

ProAct, Inc.
Eagan, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2024 and 2023



CERTIFIED PUBLIC ACCOUNTANTS

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ProAct, Inc.
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of ProAct, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 and 2023, 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 ProAct, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of ProAct, 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 ProAct, 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 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, including omissions, 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 ProAct, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ProAct, 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.

Capita Ent and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
October 1, 2024

EXHIBIT B

PROACT, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2024
WITH COMPARATIVE TOTALS FOR 2023

	2024						2023					
	Program Services			Support Services			Program Services			Support Services		
	Employment	Vocational	Training & Habilitation	Eagan Production	Program Services	Management & General	Fund-raising	Support Services	Total All Services	Total All Services	Total All Services	
Salaries	\$ 1,365,200	\$ 393,022	\$ 3,627,099	\$ 621,096	\$ 6,006,417	\$ 795,492	\$ -	\$ 795,492	\$ 6,801,909	\$ 6,320,519		
Payroll Taxes	103,409	29,064	268,016	45,704	446,193	40,197	-	40,197	486,390	461,249		
Employee Benefits	299,717	69,811	753,878	187,649	1,311,055	176,766	-	176,766	1,487,821	1,357,591		
Total Personnel Costs	1,768,326	491,897	4,648,993	854,449	7,763,665	1,012,455	-	1,012,455	8,776,120	8,139,359		
Equipment Rental and Maintenance	25,181	-	404,751	28,897	458,829	1,965	-	1,965	460,794	411,462		
Contract Services	-	-	-	414,123	414,123	-	-	-	414,123	783,082		
Supplies	77,587	285	77,145	188,675	343,692	28,375	-	28,375	372,067	463,457		
Occupancy	-	-	203,671	45,044	248,715	-	-	-	248,715	267,094		
Technology Expense	-	133	235	-	368	247,112	-	247,112	247,480	180,868		
Insurance	-	-	63,875	-	63,875	29,624	-	29,624	93,499	81,719		
Professional Fees	-	135	35,548	-	35,683	34,760	-	34,760	70,443	126,566		
Advertising and Promotion	-	-	-	-	-	62,589	-	62,589	62,589	30,374		
Local Transportation	23,873	17,054	4,417	1,578	46,922	6,303	-	6,303	53,225	57,203		
Staff Expense	2,368	207	22,922	1,133	26,630	25,211	-	25,211	51,841	61,656		
Client Expense	-	-	45,689	-	45,689	-	-	-	45,689	11,397		
Telephone	3,687	5,512	31,985	-	41,184	1,547	-	1,547	42,731	55,053		
Postage and Shipping	1,442	-	9	17,931	19,382	341	-	341	19,723	17,373		
Dues and Subscriptions	-	-	120	-	120	16,371	-	16,371	16,491	10,876		
Fees, Permits, and Licensing	-	-	6,605	173	6,778	5,803	-	5,803	12,581	14,460		
Miscellaneous	-	-	-	-	-	3,141	-	3,141	3,141	44,669		
Depreciation	2,369	-	291,564	13,641	307,574	126,861	-	126,861	434,435	522,936		
Total Expense	\$ 1,904,833	\$ 515,223	\$ 5,837,529	\$ 1,565,644	\$ 9,823,229	\$ 1,602,458	\$ -	\$ 1,602,458	\$ 11,425,687	\$ 11,279,604		

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

PROACT, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Support Services				Total All Services
	Employment	Vocational	Training & Rehabilitation	Eagan Production	Total Program Services	Management & General	Fund-raising	Support Services	Total	
Salaries	\$ 1,598,545	\$ 502,131	\$ 2,720,633	\$ 696,254	\$ 5,517,563	\$ 802,956	\$ -	\$ 802,956	\$ 6,320,519	
Payroll Taxes	120,934	38,555	197,881	50,817	408,187	53,062	-	53,062	461,249	
Employee Benefits	354,231	85,628	562,140	212,155	1,214,154	143,437	-	143,437	1,357,591	
Total Personnel Costs	2,073,710	626,314	3,480,654	959,226	7,139,904	999,455	-	999,455	8,139,359	
Equipment Rental and Maintenance	66,678	-	317,055	27,729	411,462	-	-	-	411,462	
Contract Services	-	-	-	783,082	783,082	-	-	-	783,082	
Supplies	159,610	587	95,384	168,392	423,973	39,484	-	39,484	463,457	
Occupancy	-	-	228,382	38,712	267,094	-	-	-	267,094	
Technology Expense	-	-	3,292	-	3,292	177,576	-	177,576	180,868	
Insurance	-	-	54,444	-	54,444	27,275	-	27,275	81,719	
Professional Fees	-	-	31,367	-	31,367	95,199	-	95,199	126,566	
Advertising and Promotion	-	-	-	-	-	30,374	-	30,374	30,374	
Local Transportation	19,068	25,091	8,367	432	52,958	4,245	-	4,245	57,203	
Staff Expense	8,095	2,890	18,975	4,210	34,170	27,486	-	27,486	61,656	
Client Expense	-	-	11,397	-	11,397	-	-	-	11,397	
Telephone	2,678	6,398	44,064	-	53,140	1,913	-	1,913	55,053	
Postage and Shipping	3,888	30	76	11,207	15,201	2,172	-	2,172	17,373	
Dues and Subscriptions	-	-	245	-	245	10,631	-	10,631	10,876	
Fees, Permits, and Licensing	1,470	-	5,267	348	7,085	7,375	-	7,375	14,460	
Miscellaneous	-	-	-	-	-	44,669	-	44,669	44,669	
Depreciation	2,948	-	330,099	17,683	350,730	172,206	-	172,206	522,936	
Total Expense	\$ 2,338,145	\$ 661,310	\$ 4,629,068	\$ 2,011,021	\$ 9,639,544	\$ 1,640,060	\$ -	\$ 1,640,060	\$ 11,279,604	

