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certified public accountants | business consultants

**DEVELOPMENT WORKSHOP, INC.,
DBA DWI**

**Financial Statements
with
Independent Auditors' Report**

June 30, 2025 and 2024

giving direction to your future

DEVELOPMENT WORKSHOP, INC.
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June 30, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Development Workshop, Inc.
Idaho Falls, Idaho

Opinion

We have audited the accompanying financial statements of Development Workshop, 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 Development Workshop, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Development Workshop, 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 Development Workshop, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

IDAHO FALLS | REXBURG | DRIGGS | BOZEMAN | WEST YELLOWSTONE

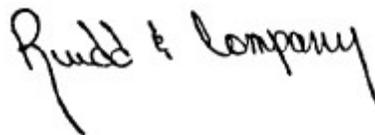
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 Development Workshop, 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 Development Workshop, 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.



Idaho Falls, Idaho
November 24, 2025

DEVELOPMENT WORKSHOP, INC.
Statements of Financial Position
June 30,

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,162,438	\$ 1,090,096
Accounts receivable (net of allowance for uncollectible accounts of \$9,900 and \$6,000)	393,740	494,448
Related party receivable	3,216	5,004
Inventories	334,373	338,579
Prepaid expenses	62,960	51,150
Total Current Assets	<u>1,956,727</u>	<u>1,979,277</u>
Property, Plant and Equipment		
Land	1,036,187	1,036,187
Land improvements	71,352	71,352
Buildings	5,218,973	4,914,163
Machinery and equipment	2,605,221	2,686,756
Construction in progress	4,551	38,135
	<u>8,936,284</u>	<u>8,746,593</u>
Less accumulated depreciation	<u>(4,765,764)</u>	<u>(4,677,760)</u>
Net Property, Plant and Equipment	<u>4,170,520</u>	<u>4,068,833</u>
Other Assets		
Restricted cash - USDA Note Reserve Account	44,280	44,280
Restricted cash - Security Deposit	12,350	12,350
Membership in Transitional Living Center	25,655	25,655
Total Other Assets	<u>82,285</u>	<u>82,285</u>
Total Assets	<u>\$ 6,209,532</u>	<u>\$ 6,130,395</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

	<u>2025</u>	<u>2024</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 106,343	\$ 43,295
Accrued payroll	78,729	70,344
Accrued other liabilities	50,457	59,555
Security deposit liability	12,350	12,350
Current portion of finance lease liability	28,408	44,404
Current portion of long-term debt	41,915	40,236
Total Current Liabilities	<u>318,202</u>	<u>270,184</u>
Long-Term Liabilities		
Finance lease liability, net of current portion	14,039	45,014
Long-term debt	598,093	640,008
Accrued all purpose leave	191,782	178,265
Total Long-Term Liabilities	<u>803,914</u>	<u>863,287</u>
Total Liabilities	<u>1,122,116</u>	<u>1,133,471</u>
Net Assets		
Without donor restrictions	<u>5,087,416</u>	<u>4,996,924</u>
Total Net Assets	<u>5,087,416</u>	<u>4,996,924</u>
Total Liabilities and Net Assets	<u>\$ 6,209,532</u>	<u>\$ 6,130,395</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Activities
Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 1,849,099	\$ -	\$ 1,849,099
Service contracts income	1,343,009	-	1,343,009
Products income	657,921	-	657,921
Health and welfare income	240,957	-	240,957
Other income	50,887	-	50,887
Vocational rehabilitation	22,568	-	22,568
	<u>4,164,441</u>	<u>-</u>	<u>4,164,441</u>
Support and Other Income:			
Donations	-	270,122	270,122
Grants	-	17,627	17,627
Other income	102,699	-	102,699
Lease rent income	162,499	-	162,499
Gain on insurance proceeds	80,366	-	80,366
Gain on sale of fixed assets	22,702	-	22,702
Earnings on investments	19,834	-	19,834
United Way	5,351	-	5,351
	<u>393,451</u>	<u>287,749</u>	<u>681,200</u>
Support Provided by Expiring Time and Purpose Restrictions	<u>287,749</u>	<u>(287,749)</u>	<u>-</u>
Total Revenues, Support and Other Income	4,845,641	-	4,845,641

The Accompanying Notes are an Integral
Part of the Financial Statements.

