

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Appleseed Community Mental Health Center, Inc.
Ashland, Ohio

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Appleseed Community Mental Health Center, 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 Appleseed Community Mental Health Center, 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

**INDEPENDENT AUDITOR'S REPORT
(Continued)**

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 Appleseed Community Mental Health Center, 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 Appleseed Community Mental Health Center, 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.

Wells, CPA

Columbus, Ohio
April 6, 2026

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 60,310	\$ 214,825	\$ 275,135	\$ 208,939	\$ 218,188	\$ 427,127
Accounts Receivable	831,271	-	831,271	659,689	-	659,689
Pledges Receivable	1,500	48,000	49,500	-	47,000	47,000
Grants Receivable	82,902	-	82,902	146,050	-	146,050
Prepaid Expense	39,290	-	39,290	110,193	-	110,193
Total Current Assets	<u>1,015,273</u>	<u>262,825</u>	<u>1,278,098</u>	<u>1,124,871</u>	<u>265,188</u>	<u>1,390,059</u>
Non-Current Assets						
Land	454,317	-	454,317	454,317	-	454,317
Land Improvements	21,051	-	21,051	21,051	-	21,051
Buildings	2,633,807	-	2,633,807	2,614,172	-	2,614,172
Furniture and Equipment	435,175	-	435,175	364,124	-	364,124
Leasehold Improvements	275,257	-	275,257	190,644	-	190,644
	3,819,607	-	3,819,607	3,644,308	-	3,644,308
Accumulated Depreciation	(1,299,953)	-	(1,299,953)	(1,201,504)	-	(1,201,504)
Total Property and Equipment	<u>2,519,654</u>	<u>-</u>	<u>2,519,654</u>	<u>2,442,804</u>	<u>-</u>	<u>2,442,804</u>
Other Assets						
Intangibles (Net of Accumulated Amortization)	391,871	-	391,871	426,523	-	426,523
Beneficial Interest in Assets Held by Others	20,297	38,509	58,806	18,524	35,146	53,670
Deposits	54,108	-	54,108	69,262	-	69,262
Total Other Assets	<u>466,276</u>	<u>38,509</u>	<u>504,785</u>	<u>514,309</u>	<u>35,146</u>	<u>549,455</u>
Total Non-Current Assets	<u>2,985,930</u>	<u>38,509</u>	<u>3,024,439</u>	<u>2,957,113</u>	<u>35,146</u>	<u>2,992,259</u>
TOTAL ASSETS	<u>\$ 4,001,203</u>	<u>\$ 301,334</u>	<u>\$ 4,302,537</u>	<u>\$ 4,081,984</u>	<u>\$ 300,334</u>	<u>\$ 4,382,318</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	\$ 58,084	\$ -	\$ 58,084	\$ 99,419	\$ -	\$ 99,419
Accrued Salaries and Related Liabilities	335,613	-	335,613	328,970	-	328,970
Refundable Advances	12,271	-	12,271	4,874	-	4,874
Debt Obligations - Current	195,938	-	195,938	256,375	-	256,375
Other Liabilities	68,380	-	68,380	50,602	-	50,602
Total Current Liabilities	<u>670,286</u>	<u>-</u>	<u>670,286</u>	<u>740,240</u>	<u>-</u>	<u>740,240</u>
Non-Current Liabilities						
Debt Obligations - Non-Current	740,055	-	740,055	911,586	-	911,586
Total Non-Current Liabilities	<u>740,055</u>	<u>-</u>	<u>740,055</u>	<u>911,586</u>	<u>-</u>	<u>911,586</u>
Total Liabilities	<u>1,410,341</u>	<u>-</u>	<u>1,410,341</u>	<u>1,651,826</u>	<u>-</u>	<u>1,651,826</u>
NET ASSETS						
Board-Designated for Endowment	20,297	-	20,297	18,524	-	18,524
Net Assets	2,570,565	301,334	2,871,899	2,411,634	300,334	2,711,968
Total Net Assets	<u>2,590,862</u>	<u>301,334</u>	<u>2,892,196</u>	<u>2,430,158</u>	<u>300,334</u>	<u>2,730,492</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,001,203</u>	<u>\$ 301,334</u>	<u>\$ 4,302,537</u>	<u>\$ 4,081,984</u>	<u>\$ 300,334</u>	<u>\$ 4,382,318</u>

