# ON MY OWN OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2022 and 2021

# ON MY OWN OF MICHIGAN

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UHY LLP
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
On My Own of Michigan
Troy, Michigan

## Opinion

We have audited the accompanying financial statements of On My Own of Michigan (a Michigan nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

UHY LLP

Farmington Hills, Michigan
November 22, 2022

# ON MY OWN OF MICHIGAN
## STATEMENTS OF FINANCIAL POSITION

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | **$ 306,570** | $ 338,978 |
| Investments, at fair value | **49,066** | 58,357 |
| Accounts receivable, net | **5,864** | 7,252 |
| Pledge receivable, current portion | **5,000** | - |
| Conditional grant receivable | **16,638** | 27,694 |
| Prepaid expenses | **6,166** | 9,273 |
| Total current assets | **389,304** | 441,554 |
| **PROPERTY AND EQUIPMENT, net** | **10,262** | 15,188 |
| **PLEDGE RECEIVABLE** | **10,000** | - |
| **OTHER ASSET-** Security deposits | **4,193** | 4,193 |
| **TOTAL ASSETS** | **$ 413,759** | $ 460,935 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | **$ 3,971** | $ 2,314 |
| Accrued payroll | **11,178** | 8,081 |
| Unearned revenue | **20,875** | 10,619 |
| Paycheck Protection Program Loan | **-** | 61,057 |
| Total current liabilities | **36,024** | 82,071 |
| **DEFERRED RENT** | **2,200** | 3,500 |
| **TOTAL LIABILITIES** | **38,224** | 85,571 |
| **NET ASSETS** | | |
| Without donor restrictions | **324,963** | 339,792 |
| With donor restrictions | **50,572** | 35,572 |
| Total net assets | **375,535** | 375,364 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 413,759** | $ 460,935 |

## ON MY OWN OF MICHIGAN
### STATEMENTS OF ACTIVITIES

| | Year ended June 30, 2022 | | | Year ended June 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **REVENUES AND OTHER SUPPORT** | | | | | | |
| Contributions | **$ 221,945** | **$ 20,000** | **$ 241,945** | $ 280,580 | $ - | $ 280,580 |
| Service fees | **224,101** | **-** | **224,101** | 233,239 | - | 233,239 |
| Forgiveness of PPP loan (See Note 9) | **61,057** | **-** | **61,057** | 61,000 | - | 61,000 |
| Investment income | **2,073** | **-** | **2,073** | 1,712 | - | 1,712 |
| Other Income | **800** | **-** | **800** | 500 | - | 500 |
| Net assets released from restrictions | **5,000** | **(5,000)** | **-** | - | - | - |
| Total revenues and other support | **514,976** | **15,000** | **529,976** | 577,031 | - | 577,031 |
| **EXPENSES** | | | | | | |
| Program | **433,201** | **-** | **433,201** | 386,811 | - | 386,811 |
| Management and general | **26,281** | **-** | **26,281** | 41,657 | - | 41,657 |
| Fundraising | **61,741** | **-** | **61,741** | 62,736 | - | 62,736 |
| Total expenses | **521,223** | **-** | **521,223** | 491,204 | - | 491,204 |
| Change in net assets from operations | **(6,247)** | **15,000** | **8,753** | 85,827 | - | 85,827 |
| **NON-OPERATING ACTIVITY -** | | | | | | |
| Realized/unrealized gain (loss) on investments | **(8,582)** | **-** | **(8,582)** | 11,687 | - | 11,687 |
| **CHANGE IN NET ASSETS** | **(14,829)** | **15,000** | **171** | 97,514 | - | 97,514 |
| **NET ASSETS** - beginning of year | **339,792** | **35,572** | **375,364** | 242,278 | 35,572 | 277,850 |
| **NET ASSETS** - end of year | **$ 324,963** | **$ 50,572** | **$ 375,535** | $ 339,792 | $ 35,572 | $ 375,364 |