Expenses			
Program Services:			
Rehabilitation	582,391	-	582,391
Production	844,821	-	844,821
Medicaid	1,338,097	-	1,338,097
Janitorial	1,231,062	-	1,231,062
	<u>3,996,371</u>	<u>-</u>	<u>3,996,371</u>
Total Program Services			
General and Administrative	758,778	-	758,778
	<u>758,778</u>	<u>-</u>	<u>758,778</u>
Total Expenses	<u>4,755,149</u>	<u>-</u>	<u>4,755,149</u>
Change in Net Assets	90,492	-	90,492
Net Assets, Beginning of Year	<u>4,996,924</u>	<u>-</u>	<u>4,996,924</u>
Net Assets, End of Year	<u>\$ 5,087,416</u>	<u>\$ -</u>	<u>\$ 5,087,416</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 1,971,105	\$ -	\$ 1,971,105
Service contracts income	1,498,440	-	1,498,440
Products income	645,450	-	645,450
Health and welfare income	249,675	-	249,675
Vocational rehabilitation	37,776	-	37,776
Other income	31,599	-	31,599
	<u>4,434,045</u>	<u>-</u>	<u>4,434,045</u>
Total Revenues			
Support and Other Income:			
Donations	-	76,078	76,078
Grants	-	43,045	43,045
United Way	6,237	-	6,237
Other income	77,901	-	77,901
Lease rent income	69,526	-	69,526
Earnings on investments	21,489	-	21,489
Gain on sale of fixed assets	450	-	450
	<u>175,603</u>	<u>119,123</u>	<u>294,726</u>
Total Support and Other Income			
Support Provided by Expiring Time and Purpose Restrictions	<u>119,123</u>	<u>(119,123)</u>	<u>-</u>
Total Revenues, Support and Other Income	4,728,771	-	4,728,771

The Accompanying Notes are an Integral
Part of the Financial Statements.

Expenses			
Program Services:			
Rehabilitation	513,691	-	513,691
Production	847,836	-	847,836
Medicaid	1,547,740	-	1,547,740
Janitorial	1,315,800	-	1,315,800
	<u>4,225,067</u>	<u>-</u>	<u>4,225,067</u>
Total Program Services			
General and Administrative	689,082	-	689,082
	<u>689,082</u>	<u>-</u>	<u>689,082</u>
Total Expenses	<u>4,914,149</u>	<u>-</u>	<u>4,914,149</u>
Change in Net Assets	(185,378)	-	(185,378)
Net Assets, Beginning of Year	<u>5,182,302</u>	<u>-</u>	<u>5,182,302</u>
Net Assets, End of Year	<u>\$ 4,996,924</u>	<u>\$ -</u>	<u>\$ 4,996,924</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services		
	Rehabilitation	Production	Medicaid
Direct Materials			
Purchases	\$ -	\$ 244,576	\$ -
Total Direct Materials	-	244,576	-
Direct Labor			
Client labor	-	97,413	-
Production labor	-	148,332	-
Staff labor	395,359	104,101	705,800
Payroll taxes	33,107	29,109	59,346
Insurance-workers comp.	5,671	4,975	10,281
Insurance-employee group	41,199	15,232	60,388
Retirement costs	6,187	2,639	7,871
Total Direct Labor	481,523	401,801	843,686
Other Expenses			
Advertising	-	-	-
Commissions	-	10,820	-
Credit losses	-	-	-
Data processing	22,153	15,545	51,643
Depreciation	24,757	72,730	122,323
Dues & subscriptions	700	151	1,900
Freight-out	-	6,056	-
Insurance-general	12,507	7,466	38,956
Interest	2,021	-	26,020
Office supplies/postage	441	55	1,926
Other expenses	2,752	13,497	33,638
Professional development	1,613	539	4,217
Professional services	279	-	256
Public relations	-	-	-
Rent	-	-	12,695
Repairs & maintenance	2,759	17,254	56,140
Service contract supplies	-	-	-
Shop and program supplies	-	4,113	5,191
Small tools & appliances	4,795	12,429	6,271
Sub-contracted services	-	2,872	-
Taxes & licences	1,839	2,351	25,182
Telephone	3,155	-	649
Travel	-	2,523	5,594
Utilities	3,378	30,043	60,341
Vehicle operation/maintenance	17,719	-	41,469
Total Other Expenses	100,868	198,444	494,411
Total Expenses	\$ 582,391	\$ 844,821	\$ 1,338,097

