

FRANCISCAN OUTREACH

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

And Report of Independent Auditor

FRANCISCAN OUTREACH
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Report of Independent Auditor

To the Board of Directors
Franciscan Outreach
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Franciscan Outreach (the “Organization”), which comprise the statements of financial position as of December 31, 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 the Organization as of December 31, 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 Audits of Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe 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 the Organization’s ability to continue as a going concern within one year after the date 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 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 the Organization'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 the Organization'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 audits, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Chicago, Illinois
August 3, 2026

FRANCISCAN OUTREACH
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 384,337	\$ 580,321
Grants and contributions receivable	5,199,890	1,510,991
Investments	1,539,496	1,535,460
Prepaid expenses	50,647	26,008
Property and equipment, net	13,509,416	1,548,855
Right-of-use asset - operating lease, net	208,684	351,118
Other assets	280,967	132,137
Total Assets	\$ 21,173,437	\$ 5,684,890
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,538,394	\$ 304,743
Accrued expenses	546,065	230,670
Loans payable	1,123,676	100,000
Obligation under operating lease	213,215	355,490
Obligation under finance lease	9,246	13,974
Total Liabilities	3,430,596	1,004,877
Net Assets:		
Without donor restrictions	16,707,841	4,680,013
With donor restrictions	1,035,000	-
Total Net Assets	17,742,841	4,680,013
Total Liabilities and Net Assets	\$ 21,173,437	\$ 5,684,890

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 919,137	\$ -	\$ 919,137
Bequests	49,883	-	49,883
Grants	22,349,494	1,606,500	23,955,994
Special events	257,500	-	257,500
Investment return, net	46,414	-	46,414
Net assets released from restrictions	571,500	(571,500)	-
Total Support and Revenue	24,193,928	1,035,000	25,228,928
Expenses:			
Program services	10,361,824	-	10,361,824
Administrative	1,340,216	-	1,340,216
Fundraising	464,060	-	464,060
Total Expenses	12,166,100	-	12,166,100
Change in net assets	12,027,828	1,035,000	13,062,828
Net assets, beginning of year	4,680,013	-	4,680,013
Net assets, end of year	\$ 16,707,841	\$ 1,035,000	\$ 17,742,841

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 761,702	\$ 5,515	\$ 767,217
Bequests	11,768	-	11,768
Grants	5,152,380	331,900	5,484,280
Special events	200,529	-	200,529
Investment return, net	81,602	-	81,602
Donated goods and services	586,406	-	586,406
Other Income	2,610	-	2,610
Net assets released from restrictions	392,415	(392,415)	-
Total Support and Revenue	7,189,412	(55,000)	7,134,412
Expenses:			
Program services	5,522,175	-	5,522,175
Administrative	833,282	-	833,282
Fundraising	473,915	-	473,915
Total Expenses	6,829,372	-	6,829,372
Change in net assets	360,040	(55,000)	305,040
Net assets, beginning of year	4,319,973	55,000	4,374,973
Net assets, end of year	<u>\$ 4,680,013</u>	<u>\$ -</u>	<u>\$ 4,680,013</u>