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

PROACT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and Cash Equivalents	\$ 4,123,780	\$ 2,483,520
Accounts Receivable (Allowance for Uncollectible Accounts of \$5,000 and \$6,186 for 2024 and 2023, respectively)	984,809	1,334,234
Investments - Current	15,623,289	15,848,294
Prepaid Expense	<u>399,805</u>	<u>529,989</u>
Total Current Assets	21,131,683	20,196,037
Property and Equipment - Net	2,500,968	2,734,019
Investments	2,457,603	1,527,063
Right of Use Asset	<u>783,459</u>	<u>968,557</u>
 TOTAL ASSETS	 <u>\$ 26,873,713</u>	 <u>\$ 25,425,676</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 27,135	\$ 38,053
Accrued Compensation and Payroll Taxes	888,915	862,170
Operating Lease Liabilities	<u>103,039</u>	<u>151,076</u>
Total Current Liabilities	1,019,089	1,051,299
Operating Lease Liabilities - Long Term	<u>770,959</u>	<u>912,040</u>
Total Liabilities	1,790,048	1,963,339
Net Assets:		
Without Donor Restrictions:		
Designated	5,000,000	5,000,000
Undesignated	<u>20,083,665</u>	<u>18,462,337</u>
Total Net Assets Without Donor Restrictions	25,083,665	23,462,337
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>25,083,665</u>	<u>23,462,337</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 26,873,713</u>	 <u>\$ 25,425,676</u>

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

PROACT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,621,328	\$ 2,033,855
Depreciation	434,435	522,936
Unrealized (Gain) Loss on Investments	(485,840)	333,605
Realized Loss (Gain) on Investments	(276)	(361,593)
Operating Lease Change	(4,020)	94,559
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	(10,918)	(53,917)
Accrued Compensation and Payroll Taxes	26,745	13,084
Decreases (Increases) in Operating Assets:		
Accounts Receivable:	349,425	116,052
Prepaid Expense	130,184	(75,418)
Net Cash Provided by Operating Activities	2,061,063	2,623,163
Cash Flows from Investing Activities:		
Purchase of Investments	(11,398,711)	(16,725,276)
Sale of Investments	11,158,324	6,251,906
Proceeds from Sale of Property and Equipment	46,443	4,000
Purchase of Property and Equipment	(226,859)	(177,862)
Net Cash (Used) by Investing Activities	(420,803)	(10,647,232)
Cash Flows from Financing Activities:		
None	-	-
Net Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,640,260	(8,024,069)
Cash and Cash Equivalents - Beginning of Year	2,483,520	10,507,589
Cash and Cash Equivalents - End of Year	\$ 4,123,780	\$ 2,483,520

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

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies

Organizational Purpose

ProAct, Inc. (the Organization) provides day support, employment and one-to-one support services to individuals the age of 14 and up. The Organization provides services out of Eagan, Red Wing, Shakopee, and Hudson, WI.

The Organization operates under the Person Center Thinking model, empowering participants as they choose from an array of goal driven services. Services are paid for by waiver and fee-for-service dollars (Federal, State and County) as well as limited grant funding.

The Organization provided services to over 921 individuals in 2023 - 2024 in the following programs:

Day Support Services

Day Support Services are provided at all 4 of ProAct's locations and provide a unique array of enrichment programming, both in-center and in the community allowing participants to choose how they spend their programming days.