*See notes to financial statements.*

## ON MY OWN OF MICHIGAN
### STATEMENTS OF FUNCTIONAL EXPENSES

| | Year ended June 30, 2022 | | | | Year ended June 30, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program | Management and General | Fundraising | Total | Program | Management and General | Fundraising | Total |
| Salaries and wages | **$ 233,591** | **$ 10,830** | **$ 32,491** | **$ 276,912** | $ 194,796 | $ 18,979 | $ 28,468 | $ 242,243 |
| Payroll taxes | **17,716** | **1,647** | **5,926** | **25,289** | 17,060 | 1,664 | 2,489 | 21,213 |
| Employee benefits | **13,393** | **946** | **3,389** | **17,728** | 13,952 | 1,363 | 2,013 | 17,328 |
| Recruiting | **16,271** | **-** | **-** | **16,271** | - | - | - | - |
| Occupancy | **49,176** | **6,147** | **6,147** | **61,470** | 49,092 | 6,136 | 6,136 | 61,364 |
| Direct program expense | **46,874** | **-** | **-** | **46,874** | 11,559 | - | - | 11,559 |
| Professional fees | **20,292** | **2,536** | **2,536** | **25,364** | 18,109 | 2,242 | 2,280 | 22,631 |
| Revenue development | **8,330** | **900** | **6,402** | **15,632** | - | - | 2,331 | 2,331 |
| Technology | **8,290** | **988** | **1,984** | **11,262** | 16,332 | 1,974 | 4,737 | 23,043 |
| Insurance | **7,919** | **990** | **990** | **9,899** | 9,836 | 1,229 | 1,229 | 12,294 |
| Other expenses | **3,876** | **392** | **971** | **5,239** | 4,941 | 617 | 1,371 | 6,929 |
| Depreciation and amortization | **3,940** | **493** | **493** | **4,926** | 3,892 | 1,039 | 498 | 5,429 |
| Office supplies | **3,533** | **412** | **412** | **4,357** | 3,412 | 342 | 362 | 4,116 |
| Strategic planning | **-** | **-** | **-** | **-** | 43,830 | 6,072 | 10,822 | 60,724 |
| | **$ 433,201** | **$ 26,281** | **$ 61,741** | **$ 521,223** | $ 386,811 | $ 41,657 | $ 62,736 | $ 491,204 |

## ON MY OWN OF MICHIGAN
### STATEMENTS OF CASH FLOWS

| | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Change in net assets | **$ 171** | $ 97,514 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | **4,926** | 5,429 |
| Realized /unrealized gain on investments | **8,582** | (11,687) |
| Forgiveness of Paycheck Protection Program Loan | **(61,057)** | (61,000) |
| Changes in assets and liabilities: | | |
| Accounts receivable | **1,388** | 4,023 |
| Pledge receivable | **(15,000)** | - |
| Conditional grant receivable | **11,056** | (27,694) |
| Prepaid expenses | **3,107** | (1,535) |
| Accounts payable | **1,657** | 1,195 |
| Accrued payroll | **3,097** | 663 |
| Unearned revenue | **10,256** | (4,422) |
| Deferred rent | **(1,300)** | (100) |
| Net cash (used in) provided by operating activities | **(33,117)** | 2,386 |
| **INVESTING ACTIVITY** | | |
| Purchase of investments | **(2,994)** | (412) |
| Proceeds from sale of investments | **3,703** | 835 |
| Net cash provided by investing activity | **709** | 423 |
| **FINANCING ACTIVITY** | | |
| Proceeds from Paycheck Protection Program Loan | **-** | 61,057 |
| **NET CHANGE IN CASH** | **(32,408)** | 63,866 |
| **CASH, BEGINNING OF YEAR** | **338,978** | 275,112 |
| **CASH, END OF YEAR** | **$ 306,570** | $ 338,978 |

## NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

On My Own of Michigan (the "Organization") is a non-profit organization that helps make independent living possible for people with developmental disabilities.

## NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide").

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

### Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. The Organization includes in its definition of operating activities all revenues and expenses that are an integral part of its programs and supporting activities. Net realized and unrealized gains and losses are recognized as nonoperating activities.

## NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

### Concentration of Credit Risk

The Organization may occasionally maintain deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions. Management has deemed this as a normal business risk.

### Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, the COVID-19 pandemic and the resulting adverse impact to global economic conditions, as well as the Organization's operations, may affect future estimates including, but not limited to, the allowance for doubtful accounts.

### Accounts Receivable

Accounts receivable includes amounts due from members of the Organization as of June 30, 2022 and 2021, net of an allowance for uncollectible accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. Management has determined that no allowance was necessary as of June 30, 2022 and 2021.

### Pledged Receivables

Pledged receivables includes amounts pledged from a donor that are expected to be received over a period of 4 years beginning in November 2021. The total amount pledged over the 4-year period was $20,000. The amount of pledged receivables, time restricted, at June 30, 2022 is $15,000. The Organization has not provided a discount on pledges to be received in future years as management has determined that the effective discount rate at June 30, 2022 would produce a discount that is insignificant to the financial statements taken as a whole. The allowance for doubtful accounts is determined based on management's evaluation of the collectability of individual promises. Management has determined that no valuation allowance is required for pledges receivable for the year ended June 30, 2022. There were no pledged receivables as of June 30, 2021.

## NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

### Conditional Grant Receivable

The conditional grant receivable consists of an amount due from a federal agency resulting from allowable expenditures incurred under the Employee Retention Credit Program established as part of the CARES Act. Management considers the grant receivable to be fully collectible, therefore, no allowance for doubtful accounts has been established.

### Property and Equipment, net

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets or the lease term. The useful lives range from 5 to 7 years. The Organization's policy is to capitalize asset additions greater than $5,000 and expense normal repairs and maintenance as incurred.

### Impairment of Long-Lived Assets

The Organization evaluates long-lived assets including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying value may not be recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of the asset. There were no impairments recognized during 2022 and 2021.

### Investment Securities

The Organization records its investments in marketable equity securities in accordance with ASC-topic *Not-for-Profit Entities Investments*. Accordingly, investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Realized/unrealized gains and losses are included in the statements of activities. Investment income is reported in the statements of activities and consists of interest and dividend income.

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Revenue Recognition**

*Revenue Recognition for Contracts with Customers*

The Organization's revenue streams under contracts with customers are comprised of program dues and fees. The Organization performs an analysis to determine if program dues and fees constitute separate performance obligations. The Organization's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. This is determined by when the customer can obtain substantial benefit from the service or the performance of the service is complete.

The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled. In some situations, the Organization invoices customers and collects cash prior to the satisfaction of the performance of the obligation, which results in the Organization recognizing contract liabilities upon receipt of payment. The contract liability is reported as unearned revenue in the statements of financial position. The following explains the performance obligations related to each revenue stream and how they are recognized:

*Program Dues* - The Organization recognized program dues over the program period, representing the period in which the Organization satisfies the performance obligation as the customer simultaneously receives and consumes the benefits that the Organization provided. For the years ended June 30, 2022 and 2021, program dues were $218,650 and $231,202, respectively.

*Program Fees* - The Organization recognized fee such as Independence Prep fee and direct care when all goods and services are transferred at a point in time as services are performed. For the years ended June 30, 2022 and 2021, fees were $5,451 and $2,037, respectively.

Program dues and fees are reported as service fees in the statements of activities. They are for the following programs:

Family Consultation
Independence Prep
Skill Building
Independent Living

The program dues and fees generally do not contain variable consideration. Payments for program dues are required either in advance of the program start or within 10 days of the program start. Contract liabilities, consisting of amounts received in advance are deferred to the applicable period and reported as unearned revenue.

## NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

### Revenue Recognition (Continued)

Contract liabilities consist of unearned revenue for program dues and program fees received in advance.

Contract balances consist of the following:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Accounts receivable, beginning of year | $ 7,252 | $ 11,275 |
| Accounts receivable, end of year | $ 5,864 | $ 7,252 |
| Contract liabilities, beginning of year | $ 10,619 | $ 15,041 |
| Contract liabilities, end of year | $ 20,875 | $ 10,619 |

### *Contributions*

Unconditional contributions are recognized when pledged and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction.

### Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy and general operating expenses on the basis of estimates of time and effort. All other expenses are allocated based on direct identification and utilization.

### Donated Services

A number of volunteers have donated amounts of their time to the Organization's services. Donated services were not recognized in the financial statements since they did not meet the criteria for recognition under ASC topic *Contributions.*

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES** (Continued)

**Reclassifications**

Certain items reported in the 2021 financial statements have been reclassified in order to conform to the current year presentation.

**Income Taxes**

The Organization operates as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes. ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At June 30, 2022 and 2021, there were no uncertain tax positions that required accrual.

**COVID-19**

The pandemic outbreak of the novel coronavirus disease (COVID-19), a respiratory disease that can result in serious illness or death, resulted in a Michigan statewide shut down as declared by Governor Whitmer on March 23, 2020. The Organization was not required to shut down as their employees were allowed to work remotely in order to keep the public safe and to follow the Governor's stay at home order.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which allowed small businesses to apply for loan assistance programs administered through the U.S. Small Business Administration (SBA) in order to sustain employees and operations during the COVID-19 pandemic.

The Organization applied for and received a Paycheck Protection Program (PPP) loans, pursuant to the CARES Act, to fund payroll and other allowable costs while the Organization responded to government restrictions on business operations and anticipated reduced revenues from the economic downturn associated with the pandemic.

A PPP loan in the amount of $61,000 was received and deposited in May 2020. In January 2021, the Organization received a second PPP loan in the amount of $61,057 (see Note 9 for further details on both loans) which helped fund financial obligations during the pandemic despite a 25% membership decline.

The Organization returned to in-person programming in Spring 2021 by which time the staff and the majority of its members were vaccinated.