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

FRANCISCAN OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	House of Mary & Joseph	Case Management	SPARC		Administrative	Fundraising		
Salaries	\$ 2,147,931	\$ 1,077,147	\$1,883,335	\$ 5,108,413	\$ 724,392	\$ 226,868	\$ 951,260	\$ 6,059,673
Medical benefits	189,552	133,782	73,367	396,701	81,789	24,306	106,095	502,796
Payroll taxes and other benefits	243,410	93,617	173,317	510,344	66,057	22,700	88,757	599,101
Professional fees and contract services	332,673	47,585	1,294,863	1,675,121	247,327	46,202	293,529	1,968,650
Food	3,851	343	1,649	5,843	7,271	3,109	10,380	16,223
Supplies	127,792	9,672	149,298	286,762	32,132	2,055	34,187	320,949
Postage and printing	404	1,250	142	1,796	545	2,192	2,737	4,533
Telephone and internet	19,532	6,474	8,552	34,558	9,388	207	9,595	44,153
Utilities	109,046	-	-	109,046	-	-	-	109,046
Lease expense	137,792	35,252	1,636,000	1,809,044	62,014	15,591	77,605	1,886,649
Insurance	43,389	4,495	40,876	88,760	1,237	715	1,952	90,712
Equipment repairs and maintenance	125,562	1,477	6,327	133,366	9,236	559	9,795	143,161
Dues and media	500	372	-	872	11,015	8,767	19,782	20,654
Specific assistance	92,235	5,572	5,882	103,689	-	-	-	103,689
Laundry	8,325	-	-	8,325	-	-	-	8,325
Local travel	10,446	1,436	334	12,216	3,537	263	3,800	16,016
Conferences and meetings	4,917	2,625	6,499	14,041	8,499	935	9,434	23,475
Fundraising expenses	-	-	-	-	-	101,481	101,481	101,481
Promotion	1,193	334	103	1,630	348	118	466	2,096
Interest expense	1,035	55	-	1,090	133	6,064	6,197	7,287
Depreciation	58,987	1,051	-	60,038	50,622	-	50,622	110,660
Miscellaneous	144	25	-	169	24,674	1,928	26,602	26,771
Total	\$ 3,658,716	\$ 1,422,564	\$5,280,544	\$10,361,824	\$ 1,340,216	\$ 464,060	\$1,804,276	\$12,166,100

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

FRANCISCAN OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

	Program Services			Supporting Services		Total	Total
	House of Mary & Joseph	Case Management	Total Program Services	Administrative	Fundraising	Supporting Services	Total Expenses
Salaries	\$ 2,072,277	\$ 1,026,421	\$3,098,698	\$ 509,804	\$ 266,346	\$ 776,150	\$ 3,874,848
Medical benefits	168,865	122,837	291,702	71,796	24,931	96,727	388,429
Payroll taxes and other benefits	218,065	99,613	317,678	53,229	26,506	79,735	397,413
Professional fees and contract services	320,265	52,974	373,239	57,287	10,626	67,913	441,152
Food	623,948	802	624,750	5,941	425	6,366	631,116
Supplies	106,991	5,369	112,360	10,912	1,199	12,111	124,471
Postage and printing	648	930	1,578	887	833	1,720	3,298
Telephone and internet	18,365	6,127	24,492	940	220	1,160	25,652
Utilities	81,105	-	81,105	-	-	-	81,105
Lease expense	118,007	48,703	166,710	37,519	21,715	59,234	225,944
Insurance	33,060	5,322	38,382	(1,320)	1,014	(306)	38,076
Equipment repairs and maintenance	196,340	6,855	203,195	9,281	159	9,440	212,635
Dues and media	431	4,645	5,076	13,866	6,206	20,072	25,148
Specific assistance	65,827	26,599	92,426	-	-	-	92,426
Laundry	7,955	-	7,955	-	-	-	7,955
Local travel	2,769	1,148	3,917	648	218	866	4,783
Conferences and meetings	5,097	5,953	11,050	8,655	70	8,725	19,775
Fundraising expenses	-	-	-	-	106,765	106,765	106,765
Promotion	2,542	3,437	5,979	1,316	296	1,612	7,591
Interest expense	76	76	152	75	5,592	5,667	5,819
Depreciation	60,070	1,576	61,646	50,791	-	50,791	112,437
Miscellaneous	85	-	85	1,655	794	2,449	2,534
Total	<u>\$ 4,102,788</u>	<u>\$ 1,419,387</u>	<u>\$5,522,175</u>	<u>\$ 833,282</u>	<u>\$ 473,915</u>	<u>\$1,307,197</u>	<u>\$ 6,829,372</u>