The Accompanying Notes are an Integral
Part of the Financial Statements.

Program Services			
Janitorial	Total Program Services	General and Administrative	Total Expenses
\$ -	\$ 244,576	\$ -	\$ 244,576
-	244,576	-	244,576
-	97,413	-	97,413
718,333	866,665	-	866,665
78,559	1,283,819	444,460	1,728,279
67,520	189,082	37,702	226,784
18,613	39,540	6,203	45,743
139,419	256,238	36,023	292,261
23,568	40,265	8,730	48,995
1,046,012	2,773,022	533,118	3,306,140
-	-	14,213	14,213
24,192	35,012	-	35,012
-	-	9,848	9,848
52,750	142,091	17,155	159,246
6,525	226,335	14,570	240,905
180	2,931	7,941	10,872
-	6,056	-	6,056
9,166	68,095	38,824	106,919
924	28,965	5,545	34,510
-	2,422	12,217	14,639
2,248	52,135	14,759	66,894
2,838	9,207	4,378	13,585
2,403	2,938	30,156	33,094
-	-	19,045	19,045
1,705	14,400	-	14,400
4,232	80,385	16,515	96,900
58,970	58,970	-	58,970
-	9,304	-	9,304
190	23,685	-	23,685
7,813	10,685	2,294	12,979
1,037	30,409	1,515	31,924
463	4,267	733	5,000
832	8,949	5,854	14,803
3,212	96,974	3,138	100,112
5,370	64,558	6,960	71,518
185,050	978,773	225,660	1,204,433
\$ 1,231,062	\$ 3,996,371	\$ 758,778	\$ 4,755,149

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services		
	Rehabilitation	Production	Medicaid
Direct Materials			
Purchases	\$ -	\$ 205,070	\$ -
Total Direct Materials	-	205,070	-
Direct Labor			
Client labor	850	96,229	1,615
Insurance - employee group	38,553	18,010	81,329
Insurance -workers comp	6,072	5,675	16,189
Payroll taxes	25,831	24,143	67,394
Production labor	-	132,822	791
Retirement costs	5,162	2,767	11,158
Staff labor	348,729	96,733	903,669
Total Direct Labor	425,197	376,379	1,082,145
Other Expenses			
Advertising	-	-	-
Bank charges and interest	3,532	-	28,252
Commissions	-	16,714	-
Credit losses	-	-	-
Data processing	18,885	13,904	46,294
Depreciation	27,627	70,242	118,362
Dues and subscriptions	-	145	64
Freight - out	-	7,457	-
Insurance - general	10,494	9,674	40,331
Office supplies/postage	570	95	2,967
Other expenses	3,155	13,696	45,664
Professional development	565	1,435	7,006
Professional services	1,143	-	14,679
Public relations	64	-	271
Rent	-	37	12,695
Repairs and maintenance	3,834	36,251	49,704
Service contract supplies	-	-	261
Shop and program supplies	27	6,374	5,030
Small tool and appliances	-	2,568	-
Sub-contracted services	-	56,915	44
Taxes and licenses	598	4,368	2,618
Telephone	4,247	-	56
Travel	-	-	2,114
Utilities	4,443	26,303	54,939
Vehicle operation/maintenance	9,310	209	34,244
Total Other Expenses	88,494	266,387	465,595
Total Expenses	\$ 513,691	\$ 847,836	\$ 1,547,740

The Accompanying Notes are an Integral
Part of the Financial Statements.

