28,778	29,651	1,413	5,206	65,048
Administrative expenses	(14,438)	(14,782)	(753)	(2,775)	(32,748)
Net realized and unrealized gains	187,596	193,294	9,213	33,938	424,041
Endowment net assets as of end of year	<u>\$ 1,145,213</u>	<u>\$ 1,180,061</u>	<u>\$ 56,213</u>	<u>\$ 207,057</u>	<u>\$ 2,588,544</u>

5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

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5. Fair Value Measurements (continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories.

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2025 and 2024.

Beneficial Interest in Assets Held by Community Foundation: Valued at the beneficial interest in assets held at the fair value of the Organization's share of the investment as of the measurement date.

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

Cash and cash equivalents and other current assets held by the Organization were measured using Level 1 inputs within the fair value hierarchy. The following are the Organization's assets measured at fair value using a Level 3 input as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Beneficial Interest in Assets Held by Community Foundation	<u>\$ 2,796,984</u>	<u>\$ 2,588,544</u>

Changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are the same as the activity in the endowment fund as disclosed in Note 4.

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Notes to Financial Statements

September 30, 2025

6. Property and Equipment, net

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

	2025	2024
Land	\$ 612,788	\$ 486,187
Land improvements	55,465	8,050
Buildings	7,361,759	6,940,491
Building improvements	1,231,814	794,784
Equipment and vehicles	671,453	684,461
Total cost	9,933,279	8,913,973
Accumulated depreciation	(4,695,506)	(4,453,909)
Property and equipment, net	<u>\$ 5,237,773</u>	<u>\$ 4,460,064</u>

7. Long-Term Debt

As of September 30, 2025, the Organization had a mortgage and a promissory note outstanding. The related assets are pledged collateral for these notes. Total interest expense was \$72,752 for the years ended September 30, 2025 and \$36,266 for the year ended September 30, 2024.

Long-term debt consisted of the following obligations as of September 30:

	2025	2024
Mortgage payable to Isabella Bank, secured by related assets, payable in monthly installments of \$13,097, including interest of 2.67%, due September 19, 2025. Note paid in full during the year ended September 30, 2025.	\$ -	\$ 145,490
Promissory note payable to Isabella Bank, secured by related assets, payable in monthly installments of \$5,538, including interest of 4.425%, with a balloon payment due April 10, 2027. Note paid in full during the year ended September 30, 2025.	-	638,084
Vehicle note payable to Isabella Bank, secured by related assets, payable in monthly installments of \$1,975, including interest of 3.99%, due October 18, 2024. Note paid in full during the year ended September 30, 2025.	-	1,952

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Notes to Financial Statements

September 30, 2025

7. Long-Term Debt (continued)

	2025	2024
Promissory note payable in the amount of \$1,005,000 to Isabella Bank, secured by related assets, payable in monthly installments of \$8,165, including interest of 7.5%, due May 19, 2045	\$ 992,436	\$ -
Mortgage payable in the amount of \$368,000 to Isabella Bank, secured by related assets, payable in monthly installments of \$2,989, including interest of 7.5%, due November 14, 2044	361,225	-
Total long-term debt	1,353,661	785,526
Less: current portion	39,597	186,062
Long-term debt – net of current portion	<u>\$ 1,314,064</u>	<u>\$ 599,464</u>

Scheduled principal maturities of long-term debt for the years succeeding September 30, 2025 are as follows:

Year Ending September 30,	Amount
2026	\$ 39,597
2027	34,529
2028	37,248
2029	40,181
2030	43,344
Thereafter	1,158,762
	<u>\$ 1,353,661</u>

8. Leases

Operating Leases

In fiscal year 2025, the Organization entered into 6 lease agreements for group homes. The Organization will lease these homes through December 31, 2027. Monthly lease payments are \$9,857 and lease expense was \$88,715 for the year ended September 30, 2025.

In fiscal year 2024, the Organization entered into 3 lease agreements for group homes. The Organization will lease these homes through December 31, 2026. Monthly lease payments are \$5,222 and lease expense was \$62,658 for the year ended September 30, 2025 and \$51,849 for the year ended September 30, 2024.

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Notes to Financial Statements

September 30, 2025

8. Leases (continued)

Operating Leases (continued)

In 2023, the Organization entered into 2 lease agreements for group homes. The Organization will lease these homes through December 31, 2025. Monthly lease payments are \$1,655 and lease expense was \$19,861 for the year ended September 30, 2025 and 2024.

In 2022, the Organization entered into 6 lease agreements for group homes. The Organization leased these homes through December 31, 2024. Monthly lease payments are \$9,175 and lease expense was \$27,525 for the year ended September 30, 2025 and \$110,100 for the year ended September 30, 2024.