Enrichment classes and activities in-center are designed to stimulate the minds of participants and include crafts, trivia and other group games, gardening, computer training, music, reading and storytelling, and exercise.

Life skills classes are also available and include social and interpersonal skill development, self-care and hygiene, health and wellness, eating and food prep, money management; as well as building fine and gross motor skills through daily exercise.

Community based enrichment programming is focused on adventure, integration and personal growth. Activities include trips to museums and theatres, excursions to area parks, shopping destinations and special community events. Volunteering, fishing, movies and quiet time at the library are also enrichment options.

Skills Training services are available at ProAct's Eagan, Shakopee and Red Wing locations. Participants perform production related skills training and activities on an actual industrial work floor, with performance evaluation and support provided on an on-going basis.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

Employment Services

Employment Services are available for individuals wanting to work in either group employment or secure competitive wage employment. Employment Specialists will help participants explore the world of work, assist with securing employment and help ensure they maintain their jobs once placed. ProAct partners with over 200 companies in Minnesota and Wisconsin to provide its Employment Services.

Employment Exploration gives participants with limited work experience an opportunity to explore employment through activities, such as small group employment education, job shadowing, tryouts, and business tours.

Employment Development Services assist participants to become competitively employed. Services can include, benefits review, job search assistance, customized employment, or paid work trials. Once placed, ProAct supports individuals to ensure a good job fit.

Employment Support Services include two types of programming, both provided in the community.

- Individualized long term support services for those competitively employed include job coaching, job counseling support, new hire assistance, advocacy, coordinating employment transportation with employers or accommodation arrangements.
- Red Wing offers group services (enclaves) include participants working in the community at partner companies performing actual job duties. Participants receive direct supervision provided by ProAct staff, job support, job coaching, accommodation arrangements, job training and on the job counseling.

Transition Services are available to high school youth with disabilities. Services provided include information interviews, career counseling, workplace and post-secondary tours, job shadows and related activities.

One-to-One Support Services

One-to-one Support Services are available for individuals with disabilities and their families that help individuals remain in or return to their home and gain more independence. Services available include Semi-Independent Living Skills, Independent Living Skills and In-home Family Support.

In-Home Family Support Services provided to individuals with disabilities and their families that enable the individual to remain in or return to their home. Funded services include household chores, food prep, grooming, money management and communication.

Semi-Independent Living Services provided to assist individuals with disabilities with living in the community. Funded services include medication management, home maintenance, hygiene, use of public transportation; money management and appropriate social behaviors.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

Independent Living Skills Services provided to develop, maintain and improve the community living skills of individuals with disabilities. Funded services include communication and interpersonal skill building, self-care, community living and mobility/transportation training.

Fund Accounting

In order to observe the limitations and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor 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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Accounts are stated net of the allowance for doubtful accounts of \$5,000 and \$6,186 for the years ended June 30, 2024 and 2023, respectively.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Investments

The Organization carries its investments at market value.

Property and Equipment

All major expenditures for property and equipment over \$4,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of land, buildings and equipment are recorded as unrestricted. Depreciation is provided through the use of the straight-line method using estimated useful lives of individual assets.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. 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. The Organization has included the Payroll Protection Program Loan forgiveness as a contribution.

The Organization records contributions of nonfinancial assets at fair market value at date of donation. The Organization's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the Organization. If an asset is provide that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Consumer employment revenue is earned by using the clients involved in the center-based employment program and on-site workers to complete production contracts.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. Fundraising expenses were minimal and are included in Management and General expenses. When allocations are made, the basis for the allocation is as follows:

Salaries and related expense Allocated based on estimated time spent.
Other expense Allocated based on best estimates of management.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated 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. The Organization 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.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through October 1, 2024, which is the date financial statements were available to be issued.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. Major Source of Revenue

A major source of revenue was as follows as of:

	June 30,	
	2024	2023
Minnesota Department of Human Services	\$ 9,249,398	\$ 7,498,029

The Department of Human Services accounted for 46% and 31% of the accounts receivable balance for the years ended June 30, 2024 and 2023, respectively.

3. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services within the primary service areas. The amounts due for services provided are primarily from businesses and government entities.. In addition, pledges receivable are from local residents or other institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At June 30, 2024 and 2023, the Organization held funds at a local financial institution in excess of federally insured limits.

