

ProAct, Inc.
Eagan, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2026 and 2025



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, 2026 and 2025, 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, 2026 and 2025, 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.

Capata East and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
October 6, 2026

EXHIBIT B

PROACT, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2026
WITH COMPARATIVE TOTALS FOR 2025

	2026					2025				
	Program Services			Support Services		2025			2025	
	Employment	Vocational	Day Training & Habilitation	Eagan Production	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 651,096	\$ 349,986	\$ 5,136,567	\$ 479,575	\$ 6,617,224	\$ 809,885	\$ -	\$ 809,885	\$ 7,427,109	\$ 7,152,847
Payroll Taxes	49,685	26,863	387,463	37,054	501,065	59,579	-	59,579	560,644	526,253
Employee Benefits	116,753	57,388	1,064,541	135,928	1,374,610	219,541	-	219,541	1,594,151	1,598,317
Total Personnel Costs	817,534	434,237	6,588,571	652,557	8,492,899	1,089,005	-	1,089,005	9,581,904	9,277,417
Contract Services	-	-	350,843	387,091	737,934	-	-	-	737,934	595,233
Equipment Rental and Maintenance	646	-	434,138	12,011	446,795	15,130	-	15,130	461,925	302,885
Occupancy	-	-	280,562	-	280,562	-	-	-	280,562	229,906
Technology Expense	-	-	1,538	-	1,538	226,746	-	226,746	228,284	227,667
Supplies	185	127	73,076	113,999	187,387	27,915	-	27,915	215,302	550,804
Insurance	-	-	85,560	-	85,560	30,552	-	30,552	116,112	92,635
Client Expense	-	140	115,057	-	115,197	-	-	-	115,197	41,753
Advertising and Promotion	-	-	-	-	-	104,816	-	104,816	104,816	94,369
Professional Fees	-	702	28,165	-	28,867	53,064	-	53,064	81,931	71,211
Local Transportation	19,495	16,417	30,853	-	66,765	5,469	-	5,469	72,234	55,621
Staff Expense	486	124	20,362	1,413	22,385	28,929	-	28,929	51,314	40,560
Telephone	2,918	3,113	40,231	240	46,502	2,714	-	2,714	49,216	45,727
Postage and Shipping	-	-	152	28,098	28,250	2,305	-	2,305	30,555	25,504
Dues and Subscriptions	-	-	350	-	350	19,622	-	19,622	19,972	21,608
Fees, Permits, and Licensing	-	-	10,378	436	10,814	6,949	-	6,949	17,763	17,069
Miscellaneous	-	-	-	-	-	2,365	-	2,365	2,365	3,084
Depreciation	-	-	-	-	-	34,374	-	34,374	439,318	341,715
Total Expense	\$ 841,264	\$ 454,860	\$ 8,451,570	\$ 1,209,055	\$ 10,956,749	\$ 1,649,955	\$ -	\$ 1,649,955	\$ 12,606,704	\$ 12,034,768