See Accompanying Notes to the Financial Statements and Independent Auditor's Report

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Support Revenue						
Support and Grants	\$ 1,733,327	\$ 1,000	\$ 1,734,327	\$ 1,683,384	\$ 32,526	\$ 1,715,910
Total Support Revenue	<u>1,733,327</u>	<u>1,000</u>	<u>1,734,327</u>	<u>1,683,384</u>	<u>32,526</u>	<u>1,715,910</u>
Program Revenue						
Fees For Service	5,382,544	-	5,382,544	5,276,376	-	5,276,376
Total Program Revenue	<u>5,382,544</u>	<u>-</u>	<u>5,382,544</u>	<u>5,276,376</u>	<u>-</u>	<u>5,276,376</u>
Other Revenue						
Rental Income	97,263	-	97,263	93,069	-	93,069
Investment Income	3,321	-	3,321	2,206	-	2,206
Unrealized Gains	3,917	-	3,917	3,639	-	3,639
Other Revenue	31,702	-	31,702	14,992	-	14,992
Total Other Revenue	<u>136,203</u>	<u>-</u>	<u>136,203</u>	<u>113,906</u>	<u>-</u>	<u>113,906</u>
TOTAL REVENUE	<u>7,252,074</u>	<u>1,000</u>	<u>7,253,074</u>	<u>7,073,666</u>	<u>32,526</u>	<u>7,106,192</u>
EXPENSES						
Program Expenses	6,359,157	-	6,359,157	6,365,054	-	6,365,054
Administration Expenses	732,559	-	732,559	631,339	-	631,339
TOTAL EXPENSES	<u>7,091,370</u>	<u>-</u>	<u>7,091,370</u>	<u>6,996,393</u>	<u>-</u>	<u>6,996,393</u>
Change in Net Assets	160,704	1,000	161,704	77,273	32,526	109,799
Net Assets at Beginning of Year	<u>2,430,158</u>	<u>300,334</u>	<u>2,730,492</u>	<u>2,352,885</u>	<u>267,808</u>	<u>2,620,693</u>
Total Net Assets at End of Year	<u>\$ 2,590,862</u>	<u>\$ 301,334</u>	<u>\$ 2,892,196</u>	<u>\$ 2,430,158</u>	<u>\$ 300,334</u>	<u>\$ 2,730,492</u>

See Accompanying Notes to the Financial Statements and Independent Auditor's Report

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	Program	Administrative	Total Expenses	Program	Administrative	Total Expenses
Salaries and Related Expenses	\$ 5,178,565	\$ 611,790	\$ 5,790,355	\$ 4,982,153	\$ 482,805	\$ 5,464,958
Dues, Subscriptions, and Licenses	44,940	2,039	46,979	64,680	10,226	74,906
Contract Services	182,549	4,375	186,924	395,459	13,544	409,003
Supplies and Equipment Maintenance	205,093	13,204	218,297	211,433	14,463	225,896
Emergency Housing Assistance	133,803	-	133,803	120,045	-	120,045
Fundraising Expenses	9,136	20	9,156	10,707	-	10,707
Bank Fees	222	4,512	4,734	227	4,819	5,046
Repairs and Maintenance	46,931	843	47,774	22,125	545	22,670
Legal and Professional	20,334	29,935	50,269	7,342	51,572	58,914
Office Rent	27,791	-	27,791	26,660	-	26,660
Utilities and Telephone	95,049	4,064	99,113	98,522	4,384	102,906
Travel	95,636	2,454	98,090	105,300	2,555	107,855
Seminars and Meetings	18,524	1,443	19,967	11,036	370	11,406
Insurance	61,289	4,089	65,378	55,662	3,735	59,397
Depreciation and Amortization	128,008	5,092	133,100	128,762	5,122	133,884
Advertising	19,989	737	20,726	30,344	1,876	32,220
Other Expenses	8,989	562	9,551	8,870	17,251	26,121
Long-Term Assisted Housing	19,713	-	19,713	20,443	-	20,443
Program Activity and Supplies	41,354	-	41,354	36,538	-	36,538
Interest Expenses	22,849	1,559	24,408	28,732	2,361	31,093
Taxes	(1,607)	17,849	16,242	14	15,711	15,725
Credit Loss Expenses	-	27,992	27,992	-	-	-
TOTAL EXPENSES	\$ 6,359,157	\$ 732,559	\$ 7,091,716	\$ 6,365,054	\$ 631,339	\$ 6,996,393

