

DISTINCTIVE HEALTH SOLUTIONS, INC.  
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2025

DISTINCTIVE HEALTH SOLUTIONS, INC.  
AND SUBSIDIARY

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS:	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7-13
SUPPLEMENTARY INFORMATION:	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	14-15
CONSOLIDATING STATEMENT OF ACTIVITIES	16-17



## *Independent Auditor's Report*

To The Board of Directors of  
Distinctive Health Solutions, Inc. and Subsidiary  
Brunswick, Georgia

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Distinctive Health Solutions, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Distinctive Health Solutions, Inc. and Subsidiary as of June 30, 2025, and the changes in their net assets and their cash flows for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Distinctive Health Solutions, Inc. and Subsidiary, 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Distinctive Health Solutions, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued, or one year after the date that the consolidated financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Distinctive Health Solutions, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Distinctive Health Solutions, Inc. and Subsidiary'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Statement of Financial Position (pages 14 through 15) and Consolidating Statement of Activities (pages 16 through 17) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Statement of Financial Position and Consolidating Statement of Activities are fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

ROBERT BAKER & ASSOCIATES, CPAs

A handwritten signature in black ink that reads "Robert Baker and Associates". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Albany, Georgia  
November 17, 2025

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

CURRENT ASSETS

Cash	\$ 366,303
Cash - Restricted	2,500
Certificate of Deposit	520,263
Accounts Receivable	2,990
Due from Gateway Community Service Board	1,440,682
Prepaid Insurance	289,973
Total Current Assets	<u>\$ 2,622,711</u>

PROPERTY AND EQUIPMENT, NET

\$ 1,991,502

OTHER ASSETS

Reserve Deposits	<u>\$ 189,688</u>
------------------	-------------------

TOTAL ASSETS

\$ 4,803,901

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Payroll Liabilities	\$ 658,671
Due to Gateway Community Service Board	858
Compensated Absences	268,269
Current Portion of Notes Payable	26,757
Total Current Liabilities	<u>\$ 954,555</u>

NON-CURRENT LIABILITIES

Compensated Absences	\$ 512,222
Notes Payable	3,192,609
Tenant Security Deposits	2,500
Total Non-Current Liabilities	<u>\$ 3,707,331</u>

TOTAL LIABILITIES

\$ 4,661,886

NET ASSETS

Without Donor Restrictions	<u>\$ 142,015</u>
----------------------------	-------------------

TOTAL LIABILITIES AND NET ASSETS

\$ 4,803,901

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

	<u>WITHOUT DONOR RESTRICTIONS</u>
SUPPORT AND REVENUE	
Rental Income	\$ 267,000
Contract Revenue	29,773,707
Other Income	5,807
Interest Income	<u>29,829</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 30,076,343</u>
EXPENSES	
Functional Expenses:	
Program Services	\$ 30,040,809
Support Services	<u>33,802</u>
Total Functional Expenses	<u>\$ 30,074,611</u>
TOTAL EXPENSES	<u>\$ 30,074,611</u>
CHANGE IN NET ASSETS	\$ 1,732
NET ASSETS - BEGINNING OF YEAR	<u>140,283</u>
NET ASSETS - END OF YEAR	<u><u>\$ 142,015</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2025