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, 2025

	Program Services				Support Services				Total All Services
	Employment	Vocational	Training & Habilitation	Eagan Production	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 709,740	\$ 416,550	\$ 4,760,685	\$ 431,552	\$ 6,318,527	\$ 834,320	\$ -	\$ 834,320	\$ 7,152,847
Payroll Taxes	53,681	31,078	349,510	31,353	465,622	60,631	-	60,631	526,253
Employee Benefits	138,412	84,003	1,021,272	155,749	1,399,436	198,881	-	198,881	1,598,317
Total Personnel Costs	901,833	531,631	6,131,467	618,654	8,183,585	1,093,832	-	1,093,832	9,277,417
Contract Services	-	-	-	595,233	595,233	-	-	-	595,233
Equipment Rental and Maintenance	1,469	31	271,617	19,434	292,551	10,334	-	10,334	302,885
Occupancy	-	-	185,402	44,504	229,906	-	-	-	229,906
Technology Expense	-	-	718	-	718	226,949	-	226,949	227,667
Supplies	119	514	75,767	441,858	518,258	32,546	-	32,546	550,804
Insurance	-	-	65,402	-	65,402	27,233	-	27,233	92,635
Client Expense	-	-	41,753	-	41,753	-	-	-	41,753
Advertising and Promotion	-	-	-	-	-	94,369	-	94,369	94,369
Professional Fees	-	-	34,841	-	34,841	36,370	-	36,370	71,211
Local Transportation	17,226	16,193	17,462	117	50,998	4,623	-	4,623	55,621
Staff Expense	436	857	12,140	2,765	16,198	24,362	-	24,362	40,560
Telephone	3,271	3,592	35,953	240	43,056	2,671	-	2,671	45,727
Postage and Shipping	-	-	48	25,267	25,315	189	-	189	25,504
Dues and Subscriptions	-	-	570	-	570	21,038	-	21,038	21,608
Fees, Permits, and Licensing	-	-	9,768	177	9,945	7,124	-	7,124	17,069
Miscellaneous	-	-	-	-	-	3,084	-	3,084	3,084
Depreciation	-	-	-	-	-	66,016	-	66,016	341,715
Total Expense	\$ 924,354	\$ 552,818	\$ 7,144,562	\$ 1,762,294	\$ 10,384,028	\$ 1,650,740	\$ -	\$ 1,650,740	\$ 12,034,768

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

PROACT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND 2025

<u>ASSETS</u>	<u>2026</u>	<u>2025</u>
Current Assets:		
Cash and Cash Equivalents	\$ 2,841,905	\$ 4,953,950
Accounts Receivable (Allowance for Credit Losses of \$5,000 for both 2026 and 2025)	1,365,169	1,215,053
Investments - Current	10,589,941	14,447,752
Prepaid Expense	258,355	208,503
Total Current Assets	15,055,370	20,825,258
Property and Equipment - Net	10,462,230	3,917,677
Investments	4,134,932	3,372,257
 TOTAL ASSETS	 \$ 29,652,532	 \$ 28,115,192
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 129,649	\$ 79,188
Accrued Compensation and Payroll Taxes	802,183	980,650
Total Liabilities	931,832	1,059,838
Net Assets:		
Without Donor Restrictions:		
Designated	5,000,000	5,000,000
Undesignated	23,720,700	22,055,354
Total Net Assets Without Donor Restrictions	28,720,700	27,055,354
With Donor Restrictions	-	-
Total Net Assets	28,720,700	27,055,354
 TOTAL LIABILITIES AND NET ASSETS	 \$ 29,652,532	 \$ 28,115,192

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, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,665,346	\$ 1,971,689
Depreciation	439,318	341,715
Unrealized (Gain) on Investments	(343,236)	(468,953)
Realized Loss (Gain) on Investments	(46,548)	59,482
Operating Lease Change	-	(90,539)
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	50,461	52,053
Accrued Compensation and Payroll Taxes	(178,467)	91,735
Decreases (Increases) in Operating Assets:		
Accounts Receivable	(150,116)	(230,244)
Prepaid Expense	(49,852)	191,302
Net Cash Provided by Operating Activities	<u>1,386,906</u>	<u>1,918,240</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(1,298,160)	(14,681,200)
Sale of Investments	4,783,080	15,351,554
Proceeds from Sale of Property and Equipment	-	6,494
Purchase of Property and Equipment	(6,983,871)	(1,764,918)
Net Cash (Used) by Investing Activities	<u>(3,498,951)</u>	<u>(1,088,070)</u>
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,112,045)	830,170
Cash and Cash Equivalents - Beginning of Year	<u>4,953,950</u>	<u>4,123,780</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,841,905</u>	<u>\$ 4,953,950</u>

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

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 Egan, Red Wing, Shakopee, and Hudson, WI.

The Organization operates under the Person Centered 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 2025 - 2026 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 Egan, Shakopee, Hudson 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, 2026 AND 2025

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 are provided to individuals with disabilities and their families to help individuals remain in or return to their homes. Funded services include household chores, food prep, grooming, money management, and communication.