See Accompanying Notes to the Financial Statements and Independent Auditor's Report

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	\$ 161,704	\$ 109,799
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation and Amortization	133,100	133,884
Forgiveness of Debt	(27,375)	(27,384)
Unrealized Gain on Investments	(3,917)	(3,639)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(171,582)	(117,018)
Pledges Receivable	(2,500)	-
Grants Receivable	63,148	13,795
Prepaid Expenses	70,903	(38,209)
Beneficial Interest in Assets Held by Others	(1,219)	794
Deposits	15,154	(3,970)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(41,335)	(42,919)
Accrued Salaries and Related Liabilities	6,643	(19,347)
Refundable Advances	7,397	(6,587)
Other Liabilities	17,778	(53,452)
Net Cash Provided by (Used in) Operating Activities	227,899	(54,253)
Cash Flows from Investing Activities		
Property and Equipment Acquisitions	(175,298)	(154,335)
Net Cash Used in Investing Activities	(175,298)	(154,335)
Cash Flows from Financing Activities		
Payments on Debt Obligations	(204,593)	(155,960)
Proceeds from New Debt	-	170,000
Net Cash (Used in) Provided by Financing Activities	(204,593)	14,040
Net Change in Cash	(151,992)	(194,548)
Cash and Cash Equivalents With and Without Donor Restrictions at Beginning of Year	427,127	621,675
Cash and Cash Equivalents With and Without Donor Restrictions at End of Year	\$ 275,135	\$ 427,127
<u>Supplemental Cash Flow Disclosures</u>		
Interest Paid	\$ 24,408	\$ 31,093

See Accompanying Notes to the Financial Statements and Independent Auditor's Report

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION

Appleseed Community Mental Health Center, Inc. (Appleseed) is a nonprofit Ohio corporation that provides mental health, alcohol, and drug abuse therapy on an outpatient basis to patients who reside primarily in the local geographic region.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect significant elements of Appleseed’s financial statements are summarized below:

Basis of Accounting

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

Basis of Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America. Under these principles, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Appleseed and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are not restricted by donors and are available for use in Appleseed’s ongoing operations.

Net Assets With Donor Restrictions: Net assets subject to donor-imposed stipulations that a) restrict their use to a specific purpose which will be satisfied by actions of the organization or the passage of time, or b) require that they be maintained in perpetuity by the organization; generally, the donors of these assets permit the organization to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions.

Quasi-Endowment Investment and Spending Policies

By making an irrevocable gift to Ashland County Community Foundation (ACCF), Appleseed has adopted the investment and spending policies of ACCF.

Appleseed has adopted investment and spending policies for quasi-endowment assets that seek to provide a predictable stream of funding to programs supported by its quasi-endowment while maintaining the purchasing power of the quasi-endowment assets. Appleseed’s spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

To achieve its investment objectives over long periods of time, Appleseed has adopted an investment strategy that invests in cash equivalents, fixed income securities, and equity securities.

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The majority of assets are invested in equity or equity-like securities. Funds will be structured to minimize the risk of large loss. Investment advisors will identify a diversification strategy with regard to investment in any one security, company, or sector.

The spending policy determines the amount of money in a given year that will be distributed from Appleseed's various quasi-endowment assets. The current spending policy is to distribute an amount equal to 4.0% of a 12-quarter trailing average fund balance.