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

FRANCISCAN OUTREACH
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 13,062,828	\$ 305,040
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	110,660	112,437
Net realized and unrealized loss (gain) on investments	5,430	(1,147)
Donated investments	(417,254)	(127,208)
Amortization of right-of-use asset under operating lease	142,434	137,544
Changes in:		
Grants and contributions receivable	(3,688,899)	562,396
Prepaid expenses	(24,639)	2,422
Other assets	(148,830)	(125,000)
Accounts payable	424,827	242,042
Accrued expenses	315,395	80,610
Obligation under operating lease	(142,275)	(134,818)
Net cash flows from operating activities	<u>9,639,677</u>	<u>1,054,318</u>
Cash flows from investing activities:		
Purchases of investments	(57,212)	(858,746)
Proceeds from sale of investments	465,000	1,178,855
Purchases of property and equipment	(11,262,397)	(1,077,520)
Net cash flows from investing activities	<u>(10,854,609)</u>	<u>(757,411)</u>
Cash flows from financing activities:		
Proceeds from loan payable	1,050,000	100,000
Principal payments on loan payable	(26,324)	-
Principal payments on obligation under finance lease	(4,728)	(4,664)
Net cash flows from financing activities	<u>1,018,948</u>	<u>95,336</u>
Net change in cash and cash equivalents	(195,984)	392,243
Cash and cash equivalents, beginning of year	580,321	188,078
Cash and cash equivalents, end of year	<u>\$ 384,337</u>	<u>\$ 580,321</u>
Noncash financing and investing transactions:		
Property and equipment acquired with operating lease obligation	<u>\$ -</u>	<u>\$ 50,888</u>
Property and equipment financed with accounts payable	<u>\$ 808,824</u>	<u>\$ -</u>
Other cash flow information:		
Interest paid	<u>\$ 7,287</u>	<u>\$ 5,819</u>

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

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 1—Nature of operations

Franciscan Outreach (the “Organization”) is a not-for-profit organization that was organized under the laws of the State of Illinois in November 1976.

The Organization operates facilities in Chicago, Illinois and provides people who are marginalized and homeless with food, shelter, and the critical services they need to improve their lives. Support is derived primarily from donations and grants from the government, private foundations, and individuals.

Note 2—Summary of significant accounting policies

Basis of Accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to not-for-profit organizations.

Cash and Cash Equivalents –The Organization considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk – The Organization maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Organization believes it is not exposed to significant credit risk on these accounts.

Grants and Contributions Receivable – The Organization records unconditional promises to give in the form of grants and contributions receivable that are expected to be collected within one year at net realizable value. Grants and contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The organization determined that the discount to net present value was immaterial as of December 31, 2025 and 2024. The Organization determines the allowance for uncollectible grants and contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. At December 31, 2025 and 2024, an allowance for uncollectible grants and contributions receivable was not deemed necessary. Grants and contributions receivable are expected to be collected as follows:

	2025	2024
Less than one year	\$ 435,000	\$ -
One to five years	600,000	-
	<u>\$ 1,035,000</u>	<u>\$ -</u>

Investments – Investments are recorded at cost if purchased or at fair value at time of donation if received as a gift. Thereafter, investments are reported at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is reported net of external and direct internal investment expenses and is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Property and Equipment – Property and equipment are recorded at cost if purchased or at fair value at time of donation if received as a gift. The Organization capitalizes property and equipment over \$1,000 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Buildings	30 years
Building improvements	10 - 30 years
Equipment	3 - 15 years
Vehicles	5 years
Leasehold improvements	Lessor of 2 - 5 years or life of the lease

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and Revenue Recognition – The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. Special event revenue is recognized at the point in time the event takes place as this represents the point at which the goods or services are provided to the customer.