Program Services			
Janitorial	Total Program Services	General and Administrative	Total Expenses
\$ -	\$ 205,070	\$ -	\$ 205,070
-	205,070	-	205,070
980	99,674	54	99,728
144,105	281,997	43,202	325,199
24,863	52,799	6,770	59,569
64,363	181,731	29,004	210,735
783,422	917,035	-	917,035
21,185	40,272	7,943	48,215
60,978	1,410,109	403,282	1,813,391
1,099,896	2,983,617	490,255	3,473,872
-	-	11,346	11,346
1,133	32,917	3,090	36,007
49,335	66,049	-	66,049
-	-	5,016	5,016
44,069	123,152	12,627	135,779
10,543	226,774	17,103	243,877
-	209	6,086	6,295
-	7,457	-	7,457
7,888	68,387	26,034	94,421
-	3,632	16,386	20,018
3,594	66,109	22,218	88,327
1,337	10,343	5,865	16,208
9,404	25,226	34,951	60,177
-	335	20,287	20,622
1,705	14,437	-	14,437
4,952	94,741	10,343	105,084
60,535	60,796	-	60,796
-	11,431	119	11,550
-	2,568	-	2,568
10,709	67,668	550	68,218
173	7,757	427	8,184
505	4,808	577	5,385
-	2,114	1,416	3,530
4,180	89,865	2,327	92,192
5,842	49,605	2,060	51,665
215,904	1,036,380	198,827	1,235,207
\$ 1,315,800	\$ 4,225,067	\$ 689,082	\$ 4,914,149

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statements of Cash Flows
Years Ended June 30,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 90,492	\$ (185,378)
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
Gain on sale of assets	(22,702)	(450)
Depreciation and amortization	240,905	243,877
Net change in:		
Accounts receivable	98,346	(140,541)
Inventories	4,206	44,965
Prepaid expenses	(11,810)	(14,004)
Accounts payable	67,198	(33,201)
Security deposit payable	-	12,350
Accrued expenses	(713)	(20,736)
Accrued all purpose leave	13,517	(15,206)
	<u>479,439</u>	<u>(108,324)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	23,104	450
Purchases of property and equipment	<u>(342,994)</u>	<u>(154,216)</u>
Net Cash Provided (Used) by Investing Activities	<u>(319,890)</u>	<u>(153,766)</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

	<u>2025</u>	<u>2024</u>
Cash Flows from Financing Activities		
Payments on long-term debt	(40,235)	(38,624)
Payments on finance leases	(46,972)	(54,206)
Net Cash Used by Financing Activities	<u>(87,207)</u>	<u>(92,830)</u>
Net Increase (Decrease) in Cash	72,342	(354,920)
Cash, Beginning of Year	<u>1,146,726</u>	<u>1,501,646</u>
Cash, End of Year	<u>1,219,068</u>	<u>1,146,726</u>
Balances Per Statements of Financial Position		
Cash and cash equivalents	1,162,438	1,090,096
Restricted cash - USDA Note Reserve Account	44,280	44,280
Restricted cash - Security Deposit	12,350	12,350
	<u>\$ 1,219,068</u>	<u>\$ 1,146,726</u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ 34,509	\$ 36,007
Income Taxes Paid	\$ 35,188	\$ -

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies

Nature of Activities

Development Workshop, Inc. (the “Company”) was incorporated in August 1973 and is governed by a Board of Directors who serve without compensation. The Company operates a community rehabilitation program to provide vocational services, training, and employment to persons with disabilities with the goal of making them self-supporting. The Company serves individuals primarily in a nine county area in eastern Idaho through facilities located in Idaho Falls, Rexburg, and Salmon.