During the year ended September 30, 2025, the Organization began a 2-year lease agreement for a van. Monthly lease payments are \$899 and lease expense was \$6,295 for the year ended September 30, 2025. The estimates of the Organization's operating lease right-of-use asset and related lease liability are based on the 2-year lease term.

Financing Leases

The Organization has 4 leases for vehicles that meet the criteria for a financing lease. Termination of the lease generally is prohibited unless there is a violation under the lease agreement. During the year ended September 30, 2024, the Organization began 5-year lease agreements for 3 vehicles. The initial direct acquisition costs of these lease agreements were \$49,646. Monthly lease payments are \$4,676 and lease expense was \$56,109 for the year ended September 30, 2025 and \$51,101 for the year ended September 30, 2024. The estimates of the Organization's intangible right-of-use asset and related lease liability are based on the 5-year lease term.

During the year ended September 30, 2025, the Organization began a 5-year lease agreement for 1 vehicle. The initial direct acquisition cost of this lease agreement was \$13,409. Monthly lease payments are \$1,541 and lease expense was \$22,238 for the year ended September 30, 2025. The estimates of the Organization's intangible right-of-use asset and related lease liability is based on the 4-year lease term.

Short-Term Leases

The Organization leases certain homes and office space on a demand basis. The Organization has elected the practical expedient for these short-term leases as the lease terms are less than 12 months. Total short-term lease expense was \$49,049 for the year ended September 30, 2025 and \$2,175 for the year ended September 30, 2024.

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Notes to Financial Statements

September 30, 2025

8. Leases (continued)

All Leases

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

Qualitative Disclosures

The lease cost and other required information for the years ended September 30, 2025 and 2024 are:

	2025	2024
Lease costs		
Finance lease cost:		
Amortization of right-of-use asset	\$ 69,892	\$ 10,040
Interest on lease liability	10,211	1,601
Operating lease cost	205,054	201,508
Short-term lease cost	49,049	2,175
Total lease cost	<u>\$ 334,206</u>	<u>\$ 215,324</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 10,211	\$ 1,604
Financing cash flows from finance leases	\$ 68,140	\$ 4,526
Operating cash flows from operating leases	\$ 205,054	\$ 201,508
Weighted-average remaining lease term:		
Finance leases	4.08 years	4.92 years
Operating leases	1.72 years	1.83 years
Weighted-average discount rate:		
Finance leases	3.87%	3.80%
Operating leases	4.27%	4.33%

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Notes to Financial Statements

September 30, 2025

8. Leases (continued)

Maturity Analysis of Lease Liability

Future minimum lease payments and reconciliation to the balance sheet as of September 30, 2025:

	Operating Leases	Financing Lease	Total
2026	\$ 196,703	\$ 74,603	\$ 271,306
2027	138,448	74,603	213,051
2028	29,572	74,603	104,175
2029	-	69,927	69,927
2030	-	10,788	10,788
Total	364,723	304,524	669,247
Less: interest	14,397	22,501	36,898
Lease liabilities	\$ 350,326	\$ 282,023	\$ 632,349

9. Net Assets with Donor Restrictions

As of September 30, 2025, net assets with donor restrictions consisted of the following:

Fiscal Year September 30, 2025	Clare Area AFC's	L.E.A.F. Program	Community Engagement	Homeless Youth and CSATP Programs	Weekend Recreation	Total Net Assets with Donor Restrictions
Beginning balance	\$ 10,000	\$ -	\$ 1,980	\$ 50,165	\$ 8,041	\$ 70,186
Additions	-	6,000	-	31,117	6,250	43,367
Redistribution*	-	26,000	-	(26,000)	-	-
Funds released	(2,059)	(10,575)	-	(32,379)	(3,810)	(48,823)
Ending balance	\$ 7,941	\$ 21,425	\$ 1,980	\$ 22,903	\$ 10,481	\$ 64,730

*Funds related to the L.E.A.F program were previously included as part of the Homeless Youth and CSATP program, but due to increased activity, the Organization decided to separate those funds into a separate program category.

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Notes to Financial Statements

September 30, 2025

9. Net Assets with Donor Restrictions (continued)

As of September 30, 2024, net assets with donor restrictions consisted of the following:

Fiscal Year September 30, 2024	Clare Area AFC's	Memorial Gift for AFC	Community Engagement	Homeless Youth and CSATP Programs	Weekend Recreation	Total Net Assets with Donor Restrictions
Beginning balance	\$ -	\$ 1,038	\$ 1,980	\$ 40,381	\$ 4,870	\$ 48,269
Additions	10,000	-	-	32,767	6,000	48,767
Funds released	-	(1,038)	-	(22,983)	(2,829)	(26,850)
Ending balance	\$ 10,000	\$ -	\$ 1,980	\$ 50,165	\$ 8,041	\$ 70,186