	PROGRAM SERVICES	SUPPORT SERVICES	TOTAL
Personnel:			
Salaries	\$ 22,110,355	\$ -	\$ 22,110,355
Payroll Taxes	1,642,749	-	1,642,749
Fringe Benefits	4,873,366	-	4,873,366
Total Personnel	<u>\$ 28,626,470</u>	<u>\$ -</u>	<u>\$ 28,626,470</u>
Other Expenses:			
Contracted Services	\$ 17,464	\$ 1,940	\$ 19,404
Depreciation	82,137	9,126	91,263
Equipment	2,215	246	2,461
Insurance	501,103	5,298	506,401
Licenses/Fees	35	-	35
Other Contracts	6,175	-	6,175
Other Expenses	621	-	621
Professional Fees	473,364	-	473,364
Repairs and Maintenance	147,377	16,375	163,752
Travel	176,498	-	176,498
Utilities	7,350	817	8,167
Total Other Expenses	<u>\$ 1,414,339</u>	<u>\$ 33,802</u>	<u>\$ 1,448,141</u>
TOTAL EXPENSES	<u><u>\$ 30,040,809</u></u>	<u><u>\$ 33,802</u></u>	<u><u>\$ 30,074,611</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,732
Adjustments to Reconcile Change in Net Assets to	
Cash Provided by Operating Activities:	
Depreciation	91,263
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	26,305
Decrease in Due from Gateway Community Service Board	512,992
Decrease in Prepaid Expenses	10,998
Decrease in Accounts Payable	(31,665)
Decrease in Accrued Payroll Liabilities	(699,522)
Decrease in Due to Gateway Community Service Board	(504)
Increase in Compensated Absences	181,772
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 93,371</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Purchase of Property and Equipment	\$ (34,633)
Principle Payments	<u>(16,790)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>\$ (51,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in Reserve Deposits	\$ (27,637)
Reinvestment of Interest	<u>(20,263)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (47,900)</u>
NET DECREASE IN CASH	\$ (5,952)
CASH - BEGINNING OF YEAR	<u>374,755</u>
CASH - END OF YEAR	<u><u>\$ 368,803</u></u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION:	
Cash	\$ 366,303
Cash - Restricted	<u>2,500</u>
TOTAL CASH	<u><u>\$ 368,803</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



## DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### DESCRIPTION OF OPERATIONS

Distinctive Health Solutions, Inc. (“DHS”) was organized in January 2008 for the purpose of creating a non-profit corporation, which was approved by the Internal Revenue Service (“IRS”) as a 501(c)(3) organization. The Organization was established for the purpose of improving the quality of life for low-income persons with behavioral health and developmental disabilities by providing services that promote individual and economic self-sufficiency.

Gateway CSB PEO, LLC (“PEO”), a 501(c)(3) non-profit organization, is a wholly-owned subsidiary of Distinctive Health Solutions, Inc. The Organization was established to provide contract employees to Gateway Community Service Board to meet the needs of improving the quality of life for low-income persons with behavioral health and developmental disabilities by providing services that promote individual and economic self-sufficiency.

Distinctive Health Solutions, Inc. and Subsidiary is presented as a discretely presented component unit of Gateway Community Service Board.

The following significant accounting policies have been followed in the preparation of these consolidated financial statements:

##### BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Distinctive Health Solutions, Inc. and its wholly-owned subsidiary, Gateway CSB PEO, LLC. All material intra-entity transactions have been eliminated.

##### BASIS OF ACCOUNTING

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred.

##### FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements for Not-for-Profit Organizations*, as updated by the Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This standard requires classification of net assets and revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of these two classes of net assets, with donor restrictions and without donor restrictions, be displayed in the Consolidated Statement of Activities and Changes in Net Assets. The accounting standards provide that if a governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as net assets without donor restrictions.

##### NET ASSETS

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

## DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- (or certain grantor) imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor) 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. We report 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 consolidated statement of activities as net assets released from restrictions. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

#### CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The Organization maintains all cash in bank deposit accounts, which at times may exceed federally insured limits. These deposit accounts have been placed with financial institutions that the Organization believes to be creditworthy. The Organization has not experienced, nor does it anticipate any losses in relation to such accounts. The Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

#### CERTIFICATES OF DEPOSIT

Certificates of deposit are recorded at their face value, offset by the appropriate discount or premium, which approximates fair value. The premium or discount, if any, is amortized on a straight-line basis through the maturity date of the certificate.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at estimated fair value if received as a contribution. Distinctive Health Solutions, Inc. and Subsidiary follow the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings	30 years
-----------	----------

#### REVENUE RECOGNITION

The Organization has earned revenues and public support. Earned revenues represent fees earned, revenue generated through the performance or provision of services or revenue generated through investment. These revenues are recorded when earned, which occurs when the service is performed or the funds are expended. Public support represents unconditional gifts in a voluntary nonreciprocal transfer. The Organization recognizes all contributed public support received as income in the period pledged.

## DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### MANAGEMENT ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### COMPENSATED ABSENCES

###### Paid Time Off (PTO)

1. Paid Time Off is earned each pay period by regular full-time employees in permanent, working test or provisional status.
2. A regular full-time employee will earn PTO at the end of each pay period if the employee works at least half of the normal scheduled hours in each pay period.
3. PTO hours are based on a 40-hour work week. Regular full-time employees scheduled to work less than 40 hours per week will accrue PTO in proportion to the percentage of normal weekly scheduled hours. Example: A regular full-time employee scheduled to work 32 hours per week will accrue 80% of the amounts designated below ( $32/40=80\%$ ). PTO, for regular full-time (40 hours) employees is accrued and carried over at the following rates:
  - a. Length of Service per Pay Period Accrual:
    - i. 0 -59 months inclusive 5.53846 hours per pay period.
    - ii. 60 months and over 6.46154 hours per pay period.
4. The critical leave balances of employees hired prior to September 1, 2010 will be available for use under the terms of Family and Medical Leave as outlined below.
5. Eligible employees begin accruing PTO at the appropriate increased rate on the first day of the month following the completion of the required months of service.
6. Part-time employees are not eligible to earn leave.
7. A regular full-time employee in pay status for less than half normal scheduled hours during a pay period earns no PTO for that pay period.
8. PTO is not earned by employees on emergency, part-time temporary or intermittent appointments.
9. PTO may accumulate to a total of 480 hours (60 workdays).
10. Any PTO earned in excess of 480 hours will be forfeited.

##### FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is intended to reflect only receipt and payment activities arising from cash transactions. The consolidated statement of cash flows does not reflect immaterial non-cash investing activities.

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INCOME TAXES

The Organization's activities are generally exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code (IRC). Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense.

Income tax benefits are recognized for income tax positions taken, or expected to be taken, in a tax return only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2025. The Organization would recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualifications of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations for the tax years before 2016.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 17, 2025, the date on which the consolidated financial statements were available to be issued. As of this date, there are no material subsequent events that require adjustment to or disclosure in the consolidated financial statements for the year ended June 30, 2025.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

Cash	\$	366,303
Cash - Restricted		2,500
Certificate of Deposit		520,263
Accounts Receivable		2,990
Due from Gateway Community Service Board		1,440,682
	\$	2,332,738
Less: Restricted Cash		2,500
Total Financial Assets Available	\$	<u>2,330,238</u>

The Organization provides services under grants. The income is available for general expenditure at the discretion of the Organization based on the budgeted amounts.

# DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2025 was as follows:

Land	\$ 345,085
Buildings	3,068,883
	<u>\$ 3,413,968</u>
Accumulated Depreciation	<u>(1,422,466)</u>
Property and Equipment, Net	<u>\$ 1,991,502</u>

Depreciation expense for the year ending June 30, 2025 was \$91,263.

### NOTE 4 - RESERVE DEPOSITS

As part of the construction loan agreement with the Georgia Housing and Finance Authority, the Organization was required to set up reserve accounts with an escrow agent and fund the reserve accounts as indicated:

1. Operating Deficit Reserve - A one-time deposit of \$50,000 was required and deposited on June 1, 2011.
2. Replacement Reserve - Monthly deposits of \$1,017 are required.
3. Insurance/Tax Reserve - Monthly deposits of \$1,455.52 are required. This amount will be adjusted annually based on actual insurance and property tax costs.

### NOTE 5 - NOTES PAYABLE

Notes payable consist of the following as of June 30, 2025:

Note payable to Georgia Housing and Finance Authority, due in monthly installments of \$2,883, interest at 0%, matures in January 2031, collateralized by real property.	\$ 3,176,866
Note payable to State Housing Trust Fund, due in monthly installments of \$625, interest at 0%, matures in January 2031, collateralized by real property.	<u>42,500</u>
	<u>\$ 3,219,366</u>
Less: Current Maturities	<u>(26,757)</u>
Non-Current Maturities	<u>\$ 3,192,609</u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - NOTES PAYABLE - CONTINUED

The long-term debt matures as follows:

Year Ending June 30	Total
2026	\$ 26,757
2027	26,757
2028	26,757
2029	26,757
2030	3,112,338
Thereafter	-
Total	<u>\$ 3,219,366</u>

The note payable to Georgia Housing and Finance Authority has a final payment of all unpaid principal and accrued and unpaid interest on the Maturity Date (the “Balloon Payment”). The estimated Balloon Payment that will be due at the Maturity Date is \$3,001,547. Notwithstanding the foregoing, however, if the appraised value of the Property at the Maturity Date (the “FMV”) is less than the Balloon Payment, Borrower’s final payment shall be equal to the FMV, which shall be due and payable on the Maturity Date. If Borrower believes that the FMV will be less than the Balloon Payment, at Borrower’s sole cost, it shall obtain an appraisal of the Property as of the Maturity Date, using a qualified, independent appraiser satisfactory to Lender and provide Lender with a copy of such appraisal at least 30 days in advance of the Maturity Date.