Contributions

Appleseed recognizes contributions in accordance with ASC No. 958-605, "Accounting for Contributions Received and Contributions Made." ASC No. 958-605 generally requires measuring contributions received and promises to give at their fair value and reporting them as an increase in net assets immediately, even if the donor has restricted their use and the restriction will be met in a future reporting period; that is, none are deferred. As a result, restricted support is recorded immediately as an increase in net assets with donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Fees for Services

Fees-for-service revenue, including amounts earned from Medicaid, Medicare, commercial and private insurance, managed care arrangements, self-pay, Medicaid SUD, Medicaid incentive programs, contracts with the Mental Health and Recovery Board (MHRB), OhioRISE programs, Title XX, employee assistance programs, school-based services, and other agreements, is recognized as services are rendered to clients. Revenue is recorded at the transaction price, which is the amount expected to be realized from patients, third-party payors, and others for services provided, net of contractual adjustments, implicit price concessions, and other discounts. These amounts are determined based on negotiated payment terms, established fee schedules, historical collection experience, and other relevant factors at the time services are provided.

Cash and Cash Equivalents

Appleseed defines cash as currency on hand and demand deposits with financial institutions. Cash equivalents are defined as short-term, highly liquid investments with remaining maturities of three months or less.

Receivables

Receivables are stated at net realizable value, which is the gross amount of receivables less an allowance for credit losses. Appleseed estimates the allowance for credit losses using the allowance method. The allowance is based on historical loss experience, the nature and volume of receivables, third-party contracts, and other relevant factors that may affect payors' ability to meet their obligations. Additions to the allowance are recognized as bad debt (credit loss) expense in the period the related estimated losses are identified. No allowance was recognized as of June 30, 2025 and 2024. Receivables are written off against the allowance when they are deemed uncollectible, and any subsequent recoveries are credited to the allowance. For the years ended June 30, 2025 and 2024, Appleseed recorded bad debt (credit loss) expenses of \$27,992 and \$0,

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

respectively.

Refundable Advances

Appleseed receives certain grant funds under cost-reimbursable and other conditional awards. In accordance with ASC 958-605, amounts received in advance of incurring qualifying expenditures or otherwise meeting the grant conditions are recorded as Refundable Advances (a liability). Grant revenue is recognized as the related allowable costs are incurred or other conditions are met. As of June 30, 2025 and 2024, there were \$12,271 and \$4,874, respectively, in Refundable Advances representing amounts received under cost-reimbursable contracts that are expected to be expended in the next fiscal year in accordance with the grant periods.

Property and Equipment

Acquisitions of Property and Equipment having a unit cost of \$1,000 or more and an estimated useful life of more than one year are recorded at cost or at amounts assigned if acquired by gift. The carrying amount of assets sold, retired, or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts. Any resulting gain or loss is reported as other revenue or expense.

Depreciation of Property and Equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Equipment and Furniture	3 – 10 years
Buildings and Improvements	7 – 40 years
Land Improvements	10 – 20 years

Intangible Assets

Intangible assets subject to amortization include web design fees and software. Intangible assets are being amortized using the straight-line method over 3 – 10 years. The gross carrying amount was \$608,054 and \$608,054 and the accumulated amortization was \$216,183 and \$181,531 for the years ended June 30, 2025 and 2024, respectively.

Income Taxes

Appleseed is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provisions for income taxes have been made in the accompanying financial statements. Additionally, the Internal Revenue Service has not classified Appleseed as a private foundation because it is an organization of the type described in Sections 509(a)(1) and 170 (b)(A)(vi) of the Code.

Appleseed follows Financial Accounting Standards Board (“FASB”) guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Appleseed may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appleseed, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. On June 30, 2025, there were no material unrecognized tax benefits identified or recorded as liabilities.

Appleseed files Form 990 in the U.S. federal jurisdiction. Appleseed's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. All tax returns for years ending after June 30, 2022, are open for examination.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. All expenses other than Emergency Housing Assistance, Fundraising Expenses, Office Rent, and Credit Loss Expenses are allocated on the basis of tracked employee time.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Appleseed expenses advertising costs as they are incurred. Advertising expenses were \$20,726 and \$32,220 for the years ended June 30, 2025 and 2024, respectively.

Fair Value Measurements

Appleseed has adopted ASC No. 820, *Fair Value Measurements*. ASC No. 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

Appleseed accounts for its investments at fair value. In accordance with ASC No. 820, Appleseed has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets and liabilities recorded in the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2

Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3

Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge fund, and real estate.