The revenues of the Company are derived primarily from the following sources:

1. Contracts with various governmental agencies for services provided in training and employment of persons with a wide range and severity of disabilities.
2. Sale of products and services to federal and state governmental agencies.
3. Sale of products and services in the private sector.
4. Contributions by civic organizations, foundations, Corporations, trusts and individuals.

Donated services are not recorded in the books unless the services are to be capitalized, in which case the services are recorded at their fair market value.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Property and Equipment

The Company capitalizes property and equipment over \$5,000. Property and equipment purchased are recorded in the books at cost. Equipment that is leased under capital leases is recorded at the present value of the lease payments to be made over the term of the lease. All depreciable assets are being depreciated using the straight-line method, over their estimated useful lives that range from three to forty years. Buildings and improvements are depreciated over 10 to 40 years, furniture and equipment over 5 years, and computer equipment/software over 3-5 years.

Inventories

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists primarily of raw materials and finished goods held for sale and is evaluated periodically for obsolescence. Any reductions in value are recognized as an expense in the period identified.

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were accounts receivables.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies (continued)

Accounts receivable are reported at the outstanding balances due from customers for products and services provided. Receivables are billed monthly. An allowance for credit losses has been established as an estimate of those balances which may not be collected. The allowance is based on experience and other circumstances which may affect the ability of clients and customers to make their payments. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Company's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2025, and 2024 there was \$2,891 and \$29,085 of accounts receivable in excess of 90 days, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting For Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are recorded as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Tax Exempt Status

The Company has received a determination from the Internal Revenue Service that it qualifies as a nonprofit organization under section 501(c)(3) of the Internal Revenue Code. The Company also has received a determination from the State of Idaho that it qualifies as a Company exempt from income taxes, including the minimum tax provisions, under section 63-3025C of the Idaho Code. However, the Company is subject to tax on income derived from activities unrelated to its exempt purpose. The Company leases a portion of their Rexburg facility to tenants and receives rental income. The Company recorded unrelated business income tax of \$31,924 and \$8,185 for the year ended June 30, 2025 and 2024 respectively. The amounts are recorded within program expenses within the statement of activities.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies (continued)

The Company files form 990 in the U.S. federal jurisdiction. The Company has evaluated its tax positions for all open tax years. The Company's information return is open to examination by the Internal Revenue Service, generally, for three years after it was filed or the due date of the return, whichever is later.

Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fire Loss and Insurance Recovery

During the year ended June 30, 2025, a fire occurred at the Company's Rexburg facility, resulting in damage to certain property and equipment. The Company maintained adequate insurance coverage, and all related losses were fully reimbursed by insurance proceeds. The insurance recoveries and costs incurred to rebuild have been presented net within "Other income" in the accompanying Statement of Activities. Accordingly, there was a gain of \$80,366 for the year ended June 30, 2025.

Advertising

Advertising is expensed when incurred and for the years ended June 30, 2025, and 2024 were \$14,213 and \$11,346, respectively.

Subsequent Events

The Company has evaluated subsequent events and transactions through November 24, 2025, the date the financial statements were available to be issued. See Note 12.

2. Cash and Cash Equivalents

The Company maintains several checking and savings accounts in local financial institutions. At times the total cash and cash equivalents held by these financial institutions exceed NCUA insurance coverage. At June 30, 2025 and 2024, the Company had \$100,509 and \$49,494 uninsured and uncollateralized, respectively.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
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3. Restricted Cash –

USDA Note Reserve Account

Cash has been restricted under a debt service agreement with the USDA to reflect the required establishment of a reserve account to be used for future note payments or for repairs or improvements to the financed facility upon prior written approval.

Security Deposit

Cash has been restricted under a lease agreement with Grand Teton Energy Systems, LLC (the lessee). The lessee was required to deposit security funds that may be returned at the termination of the lease.