Semi-Independent Living Services are 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, 2026 AND 2025

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 Allowance for Credit Losses

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. Allowance for credit losses on accounts receivable is determined based on historical experience, an assessment on economic conditions, and review of subsequent collections. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables to the allowance when they are considered uncollectible. Accounts are stated net of the allowance for credit losses of \$5,000 and \$5,000 for the years ended June 30, 2026 and 2025, respectively.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 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 provided 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

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense(continued)

Salaries and related expenses are allocated based on time spent or estimated time spent. Expenses that can be identified with a particular function are expensed to that function. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on management's best estimates of employees' time and efforts. Fundraising expenses were minimal and are included in Management and General expenses.

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.

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through October 6, 2026, which is the date financial statements were available to be issued.

2. Major Source of Revenue

A major source of revenue was as follows as of:

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Minnesota Department of Human Services	\$ 11,051,670	\$ 10,383,707

The Minnesota Department of Human Services accounted for 52% and 39% of the accounts receivable balance for the years ended June 30, 2026 and 2025, 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, 2026 and 2025, 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:

	<u>June 30,</u>		
	<u>2026</u>	<u>2025</u>	<u>Estimated</u>
Land	\$ 1,470,055	\$ 660,055	
Buildings	9,855,548	3,981,232	20-40 Years
Building Improvements	2,201,957	2,060,688	10-40 Years
Furniture and Equipment	1,244,623	1,236,562	3-10 Years
Vehicles	<u>1,023,630</u>	<u>1,305,632</u>	3-10 Years
	15,795,814	9,244,169	
Less Accumulated Depreciation	<u>5,333,583</u>	<u>5,326,492</u>	
Total	<u>\$ 10,462,230</u>	<u>\$ 3,917,677</u>	

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

4. Property and Equipment (continued)

Depreciation expense of \$439,318 and \$341,715 was recorded for the years ended June 30, 2026 and 2025, respectively.

5. Board Designated Net Assets

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

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
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 \$432,583 and \$415,250 were made in the years ended June 30, 2026 and 2025, respectively.

7. Investments

The Organization held the following investments as of:

	<u>June 30,</u>			
	<u>2026</u>		<u>2025</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 3,250,000	\$ 3,272,561	\$ 4,000,000	\$ 4,116,047
Corporate Bonds	8,843,654	8,829,030	11,633,891	11,571,301
Corporate Securities	1,171,169	2,393,136	937,494	1,788,136
Money Market	230,146	230,146	344,525	344,525
	<u>\$ 13,494,969</u>	<u>\$ 14,724,873</u>	<u>\$16,915,910</u>	<u>\$17,820,009</u>

Investment income included the following as of:

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Unrealized and Realized Gain	\$ 389,784	\$ 409,471
Interest and Dividend Income	<u>578,195</u>	<u>687,470</u>
Total	<u>\$ 967,979</u>	<u>\$ 1,096,941</u>

PROACT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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, 2026:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 3,272,561	\$ -	\$ -	\$ 3,272,561
Corporate Bonds	8,829,030	-	-	8,829,030
Corporate Securities	2,393,136	-	-	2,393,136
Money Market Funds	230,146	-	-	230,146
Total	<u>\$ 14,724,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,724,873</u>

The following is a summary of the inputs used to determine the fair value at June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 4,116,047	\$ -	\$ -	\$ 4,116,047
Corporate Bonds	11,571,301	-	-	11,571,301
Corporate Securities	1,788,136	-	-	1,788,136
Money Market Funds	344,525	-	-	344,525
Total	<u>\$ 17,820,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,820,009</u>

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9. Leases

The Organization had 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.

In the year ending June 30, 2025, the Organization was informed that their landlord was terminating their lease and they would need to be out of the space by the end of 2025. Due to this change the lease changed to a short-term lease and there is no longer a right of use asset and operating lease liabilities for the years ending June 30, 2026 and 2025.

10. Liquidity and Availability

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

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 2,841,905	\$ 4,953,950
Accounts Receivable	1,365,169	1,215,053
Investments	<u>10,589,941</u>	<u>14,447,752</u>
Total Financial Assets	14,797,015	20,616,755
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>\$ 9,797,015</u>	<u>\$ 15,616,755</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.