In accordance with ASC No. 820, Appleseed's carrying amounts of Cash and Cash Equivalents, Accounts Receivable, Pledges Receivable, Prepaid Expenses, Accounts Payable, Payroll-Related Liabilities, Refundable Advances, and Other Liabilities approximate fair value under Level 1.

Reclassification

Certain amounts from the year ended June 30, 2024, have been reclassified to conform with the financial statement presentation for the year ended June 30, 2025, and current presentation standards.

Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the Statement of Financial Position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through April 6, 2026, the date on which the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject Appleseed to credit risk also include Accounts Receivable. Appleseed grants credit to clients, substantially all of whom reside in North Central Ohio.

**APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 3 – CONCENTRATION OF CREDIT RISKS (Continued)

Appleseed periodically has more than the Federal Deposit Insurance Corporation (FDIC) limit on deposit with banks. Appleseed maintains its cash at two financial institutions. These institutions provide insurance coverage up to \$250,000 through the FDIC. Based upon the FDIC insurance coverage as of June 30, 2025 and 2024, there were \$51,254 and \$316,006, respectively, of uninsured cash deposit balances.

As of June 30, 2025, approximately 42% of Appleseed’s total receivables were from the federal government, as passed down through Medicaid payors, in the form of Medicaid managed care revenue. This concentration arises due to a significant portion of Appleseed’s total receivables being derived from payments under the Medicaid program for services provided to eligible individuals.

Appleseed provides services under a purchase of service agreement with the Ashland County Board of Alcohol, Drug Addiction and Mental Health Services. Funds received from the Mental Health and Recovery Board totaled \$1,881,625 and \$1,802,430 during the years ended June 30, 2025 and 2024, respectively. Because Appleseed receives a substantial amount of revenue from the Mental Health and Recovery Board, a significant reduction in the level of this revenue, if this were to occur, may influence Appleseed’s programs and activities.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable as of June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Client Insurance Coverage	\$ 146,072	\$ 82,435
Medicare	22,980	29,644
Medicaid	404,614	356,275
Mental Health Board	183,842	155,401
Others	73,763	35,934
Total	<u>\$ 831,271</u>	<u>\$ 659,689</u>

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 – GRANTS RECEIVABLE

Grants Receivable as of June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
	\$ -	\$ 27,840
Family Violence Prevention and Services Act (FVPSA)	19,207	21,258
State Opioid Response (SOR)	13,485	29,253
Ohio Office of Criminal Justice Services – Domestic Violence/ Family Violence Prevention (OCJS-DV/FVP)	-	11,864
Housing Crisis Response Program (HCRP)	8,865	5,754
Access to Recovery and Recovery Housing (ARRH)	8,296	3,912
Victims of Crime Act (VOCA)	7,490	8,094
Mobile Response and Stabilization Services (MRSS) Start Up	7,365	-
Violence Against Women Act (VAWA)	4,187	16,907
Summit County Health Department	4,122	-
Beginning Anew	3,112	2,420
Others	6,773	18,748
Total	<u>\$ 82,902</u>	<u>\$ 146,050</u>

NOTE 6 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

During the years 2010 and 2007, Appleseed made irrevocable gifts of \$10,000 and \$30,000, respectively, to the Ashland County Community Foundation (ACCF). Correspondingly, ACCF has established a fund in the name of Appleseed. The terms of the transfer instrument stipulate that earned investment income, net of the 0.5% administration fee, will be distributed at least semi-annually. Additionally, after the third year of the fund’s establishment, requests for distributions from the fund’s principal will be approved subject to a two-thirds majority vote of both Appleseed and ACCF’s Board of Trustees.

Investments held within the Beneficial Interest in Assets Held by Others are considered Level 3 assets. Realized and unrealized gains and losses are reflected in the Statements of Activities.