4. Related Party Transactions

The Company provides administrative services to Development Workshop Foundation Inc., (the “Foundation”) a related entity, on a reimbursement basis. Charges for services and reimbursed expenses amounted to \$33,865 and \$49,620 for the years ended June 30, 2025, and 2024, respectively.

As of June 30, 2025, and 2024, the Company had related party receivables outstanding from the Foundation of \$7,366 and \$10,048, respectively.

As of June 30, 2025, and 2024, the Company had related party payables outstanding to the Foundation of \$4,150 and \$5,044, respectively.

The Company receives donations from the Foundation for grants, client scholarships, fixed asset purchases, and other expenses. For the years ended June 30, 2025, and 2024, the Company received \$262,171 and \$66,369, respectively, of contributions from the Foundation.

The Company leases vehicles from the Foundation under financing leases. For the years ended June 30, 2025, and 2024, the Company paid \$46,972 and \$54,206, respectively, to the Foundation to lease vehicles.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
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5. Inventories

Major classes of inventories at June 30, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Raw Materials	\$ 215,521	\$ 220,729
Finished Goods	118,852	117,850
	<u>\$ 334,373</u>	<u>\$ 338,579</u>

6. Membership in Transitional Living Center

During the fiscal year ended June 30, 1990, the Company purchased land for a client residential housing facility on behalf of Transitional Living Center, Inc. After the necessary financing for construction of the housing facility was in place, the Company transferred title of the land to Transitional Living Center, Inc. on August 31, 1992. Construction on the housing facility began in October 1992 and was completed in August 1994. Clients have been living in the facility since November 1993.

In 1994, the Company was reimbursed by HUD for a portion of the cost of the land for the Transitional Living Center. The remaining cost for the land, or \$25,655, represents the Company's membership in Transitional Living Center, Inc., a non-profit organization.

7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of June 30:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 1,162,438	\$ 1,090,096
Accounts receivable, net	393,740	494,448
Related party receivable	3,216	5,004
	<u>\$ 1,559,394</u>	<u>\$ 1,810,933</u>
Total financial assets available for general expenditures within one year		
	<u>\$ 1,559,394</u>	<u>\$ 1,810,933</u>

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
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8. Employee Retirement Plan

The Company has a tax sheltered deferred annuity plan, as described in Section 403(b) of the Internal Revenue Code, covering all staff employees who have met the service requirements. The contribution by the Company for staff employees is at a rate of zero to 2.0% of the employee's compensation depending upon the employee's length of service. Company contributions for Service Contract Act employees are determined by the federal contract they worked on and the contractual rate specified. Voluntary contributions to the plan are permitted to a maximum allowed by IRS regulations. Contributions to the retirement plan amounted to \$48,996 and \$48,215 for the years ended June 30, 2025 and 2024, respectively.

9. Leasing Activities

In prior years, the Company entered into agreements with the Foundation, to lease vehicles under financing leases. The financing leases have remaining lease terms of 1 year to 4 years. The Company utilizes the discount rate implicit in the lease contracts to calculate the ROU asset and lease liability.

The following summarizes the line items in the balance sheets which include amounts for operating and finance leases as of June 30:

	<u>2025</u>	<u>2024</u>
Finance Leases		
Property and equipment	\$ 131,231	\$ 268,626
Accumulated depreciation	<u>(96,119)</u>	<u>(185,837)</u>
Property and equipment, net	<u>\$ 35,112</u>	<u>\$ 82,789</u>
Current portion of finance lease liability	\$ 28,408	\$ 44,404
Finance lease liability, net of current portion	<u>14,039</u>	<u>45,014</u>
Total finance lease liabilities	<u>\$ 42,447</u>	<u>\$ 89,418</u>

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2025 and 2024

9. Leasing Activities (continued)

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	<u>2025</u>	<u>2024</u>
Weighted Average Remaining Lease Term		
Finance leases	1.2 years	2.2 years
Weighted Average Discount Rate		
Finance leases	4.0%	4.0%

The maturities of lease liabilities as of June 30, 2025, were as follows:

2026	29,521
2027	13,892
2028	<u>457</u>
Total minimum lease payments	43,870
Less amount representing interest	<u>(1,423)</u>
Present value of lease liabilities	<u>\$ 42,447</u>

The following summarizes the line items in the income statements which include the components of lease expense for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Finance Lease Cost		
Amortization of lease assets included in depreciation	\$25,847	\$ 51,148
Interest on lease liabilities included in interest expense	<u>2,337</u>	<u>4,129</u>
Total finance lease costs	<u>\$ 28,184</u>	<u>\$ 55,277</u>

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2025 and 2024

9. Leasing Activities (continued)

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 2,337	\$ 4,129
Financing cash flows from finance leases	46,972	54,206

The Company acts as the lessor and leases space under operating leases. At lease inception, the Company determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Company only reassesses if the terms and conditions of the contract are changed. As of June 30, 2025 and 2024, the Company had space being leased under three leases. The space leased is recognized as property and equipment on the balance sheet.

The following is an analysis of the carrying amounts of the underlying assets related to operating leases:

	<u>2025</u>	<u>2024</u>
Buildings	\$ 721,983	\$ 721,983
Land	41,474	41,474
Total costs	<u>\$ 763,457</u>	<u>\$ 763,457</u>
Less accumulated depreciation	209,375	194,936
Total carrying value	<u>\$ 554,082</u>	<u>\$ 568,521</u>

For the years ended June 30, 2025 and 2024, operating lease income was \$162,499 and \$69,526, respectively.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
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9. Leasing Activities (continued)

As of June 30, 2025, the Company has the following operating leases in place:

1. Grand Teton Energy Systems, LLC. 24-month lease, expiring on January 31, 2026 with option to extend. The monthly lease payment is \$12,350.
2. Eastern Idaho Community Action Partnership, Inc. 12 month lease with automatic 12 month renewals unless terminated. The monthly lease payment is \$600.
3. Ruben’s Auto Repair, LLC. 12 month lease with automatic 12 month renewals unless terminated. The monthly lease payment is \$450.

Future minimum lease payments to be received are as follows:

2026	.....	\$ 97,250
		\$ 97,250

10. Long-term Debt

Long-term debt as of June 30, is as follows:

	2025	2024
4.25% note payable to USDA, due in monthly installments of \$3,690, including interest. Original principal amount of \$750,000.	\$ 374,823	\$ 402,531
3.75% note payable to USDA, due in monthly installments of \$1,894, including interest. Original principal amount of \$408,000, secured by deed of trust. Final installment due December 2040.	265,185	277,713
	640,008	680,244
Less current portion of long-term debt	(41,915)	(40,236)
	\$ 598,093	\$ 640,008

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
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10. Long-term Debt (continued)

Future installments of long-term debt as of June 30, 2025 are as follows:

2026	.....	\$	41,915
2027	.....		43,665
2028	.....		45,486
2029	.....		47,385
2030	.....		49,362
Thereafter	.....		<u>412,195</u>
		\$	<u>640,008</u>

11. Accrued All Purpose Leave

The Company provides employees with paid time off benefits that accumulate based on length of service and other factors. Employees are entitled to receive payment for unused accrued leave upon termination or retirement inline with the Company’s policy.

The accrued leave liability represents the amount the Company expects to pay employees for earned but unused leave as of year-end. The liability is adjusted annually based on employee balances, pay rates, and changes in policy or employment status.

The accrued all purpose leave liability totaled \$191,782 and \$178,265 as of June 30, 2025 and 2024 respectively. The increase is primarily attributable to growth in the average leave balance per employee.

12. Subsequent Events

Subsequent to year-end, the Company purchased a building for \$500,000 to support future operations. The purchased was financed in part through a new loan agreement in the amount of \$350,000. The loan bears interest at 4.125% and is payable in monthly installments over 30 years. The remaining purchase price was funded from existing cash reserves. There were no other subsequent events identified by management and required to be disclosed as of November 24, 2025.