10. Net Assets without Donor Restrictions

As of September 30, 2025 and 2024, net assets without donor restrictions consisted of the following:

	2025	2024
Undesignated	\$ 1,443,607	\$ 1,673,982
Net investment in property and equipment	3,884,112	3,674,538
Beneficial interest in assets held at community foundation	2,796,984	2,588,544
Board designated for residential needs	215,033	215,033
Board designated for staff and accounting needs	808,500	808,500
Board designated for building and technology improvements	700,303	808,500
	<u>\$ 9,848,539</u>	<u>\$ 9,769,097</u>

11. Revenue from Contracts with Customers

The following tables disaggregate contract revenue by service and source, which the Organization believes best depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors for the years ended September 30, 2025 and 2024:

Revenue by service	2025	2024
Direct care services	\$ 12,040,426	\$ 11,148,596
Foster care management fees	364,949	363,393
Call center services	111,335	105,108
Non-lease tenant services	61,885	63,267
	<u>\$ 12,578,595</u>	<u>\$ 11,680,364</u>

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Notes to Financial Statements

September 30, 2025

11. Revenue from Contracts with Customers (continued)

Revenue by source	2025	2024
Community Mental Health	\$12,454,887	\$ 11,552,510
Consumers	76,517	81,147
Department of Health and Human Services	47,191	46,707
	<u>\$12,578,595</u>	<u>\$ 11,680,364</u>

The beginning and ending contract balances related to these revenues were as follows:

Accounts Receivable	2025	September 30, 2024	2023
Direct care services	\$ 1,042,492	\$ 794,687	\$ 864,750
Foster care services	166,331	188,381	105,453
Non-lease tenant charges	5,475	11,125	12,481
Call center services	375	375	-
Total	<u>\$ 1,214,673</u>	<u>\$ 994,568</u>	<u>\$ 982,684</u>

Deferred revenue related to contracts with customers amounts to \$0 as of September 30, 2025 and 2024 and \$5,844 as of September 30, 2023.

Remaining performance obligations represent the transaction price of services yet to be rendered. Under the right to invoice practical expedient, the Organization need not disclose quantitative information regarding remaining performance obligations, as revenue is recognized in an amount directly corresponding with performance completed to date.

12. Concentration Risks

Revenue generated under contracts with Community Mental Health for Central Michigan (CMH) represented 78% of total revenue during the year ended September 30, 2025 and 77% during the year ended September 30, 2024.

Accounts receivables from Community Mental Health for Central Michigan (CMH) represented 51% of the total accounts receivable as of September 30, 2025 and 56% of the total accounts receivable as of September 30, 2024.

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Notes to Financial Statements

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13. Risk and Uncertainties

The Organization's operations are greatly dependent on governmental funding of their various programs. Significant changes in the level of government funding of these programs could have a favorable or unfavorable impact on the operating result of the Organization.

14. Contingencies

The Organization is subject to various legal proceedings arising in the course of providing services to the community. However, in the opinion of the Organization's attorneys and management, the resolution of these matters will not have material effect on the financial condition of the Organization.

15. Subsequent Events

Subsequent to year end, the Organization paid off the mortgage payable to Isabella bank that was due November 14, 2044. The Organization paid off the remaining balance of \$361,225. No adjustments were made to the financial statements as a result of this subsequent event.

On October 27, 2025, the Organization entered into a merger agreement with Valley Residential Services, Inc., a provider of services and programs with persons with disabilities, persons with mental illness and the elderly, due to become effective April 1, 2026. Valley Residential Services, Inc., has 14 adult foster care homes. The Organization will apply for new adult foster care licenses for the homes and operate the adult foster care homes prior to the date of the merger under Management Agreements with Valley Residential Services, Inc, until the new adult foster care licenses are issued. On February 2, 2026, the Organization entered two management agreements for two adult foster care homes. The primary reason for the acquisition is to expand services with additional Community Mental Health partners. Valley Residential Services, Inc., will cease to exist legally as of the date of the merger. Listening Ear will accept all assets, liabilities, and operations of homes (subject to approvals of the various CMHSPs) of Valley Residential Services, Inc.

The initial accounting for the business combination is incomplete as of the date these financial statements are issued. Accordingly, certain disclosures, such as fair values of assets acquired and liabilities assumed, cannot be provided at this time. The Organization will provide the required disclosures in future financial statements once the initial accounting is finalized.

The results of operation of Valley Residential Services, Inc. will be included in the Organization financial statements beginning April 1, 2026. The Organization is currently evaluating the impact of the acquisition on its financial position and results of operations.

The Organization is currently in the process of determining the fair values of the assets acquired and liabilities assumed; therefore, the financial effect of the acquisition cannot be reasonably estimated at this time.