Assets measured at fair value on a recurring basis were as follows for the year ending June 30, 2025:

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
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NOTE 6 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held by Others	\$ 58,806	\$ -	\$ -	\$ 58,806
Total Recurring Fair Value Measurements	<u>\$ 58,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,806</u>

Assets measured at fair value on a recurring basis were as follows for the year ending June 30, 2024:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held by Others	\$ 53,670	\$ -	\$ -	\$ 53,670
Total Recurring Fair Value Measurements	<u>\$ 53,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,670</u>

The fair values of assets measured as of June 30, 2025 and 2024, were as follows:

Recurring Fair Value Measurements

	<u>2025</u>	<u>2024</u>
Balance as of July 1	\$ 53,670	\$ 50,825
Distributions	(2,102)	(2,664)
Net Realized and Unrealized:		
Gains on Investments	3,917	3,639
Investment Income	3,321	1,870
Balance as of June 30	<u>\$ 58,806</u>	<u>\$ 53,670</u>

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS COMPOSITION BY TYPE OF FUND

The composition of the Beneficial Interest in Assets Held by Others by type as of June 30, 2025, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Fund	\$ -	\$ 38,509	\$ 38,509
Board-Designated Fund	20,297	-	20,297
Total Funds	\$ 20,297	\$ 38,509	\$ 58,806

The composition of the Beneficial Interest in Assets Held by Others by type as of June 30, 2024, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Fund	\$ -	\$ 35,146	\$ 35,146
Board-Designated Fund	18,524	-	18,524
Total Funds	\$ 18,524	\$ 35,146	\$ 53,670

The Board of Directors has designated a portion of net assets without donor restrictions as a board-designated endowment to provide long-term support for operations. Board-designated funds remain available for use at the discretion of the Board. Board-designated endowment funds totaled \$20,297 and \$18,524 at June 30, 2025 and 2024, respectively.

NOTE 8 – CONTRIBUTED NON-FINANCIAL ASSETS

A substantial number of volunteers have donated their time to Appleseed. The majority of this time is through volunteer support at Appleseed events. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as Contributed Services.

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 9 – DEBT OBLIGATIONS

Debt obligations as of June 30, 2025 and 2024, consist of the following:

	2025	2024
Mortgage Payable		
Non-interest-bearing mortgage notes payable to the Ohio Department of Mental Health, collateralized by two multi-family residential properties located at 928 Oak Street and 962 State Route 511, Ashland, Ohio. Monthly principal payments of \$308 are to be forgiven by the mortgagee, contingent upon Appleseed’s continued use of the properties to house persons with severe mental disabilities. Use restrictions will expire in April 2034.	\$ 32,685	\$ 36,389
Mortgage Payable		
Mortgage payable to Simonson Holdings Ltd. Payable in monthly installments of \$12,000 including interest of 5.25%. The mortgage is collateralized with real estate.	398,893	518,522
Mortgage Payable		
Non-interest-bearing mortgage note payable to the Ohio Department of Mental Health, collateralized by a multi-family residential property located at 403 W. Walnut Street, Ashland, Ohio. Monthly principal payments of \$168 are to be forgiven by the mortgagee, contingent upon Appleseed’s continued use of the property to house persons with severe mental disabilities. Use restrictions will expire in December 2035.	21,303	23,313
Mortgage Payable		
Non-interest-bearing mortgage note payable to the Ohio Housing Finance Agency, collateralized by three multi-family properties located at 928 Oak Street, 962 State Route 511, and 403 Walnut Street, Ashland, Ohio. Annual principal payments of \$18,108 are to be forgiven by the mortgagee, contingent upon Appleseed’s continued use of the property to provide permanent supportive housing for persons with severe and persistent mental illness. Use restrictions will expire in November 2046.	373,380	391,498

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 9 – DEBT OBLIGATIONS (Continued)
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	2025	2024
Mortgage Payable		
Non-interest-bearing mortgage note payable to the Ohio Department of Mental Health, collateralized by three multi-family properties located at 928 Oak Street, 962 State Route 511, and 403 Walnut Street, Ashland, Ohio. Monthly principal payments of \$297 are to be forgiven by the mortgagee, contingent upon Appleseed’s continued use of the property to provide permanent supportive housing for persons with severe and persistent mental illness. Use restrictions will expire in April 2044.	67,172	70,738
 Note Payable		
Non-interest-bearing note to the Mental Health and Recovery Board of Ashland County. Monthly principal payments of \$7,080 are payable to Recovery Board over a period of 24 months ending January 1, 2026.	42,560	127,501
	935,993	1,167,961
Current Portion	(195,938)	(256,375)
Non-Current Portion	\$ 740,055	\$ 911,586

Principal payments for debt obligations as of June 30, 2025, are as follows:

Year Ending June 30,	
2026	\$ 195,938
2027	160,218
2028	167,362
2029	27,375
2030	27,375
Thereafter	357,725
	\$ 935,993

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 – RESTRICTED NET ASSETS

Net assets are restricted for the following purposes as of June 30, 2025:

	<u>2025</u>	<u>2024</u>
United Way Funded Programs	\$ 48,000	\$ 47,000
Residential Group Home Facilities, Net of Accumulated Depreciation and Mortgages	162,492	218,188
Donor-Restricted Funds - Rape Crisis	38,509	35,146
Eleos Health	22,500	-
Bauer House Needs	14,465	-
Others	15,368	-
Total	<u>\$ 301,334</u>	<u>\$ 300,334</u>

NOTE 11 – PENSION PLAN

Appleseed maintains a voluntary, contributory, defined contribution pension plan. All employees may contribute to the plan. Employees who have attained 21 years of age and have completed one year of service are eligible for employer-matching contributions. Appleseed contributes an amount equal to 50% of a participant’s salary reduction contribution, not to exceed 10% of annual eligible compensation. Employer contributions vest ratably over a five-year period. The amount necessary to service the plan amounted to \$75,159 and \$52,184 for the years ended June 30, 2025 and 2024, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Appleseed periodically is involved in various claims against the organization, arising in the normal course of business. Management believes that Appleseed’s insurance coverage will be sufficient to pay for any related liabilities.

Appleseed’s employees are covered by a partially self-insured group insurance plan. Stop loss insurance is maintained for individual claims in excess of \$25,000 for each policy year.

NOTE 13 – LEASES – LESSOR ACTIVITIES

Appleseed owns multiple apartment buildings and leases individual units to individuals. Appleseed’s apartment leases are operating lease agreements with terms of 12 months or less. These apartments have variable rental ranges from \$500 to \$655 per month. These apartment leases do not transfer ownership of the leased assets and do not provide an option for the lessees to purchase the assets. These agreements are cancelable with a 30-day notice.

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Appleseed’s financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
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NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

restrictions within one year of the Statement of Financial Position date. Amounts available include donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside that could be drawn upon if the Board of Directors approves that action.

	2025	2024
Financial Assets, at Year End:		
Cash and Cash Equivalents	\$ 275,135	\$ 427,127
Accounts Receivable	831,271	659,689
Pledges Receivable	49,500	47,000
Grants Receivable	82,902	146,050
Beneficial Interest in Assets Held by Others	58,806	53,670
	1,297,614	1,333,536
Less:		
Pledges Received for Future Period	48,000	47,000
Beneficial Interest in Assets Held by Others	38,509	35,146
Cash and Cash Equivalents	214,825	218,188
	301,334	300,334
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 996,280	\$ 1,033,202

As part of Appleseed’s liquidity management, it has an informal policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 15 – FEES-FOR-SERVICE REVENUE

On June 30, 2025 and 2024, Appleseed received income for the year from service fees as follows:

	2025	2024
Medicaid-Related Services	\$2,830,906	\$2,541,658
Medicare and Private Insurance	562,128	615,821
Self-Pay and Other Client Payments	141,445	138,225
Special Programs	23,197	19,028
Contract and Service Provision	1,824,868	1,961,644
	\$5,382,544	\$5,276,376

APPLESEED COMMUNITY MENTAL HEALTH CENTER, INC.
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NOTE 16 – SUPPORT AND GRANTS

On June 30, 2025 and 2024, Appleseed received income for the year from support and grants as follows:

	2025	2024
United Way Grant	\$ 96,000	\$ 121,318
Safe Haven Grants	687,829	660,249
Housing Grants	189,257	211,815
Bureau of Vocational Rehabilitation / Opportunities for Ohioans with Disabilities Revenue	50,927	72,513
Other Local Grants	496,139	519,314
Safe Haven Donations	108,055	41,638
General Donations	12,276	10,715
Child and Adolescent Needs and Strengths Assessment - Ohio Department of Job and Family Services	1,084	-
Jail - Grant	26,618	12,564
Capital Grant	27,379	27,379
Fundraising	38,763	38,405
	\$1,734,327	\$1,715,910