## NOTE 3 – INVESTMENTS

Fair values and unrealized gains are summarized as follows:

| | June 30, 2022 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized Gain |
| Money market fund | $ 1,057 | $ 1,057 | $ - |
| Mutual funds | 45,220 | 48,009 | 2,789 |
| Total | $ 46,277 | $ 49,066 | $ 2,789 |

| | June 30, 2021 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized Gain |
| Money market fund | $ 796 | $ 796 | $ - |
| Mutual funds | 44,965 | 57,561 | 12,596 |
| Total | $ 45,761 | $ 58,357 | $ 12,596 |

Investment income consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Interest | $ 1,091 | $ 480 |
| Dividends | 982 | 1,232 |
| | $ 2,073 | $ 1,712 |

## NOTE 4 – FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, 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 under ASC topic *Fair Value Measurements* are described as follows:

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

Level 2 Inputs to the valuation methodology include:

- 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;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- if the asset or liability has a specific (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 is a description of the valuation methodology used for assets measured at fair value.

*Fixed income, money market fund and mutual funds:* Valued at the closing price reported in the active market on which the individual securities are traded.

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

**NOTE 4 – FAIR VALUE MEASUREMENTS** (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market fund | $ 1,057 | $ - | $ - | $ 1,057 |
| Mutual funds | 48,009 | - | - | 48,009 |
| | $ 49,066 | $ - | $ - | $ 49,066 |

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market fund | $ 796 | $ - | $ - | $ 796 |
| Mutual funds | 57,561 | - | - | 57,561 |
| | $ 58,357 | $ - | $ - | $ 58,357 |

**NOTE 5 – ENDOWMENT**

The Organization has an endowment to support general program activities. The endowment includes donor-restricted funds with no stipulated reinvestment policy for earnings, as such, all returns are classified as without donor restrictions and are available for use during the year.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with generally accepted accounting principles and this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment. Investment earnings are classified as without donor restrictions unless otherwise specified by the donor.

**NOTE 5 – ENDOWMENT** (Continued)

*Investment Return Objectives and Strategies.* The Organization's investment objective is to achieve a consistent rate of return (income, appreciation and reinvested funds) that will provide for supplemental revenues to support general programs. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risks.

Net assets with donor restrictions are comprised of the following:

| | 2022 | 2021 |
|---|---|---|
| Donor-restricted endowment funds | $ 35,572 | $ 35,572 |
| Time restricted pledges | 15,000 | - |
| | $ 50,572 | $ 35,572 |

## NOTE 6 – PLEDGED RECEIVABLES

Pledged receivables consists of the following:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Pledged receivables | $ 15,000 | $ - |
| | | |
| Amounts due in: | | |
| Less than one year | $ 5,000 | $ - |
| One to five years | 10,000 | - |
| Total pledged receivables | $ 15,000 | $ - |

## NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2022 | 2021 |
|---|---|---|
| Vehicles | $ 39,816 | $ 39,816 |
| Leasehold improvements | 8,646 | 8,646 |
| Computer equipment | 24,629 | 24,629 |
| Total cost | 73,091 | 73,091 |
| Less: Accumulated depreciation and amortization | (62,829) | (57,903) |
| | $ 10,262 | $ 15,188 |

Depreciation and amortization expense amounted to $4,926 and $5,429 for the years ended June 30, 2022 and 2021**,** respectively.

## NOTE 8 – LINE OF CREDIT

On February 15, 2022, the revolving line of credit was amended and restated. Under the terms of the agreement, the Organization has a revolving line of credit with a maximum borrowing limit of $75,000, previously $20,000, which can be used towards business operations. Borrowings on the line of credit are unsecured bearing interest at a floating rate per annum equal to 2.610% plus the Bank's prime rate. Previously the line of credit was at the prime rate plus 2.36% per annum.

The line of credit shall be due and payable in full upon Demand of the Lender including principal, accrued and unpaid interest and any other charges. Until demand, the Organization shall pay interest only in accordance with the terms of this Note. At June 30, 2022 and 2021 the line of credit was unused and no interest was paid for the years ended, respectively.

## NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP)

The Small Business Administration ("SBA") Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act") provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 to 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years, dependent on when the loan was received, at an interest rate of 1% with a deferral of payments for 10 months after the end of the covered period.

## NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP) (Continued)

The Organization used the PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 10 months of the end of the covered period. The Organization has recorded a note payable and will record forgiveness income upon being legally released from the loan obligation.

In May 2020, the Organization received the first PPP loan in the amount of $61,000 with interest of 1% payable for two years. On February 24, 2021, the Organization received full forgiveness of the first PPP loan's principal and interest. Forgiveness income has been recorded for the first PPP loan for the fiscal year ended June 30, 2021.