The Organization elected to use the portfolio approach practical expedient. The Organization's contracts with customers contain similar terms and as a result, the Organization has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Organization does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

The Organization recognizes unconditional 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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization did not receive any cost-reimbursable grants that have not been recognized at December 31, 2025 or 2024 because qualifying expenditures had not yet been incurred. No amounts have been received in advance under the federal and state contracts and grants.

In-Kind Contributions – The Organization receives in-kind contributions of goods and services from members of the community and volunteers related to program operations, special events, and fundraising activities. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization recognizes in-kind contributions in an amount approximating the estimated fair value at the time of the donation. The Organization's policy related to in-kind contributions 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 depending on the type of asset.

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

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

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salary and related benefits are allocated based on the direct conduct or supervision of programs and supporting services. Some non-salary expenses that benefit more than one functional category are spread across categories using a shared cost method. Under this method, the number of employees within a department (at a specific location) are divided by the total number of employees at the Organization (or total number employees at a specific location) to determine the percentage of shared costs they should bear. Occupancy expenses (rent and utilities) are allocated based on the square footage of space used for programs and supporting services. Materials and supplies are allocated based on usage. Telephone and internet are allocated based on number of users in each location. Expenses used for a specific program are charged directly to that program.

Income Taxes – The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been made for either federal or state income taxes.

The Organization has evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction.

Based on the evaluation of the Organization's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2025 or 2024.

Accounting Estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases – The Organization leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under Accounting Standards Codification 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all economic benefits from use of the asset and the right to direct the use of the asset. Management only reassess its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and obligation under operating lease in the statements of financial position. Finance leases are included in property and equipment and obligation under finance lease in the statements of financial position.

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

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

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

Subsequent Events – Management has evaluated subsequent events through August 3, 2026, the date the financial statements were available to be issued.

Note 3—Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 384,337	\$ 580,321
Grants and contributions receivable	5,199,890	1,510,991
Investments	1,539,496	1,535,460
	<u>7,123,723</u>	<u>3,626,772</u>
Less amounts not available for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>1,035,000</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,088,723</u>	<u>\$ 3,626,772</u>

The Organization's goal is to maintain available financial assets sufficient to meet its general expenditures, liabilities, and other obligations as they become due. The Organization monitors its cash position on a monthly basis. Excess cash is invested in mutual funds.

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 4—Fair value measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below.

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:

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

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

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

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

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024:

Mutual Funds and Equities – Valued at the closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

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

FRANCISCAN OUTREACH
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 4—Fair value measurements (continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

December 31, 2025				
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	\$ 212,412	\$ -	\$ -	\$ 212,412
Mutual funds	1,327,084	-	-	1,327,084
Total investments	<u>\$ 1,539,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,539,496</u>

December 31, 2024				
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 1,535,460	\$ -	\$ -	\$ 1,535,460
Total investments	<u>\$ 1,535,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,460</u>

For the years ended December 31, 2025 and 2024, there were no significant transfers into or out of Level 3.

Note 5—Property and equipment

Property and equipment at December 31, consisted of the following:

	2025	2024
Land	\$ 801,297	\$ 10,000
Buildings	2,326,503	90,000
Building improvements	1,349,213	1,328,213
Equipment	591,198	554,351
Vehicles	28,705	28,705
Leasehold improvements	49,973	981,509
Construction in progress	9,912,381	-
Total property and equipment	15,059,270	2,992,778
Less accumulated depreciation	(1,549,854)	(1,443,923)
Property and equipment, net	<u>\$ 13,509,416</u>	<u>\$ 1,548,855</u>

Depreciation and amortization expense was \$110,660 and \$112,437 for the years ended December 31, 2025 and 2024, respectively.

The Organization entered into a construction project with budgeted costs of approximately \$18,900,000 of which approximately \$11,600,000 remains to be completed as of June 30, 2026. The project is primarily being funded with state and local grants.