4. Property and Equipment

The Organization owned the following assets as of:

	June 30,		<u>Estimated Useful Lives</u>
	2024	2023	
Land	\$ 660,055	\$ 660,055	
Building	3,613,530	3,589,301	20-40 Years
Building Improvements	809,640	624,865	10-40 Years
Furniture and Equipment	1,194,487	1,218,114	3-10 Years
Vehicles	1,305,937	1,481,351	3-10 Years
	7,583,649	7,573,686	
Less Accumulated Depreciation	5,082,681	4,839,667	
Total	\$ 2,500,968	\$ 2,734,019	

Depreciation expense of \$434,435 and \$522,936 was recorded for the years ended June 30, 2024 and 2023, respectively.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

5. Board Designated Net Assets

Designated Net Assets without donor restrictions consisted of amounts for the following as of:

	June 30,	
	2024	2023
Operational and Capital Reserve	\$ 5,000,000	\$ 5,000,000

6. Defined Contribution Plan

The Organization maintains a defined contribution plan that covers those employees who meet eligibility requirements. The Organization makes contributions to the plan in the form of company match and discretionary contribution. Contributions of \$406,065 and \$389,194 were made in the years ended June 30, 2024 and 2023, respectively.

7. Investments

The Organization held the following investments as of:

	June 30,			
	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 5,000,000	\$ 5,121,558	\$ 5,091,750	\$ 5,165,150
Corporate Bonds	12,600,000	10,784,042	10,565,009	10,872,097
Corporate Securities	935,578	1,655,570	781,556	1,184,049
Mutual Funds	-	-	101,027	101,027
Money Market	519,722	519,722	53,034	53,034
	<u>\$ 19,055,300</u>	<u>\$ 18,080,892</u>	<u>\$16,592,376</u>	<u>\$17,375,357</u>

Investment income included the following as of:

	June 30,	
	2024	2023
Unrealized and Realized Gain	\$ 485,564	\$ 27,988
Interest and Dividend Income	590,055	270,956
Total	<u>\$ 1,075,619</u>	<u>\$ 298,944</u>

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

8. Fair Value

Fair value is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. A three-tier hierarchy of inputs establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 5,121,558	\$ -	\$ -	\$ 5,121,558
Corporate Bonds	10,784,042	-	-	10,784,042
Corporate Securities	1,655,570	-	-	1,655,570
Money Market Funds	519,722	-	-	519,722
Total	<u>\$ 18,080,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,080,892</u>

The following is a summary of the inputs used to determine the fair value at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 5,165,150	\$ -	\$ -	\$ 5,165,150
Corporate Bonds	10,872,097	-	-	10,872,097
Corporate Securities	1,184,049	-	-	1,184,049
Mutual Funds	101,027	-	-	101,027
Money Market Funds	53,034	-	-	53,034
Total	<u>\$ 17,375,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,375,357</u>

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
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9. Operating Leases

The Organization has operating leases for office space. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The following summarizes the line items in the statements of financial position which include amounts for operating lease as of:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating Leases:		
Operating Lease Right of Use Asset	<u>\$ 783,459</u>	<u>\$ 968,557</u>
Other Current Liabilities	\$ 116,517	\$ 151,076
Operating Lease Liabilities - Noncurrent	<u>757,481</u>	<u>912,040</u>
Total Operating Lease Liabilities	<u>\$ 873,998</u>	<u>\$ 1,063,116</u>

The following summarizes the weighted average remaining lease term and discount rate as of:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term:		
Operating Leases	7.5 years	3.61 years
Weighted Average Discount Rate:		
Operating Leases	1.63%	1.31%

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

9. Operating Leases

Maturities of lease liabilities as of June 30, 2024 were as follows:

Year Ending June 30:	
2025	\$ 116,517
2026	119,645
2027	123,570
2028	125,164
2029	126,759
2023 and beyond	<u>324,041</u>
Total Lease Payments	935,696
Less Present Value Discount	61,698
Present Value of Lease Liabilities	<u>\$ 873,998</u>

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating lease expense included in Occupancy	<u>\$ 111,047</u>	<u>\$ 144,273</u>

The following summarizes cash flow information related to leases for the year ended:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of Lease liabilities:		
Operating cash flows from operating leases	\$ 116,517	\$ 92,818

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

10. Liquidity and Availability

The following represents the Organization's financial assets as of:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 4,123,780	\$ 2,483,520
Accounts Receivable	984,809	1,334,234
Investments	<u>18,080,892</u>	<u>17,375,357</u>
Total Financial Assets	23,189,481	21,193,111
Less assets not available to be used for general expenditures within one year:		
Board-Designated	<u>5,000,000</u>	<u>5,000,000</u>
Financial assets available for general expenditures within one year	<u>\$18,189,481</u>	<u>\$ 16,193,111</u>

The Organization does not consider the board designated net assets to be available for general use in the next 12 months but if needed, the funds could be accessed with a board resolution. As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of The Organization's liquidity management plan, they invest excess cash into investment accounts.