On January 25, 2021, a second PPP loan was received by the Organization in the amount of $61,057 with interest at 1% payable for five years and was presented as a note payable in the statements of financial position as of June 30, 2021. On July 26, 2021, the Organization received full forgiveness of the second PPP loan's principal and interest and recorded forgiveness income for the year ended June 30, 2022.

According to the rules of the SBA, the Organization is required to retain documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the representatives of the SBA conduct such a review and reject all or some of the Organization's judgements pertaining to satisfying conditions of the loan, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

## NOTE 10 – EMPLOYEE RETENTION CREDIT PROGRAM (ERC)

The Employee Retention Credit Program (ERC) established as part of the CARES Act encourages employers to keep employees on their payroll during the pandemic. The ERC provides refundable credit to eligible employers, including tax-exempt organizations, that pay qualified wages, including certain health plan expenses, to some or all employees. The eligible employer qualifies if ordered to fully or partially shut down or if they experience a 20% reduction in gross receipts in the calendar quarter in 2021 in comparison to the same calendar quarter in 2019. For 2021, an employer is permitted to elect to use an alternative quarter to calculate gross receipts by comparing its gross receipts for the immediately preceding calendar quarter to determine eligibility.

## NOTE 10 – EMPLOYEE RETENTION CREDIT PROGRAM (ERC) (Continued)

For the first, second, and third calendar quarters of 2021, section 2301(a) of the CARES Act, as amended by section 207(b) of the Relief Act, provides that the employee retention credit equals 70 percent of qualified wages (including allocable qualified health plan expenses) that an eligible employer pays in a calendar quarter. The amount of qualified wages (including allocable qualified health plan expenses) with respect to any employee that may be taken into account under section 2301(a) of the CARES Act is limited to $10,000 each quarter, thus the maximum credit for qualified wages (including allocable qualified health plan expenses) paid to an employee is $7,000 for each eligible quarter in 2021. The ERC program was terminated by Congress effective September 30, 2021.

The Organization met the ERC eligibility criteria for the quarters in 2021 and has recorded a conditional grant receivable and recognized grant revenue in accordance with guidance for conditional contributions; that is once the measurable performance or other barrier no longer existed. The Organization has recognized $47,305 and $27,694 as grant revenue for the year ended June 30, 2022 and 2021, respectively. The amount is included in contributions on the statements of activities.

## NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

| | 2022 | 2021 |
|---|---|---|
| Financial assets | | |
| Cash | $ 306,570 | $ 338,978 |
| Investments | 49,066 | 58,357 |
| Accounts receivable | 5,864 | 7,252 |
| Pledged receivables | 15,000 | - |
| Conditional grant receivable | 16,638 | 27,694 |
| Total financial assets | 393,138 | 432,281 |
| Amounts not available for general use | | |
| Donor restricted funds | (45,572) | (35,572) |
| Financial assets available to meet general expenditures within one year | $ 347,566 | $ 396,709 |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## NOTE 12 – DEFERRED RENT AND OPERATING LEASE COMMITMENTS

The Organization entered into an operating lease agreement in June 2018 for their office and program space. The lease agreement runs through May 2023 and includes escalating rent payments. Payments under this lease are expensed on a straight-line basis, which results in a deferred rent liability. As of June 30, 2022 and 2021 the total amount deferred was $2,200 and $3,500, respectively. Deferred rent is recognized over the term of the lease. On August 15, 2022, the lease was extended through May 2028.

Total rent expense for the years ended June 30, 2022 and 2021 was $61,470 and $61,365, respectively.

The Organization also leases office equipment for total monthly payments of $165 expiring November 2026.

Schedule of future minimum lease payments required under the leases for the years succeeding June 30, 2022, are summarized as follows:

| Years ending June 30, | Amount |
|---|---|
| 2023 | $ 59,173 |
| 2024 | 58,103 |
| 2025 | 59,997 |
| 2026 | 61,871 |
| 2027 | 62,613 |
| Subsequent to 2027 | 58,223 |
| Total mininum payments | $ 359,980 |

## NOTE 13 – PROGRAM EXPENSES

Expenses for the Organization's major program activities for the years ended June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Independent living | $ 203,620 | $ 242,430 |
| Skill building | 111,256 | 144,381 |
| Independence Prep | 35,280 | - |
| Independence College | 58,327 | - |
| Independence Village | 24,718 | - |
| | $ 433,201 | $ 386,811 |

## NOTE 14 – SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the statement of financial position through November 22, 2022, the date the financials were available to be issued.