NOTE 6 - COMPENSATED ABSENCES

At termination, employees are paid for any accumulated annual leave. The liability for accumulated annual leave at June 30, 2025 is estimated by management to be \$780,491. This amount includes \$125,717 for tax liabilities and benefits related to the accrued leave.

The following is a schedule of changes in annual leave for the fiscal year ending June 30, 2025:

<u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>
<u>\$ 496,272</u>	<u>\$ 284,219</u>	<u>\$ -</u>	<u>\$ 780,491</u>
		Current	\$ 268,269
		Non-Current	<u>512,222</u>
		Total	<u>\$ 780,491</u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SECURITY DEPOSITS

Distinctive Health Solutions, Inc. and Subsidiary holds \$2,500 in rental deposits from current tenants for damages incurred during their lease period.

NOTE 8 - RELATED PARTY AND CONCENTRATION OF REVENUES

Distinctive Health Solutions, Inc. and Subsidiary is under a management agreement with Gateway Community Service Board for accounting services and management of rental properties. During the year ended June 30, 2025, the Organization received \$30,040,707 in rental income and contract revenue from Gateway Community Service Board, representing approximately 99.88% of total revenues.

These transactions are considered related party transactions under GASB Statement No. 62. The Organization is economically dependent on continued funding from Gateway Community Service Board to sustain operations and program services.

Management believes that a significant decrease in financial support from Gateway Community Service Board would materially affect the Authority's ability to continue operations at current service levels. Accordingly, this dependence represents a concentration risk as defined in GASB 62, paragraph 275.

NOTE 9 - RESTATEMENT OF BEGINNING NET ASSETS (INVESTMENT IN SUBSIDIARY)

During the year, management identified that the beginning balance of the parent organization's Investment in Subsidiary account was misstated in the consolidating schedules. The correction resulted in a restatement of the beginning balance of net assets in the parent and subsidiary columns of the Consolidating Statement of Activities to properly reflect the carrying amount of the parent's investment and the subsidiary's corresponding net assets.

This restatement had no effect on the consolidated totals presented in the Consolidated Statement of Activities or on the overall change in net assets for the year, as the investment and subsidiary net assets are fully eliminated in consolidation. The adjustment affects only the internal presentation of the investment balance in the consolidating schedules.

## SUPPLEMENTARY INFORMATION



DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

	DISTINCTIVE HEALTH SOLUTIONS, INC.	GATEWAY CSB PEO, LLC	ELIMINATIONS	CONSOLIDATED DISTINCTIVE HEALTH SOLUTIONS, INC.
CURRENT ASSETS				
Cash	\$ 366,303	\$ -	\$ -	\$ 366,303
Cash - Restricted	2,500	-	-	2,500
Certificate of Deposit	520,263	-	-	520,263
Accounts Receivable	-	2,990	-	2,990
Due from Gateway Community Service Board	1,519	1,439,163	-	1,440,682
Prepaid Insurance	2,956	287,017	-	289,973
Total Current Assets	<u>\$ 893,541</u>	<u>\$ 1,729,170</u>	<u>\$ -</u>	<u>\$ 2,622,711</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 1,991,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,991,502</u>
OTHER ASSETS				
Reserve Deposits	\$ 189,688	\$ -	\$ -	\$ 189,688
Investment in Gateway CSB PEO, LLC	289,150	-	(289,150)	-
Total Other Assets	<u>\$ 478,838</u>	<u>\$ -</u>	<u>\$ (289,150)</u>	<u>\$ 189,688</u>
TOTAL ASSETS	<u><u>\$ 3,363,881</u></u>	<u><u>\$ 1,729,170</u></u>	<u><u>\$ (289,150)</u></u>	<u><u>\$ 4,803,901</u></u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