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 6—Loans payable

Loans payable at December 31 consisted of the following:

During the year ended December 31, 2025, the Organization entered into a loan agreement with a not-for-profit organization in the amount of \$1,050,000. Payments of principal and interest of \$9,585 are due monthly including interest at 7.25%. The interest rate and payments will be adjusted in accordance with the terms of the agreement in April 2031 and again in April 2036, with the final payment due in April 2041. The loan is collateralized by a mortgage on specific property. The total outstanding balance of the loan was \$1,023,676 as of December 31, 2025. The Organization is subject to certain non-financial covenants as part of the loan agreement.

During the year ended December 31, 2024, the Organization entered into an unsecured, interest free, loan agreement with a not-for-profit organization in the amount of \$100,000. Payment is due in one lump sum in December 2025. The outstanding balance as of December 31, 2025 was \$100,000. Subsequent to year end, the \$100,000 was repaid in full.

Loan maturities for each of the five years following December 31, 2025 are as follows:

2026	\$ 126,485
2027	42,200
2028	45,363
2029	48,763
2030	52,419
Thereafter	808,446
Total	<u>\$ 1,123,676</u>

Note 7—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes for the years ended December 31:

	2025	2024
Subject to the passage of time	\$ 735,000	\$ -
Dormitory renovations	300,000	-
Total net assets with donor restrictions	<u>\$ 1,035,000</u>	<u>\$ -</u>

Note 8—In-kind contributions

The Organization received the following in-kind contributions for the years ended December 31:

	2025	2024
Food	\$ -	\$ 586,406

Food was donated from the Greater Chicago Food Depository and an annual funding statement with the fair value of the food is provided. The Organization distributes the food in its shelters. All in-kind contributions received by the Organization for the year ended December 31, 2024 were considered to be without donor restrictions and are able to be used by the Organization as determined by the Board of Directors and management. There were no in-kind contributions for the year ended December 31, 2025.

FRANCISCAN OUTREACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 9—Leases

The Organization has operating lease agreements that requires monthly payments ranging from \$925 to \$7,999 and lease maturity dates through September 2029. The Organization is also obligated by a lease agreement that meets the criteria of a finance lease. The finance lease requires monthly payments of \$408 and a lease maturity date of November 2027.

The Organization has also entered into leases that qualify for the short-term lease measurement and recognition exemption. The Organization elects to apply the short-term lease measurement and recognition exemption to leases that meet the criteria.

Lease expense for the years ended December 31 was as follows:

	2025	2024
Operating leases:		
Fixed rent expense	\$ 136,834	\$ 141,906
Short-term lease expense	1,749,815	84,038
Total	<u>\$ 1,886,649</u>	<u>\$ 225,944</u>
Finance lease:		
Amortization of ROU asset	\$ 4,729	\$ 4,729
Interest expense	162	226
Total	<u>\$ 4,891</u>	<u>\$ 4,955</u>

Aggregate future minimum lease payments and the present value of net future minimum payments, at December 31, 2025 are as follows:

<u>Years Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2026	\$ 107,088	\$ 4,890	\$ 111,978
2027	91,089	4,483	95,572
2028	11,100	-	11,100
2029	8,325	-	8,325
Total payments	217,602	9,373	226,975
Less interest	(4,387)	(127)	(4,514)
Present value of total payments	<u>\$ 213,215</u>	<u>\$ 9,246</u>	<u>\$ 222,461</u>

As of December 31, 2025, the weighted average remaining lease term for the operating lease is 2.18 years and the remaining lease term for the finance lease is 2 years. As of December 31, 2024, the weighted average remaining lease term for the operating lease is 2.87 years and the remaining lease term for the finance lease is 3 years.

Because the Organization generally does not have access to the rate implicit in the lease, the Organization utilizes the risk free rate as the discount rate. The discount rate associated with operating lease as of December 31, 2025 and 2024 is 1.83% and 2.03% respectively, and the discount rate associated with the finance lease as of December 31, 2025 and 2024 was 1.37%.