June 30, 2025

LIABILITIES AND NET ASSETS

	DISTINCTIVE HEALTH SOLUTIONS, INC.	GATEWAY CSB PEO, LLC	ELIMINATIONS	CONSOLIDATED DISTINCTIVE HEALTH SOLUTIONS, INC.
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
CURRENT LIABILITIES				
Accrued Payroll Liabilities	\$ -	\$ 658,671	\$ -	\$ 658,671
Due to Gateway Community Service Board	-	858	-	858
Compensated Absences	-	268,269	-	268,269
Current Portion of Notes Payable	26,757	-	-	26,757
Total Current Liabilities	<u>\$ 26,757</u>	<u>\$ 927,798</u>	<u>\$ -</u>	<u>\$ 954,555</u>
NON-CURRENT LIABILITIES				
Compensated Absences	\$ -	\$ 512,222	\$ -	\$ 512,222
Notes Payable	3,192,609	-	-	3,192,609
Tenant Security Deposits	2,500	-	-	2,500
Total Non-Current Liabilities	<u>\$ 3,195,109</u>	<u>\$ 512,222</u>	<u>\$ -</u>	<u>\$ 3,707,331</u>
TOTAL LIABILITIES	<u>\$ 3,221,866</u>	<u>\$ 1,440,020</u>	<u>\$ -</u>	<u>\$ 4,661,886</u>
NET ASSETS				
Without Donor Restrictions	<u>\$ 142,015</u>	<u>\$ 289,150</u>	<u>\$ (289,150)</u>	<u>\$ 142,015</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,363,881</u></u>	<u><u>\$ 1,729,170</u></u>	<u><u>\$ (289,150)</u></u>	<u><u>\$ 4,803,901</u></u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

	DISTINCTIVE HEALTH SOLUTIONS, INC.	GATEWAY CSB PEO, LLC	ELIMINATIONS	CONSOLIDATED DISTINCTIVE HEALTH SOLUTIONS, INC.
SUPPORT AND REVENUE				
Rental Income	\$ 267,000	\$ -	\$ -	\$ 267,000
Contract Revenue	-	29,773,707	-	29,773,707
Other Income	5,807	-	-	5,807
Interest Income	29,829	-	-	29,829
TOTAL SUPPORT AND REVENUE	<u>\$ 302,636</u>	<u>\$ 29,773,707</u>	<u>\$ -</u>	<u>\$ 30,076,343</u>
EXPENSES				
Functional Expenses:				
Program Services	\$ 311,036	\$ 29,729,773	\$ -	\$ 30,040,809
Support Services	33,802	-	-	33,802
Total Functional Expenses	<u>\$ 344,838</u>	<u>\$ 29,729,773</u>	<u>\$ -</u>	<u>\$ 30,074,611</u>
TOTAL EXPENSES	<u>\$ 344,838</u>	<u>\$ 29,729,773</u>	<u>\$ -</u>	<u>\$ 30,074,611</u>
OTHER INCOME				
Income from Investment in Gateway CSB PEO, LLC	<u>\$ 43,934</u>	<u>\$ -</u>	<u>\$ (43,934)</u>	<u>\$ -</u>
CHANGE IN NET ASSETS	<u>\$ 1,732</u>	<u>\$ 43,934</u>	<u>\$ (43,934)</u>	<u>\$ 1,732</u>

DISTINCTIVE HEALTH SOLUTIONS, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

For the Fiscal Year Ended June 30, 2025

	<u>DISTINCTIVE HEALTH SOLUTIONS, INC.</u>	<u>GATEWAY CSB PEO, LLC</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED DISTINCTIVE HEALTH SOLUTIONS, INC.</u>
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	\$ (104,933)	\$ 245,216	\$ -	\$ 140,283
RESTATEMENT FOR CONSOLIDATION	<u>245,216</u>	<u>-</u>	<u>(245,216)</u>	<u>-</u>
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>\$ 140,283</u>	<u>\$ 245,216</u>	<u>\$ (245,216)</u>	<u>\$ 140,283</u>
NET ASSETS - END OF YEAR	<u><u>\$ 142,015</u></u>	<u><u>\$ 289,150</u></u>	<u><u>\$ (289,150)</u></u>	<u><u>\$ 142,015</u></u>