**ON MY OWN OF MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2024 AND 2023**

Maner Costerisan

# TABLE OF CONTENTS


Page

INDEPENDENT AUDITOR'S REPORT .......... 1-2

FINANCIAL STATEMENTS

Statements of Financial Position .......... 3
Statements of Activities .......... 4
Statements of Functional Expenses .......... 5-6
Statements of Cash Flows .......... 7

Notes to Financial Statements .......... 8-21

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

# 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 nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 On My Own of Michigan as of June 30, 2024, and the changes in its net assets and its 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 audit 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 On My Own of Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Prior Period Financial Statements

The financial statements of On My Own of Michigan as of June 30, 2023 were audited by other auditors whose report dated November 21, 2023 expressed an unmodified opinion on those statements.

## 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 On My Own of Michigan'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 On My Own of Michigan'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 On My Own of Michigan'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.

Maner Costerisan PC

November 11, 2024

**ON MY OWN OF MICHIGAN**
**STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 487,086 | $ 139,535 |
| Investments | 242,764 | 203,626 |
| Receivables | | |
| Accounts receivable, net of allowance for credit losses of $18,200 and $0 in 2024 and 2023, respectively | 10,437 | 6,838 |
| Promises to give, current portion | 5,000 | 5,000 |
| Grants receivable | 10,116 | 26,842 |
| Prepaid expenses | 30,115 | 2,219 |
| Security deposits, current portion | 3,000 | - |
| Total current assets | 788,518 | 384,060 |
| Non-current assets | | |
| Security deposits | 4,193 | 4,193 |
| Promises to give, less current portion | - | 5,000 |
| Operating lease right-of-use assets | 256,296 | 264,709 |
| Property and equipment, less accumulated depreciation | 56,924 | 5,336 |
| Total non-current assets | 317,413 | 279,238 |
| TOTAL ASSETS | $ 1,105,931 | $ 663,298 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | $ 6,302 | $ 6,152 |
| Accrued liabilities | 22,928 | 18,266 |
| Contract liabilities | 110,063 | 62,738 |
| Current portion of operating lease liabilities | 94,180 | 52,161 |
| Total current liabilities | 233,473 | 139,317 |
| Non-current liabilities | | |
| Operating lease liabilities, less current portion | 166,079 | 217,288 |
| TOTAL LIABILITIES | 399,552 | 356,605 |
| NET ASSETS | | |
| Without donor restriction | 643,557 | 261,121 |
| With donor restriction | 62,822 | 45,572 |
| TOTAL NET ASSETS | 706,379 | 306,693 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,105,931 | $ 663,298 |

See notes to financial statements.

**ON MY OWN OF MICHIGAN**
**STATEMENTS OF ACTIVITIES**
**YEARS ENDED JUNE 30, 2024 AND 2023**

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND OTHER SUPPORT | | | | | | |
| Contributions of cash and other assets | $ 646,037 | $ 22,250 | $ 668,287 | $ 271,497 | $ - | $ 271,497 |
| Service fees | 565,548 | - | 565,548 | 286,945 | - | 286,945 |
| Investment income | 18,046 | - | 18,046 | 4,791 | - | 4,791 |
| Other income | 7,431 | - | 7,431 | 1,000 | - | 1,000 |
| Net assets released from restrictions | | | | | | |
| Satisfaction of time restrictions | 5,000 | (5,000) | - | 5,000 | (5,000) | - |
| TOTAL REVENUE AND OTHER SUPPORT | 1,242,062 | 17,250 | 1,259,312 | 569,233 | (5,000) | 564,233 |
| EXPENSES | | | | | | |
| Program services | 774,957 | - | 774,957 | 566,883 | - | 566,883 |
| Management and general | 20,241 | - | 20,241 | 23,248 | - | 23,248 |
| Fundraising | 70,752 | - | 70,752 | 47,966 | - | 47,966 |
| TOTAL EXPENSES | 865,950 | - | 865,950 | 638,097 | - | 638,097 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 376,112 | 17,250 | 393,362 | (68,864) | (5,000) | (73,864) |
| NON-OPERATING ACTIVITY | | | | | | |
| Realized / unrealized gain (loss) on investments | 6,324 | - | 6,324 | 5,022 | - | 5,022 |
| CHANGE IN NET ASSETS | 382,436 | 17,250 | 399,686 | (63,842) | (5,000) | (68,842) |
| NET ASSETS, beginning of the year, | 261,121 | 45,572 | 306,693 | 324,963 | 50,572 | 375,535 |
| NET ASSETS, end of the year | $ 643,557 | $ 62,822 | $ 706,379 | $ 261,121 | $ 45,572 | $ 306,693 |

See notes to financial statements.

**ON MY OWN OF MICHIGAN**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED JUNE 30, 2024**

| | Program | Management and General | Fundraising | Total Expenses |
|---|---|---|---|---|
| Salaries and wages | $ 464,935 | $ 12,313 | $ 54,438 | $ 531,686 |
| Payroll taxes | 37,576 | 988 | 4,323 | 42,887 |
| Employee benefits | 26,270 | 971 | 2,518 | 29,759 |
| Occupancy | 50,246 | 2,792 | 2,791 | 55,829 |
| Direct program expense | 103,457 | - | - | 103,457 |
| Professional fees | 32,963 | 1,831 | 1,831 | 36,625 |
| Revenue development | - | - | 2,543 | 2,543 |
| Technology | 6,561 | 364 | 365 | 7,290 |
| Insurance | 10,602 | 589 | 589 | 11,780 |
| Other expenses | 4,346 | - | 884 | 5,230 |
| Depreciation and amortization | 17,120 | 246 | 246 | 17,612 |
| Credit loss expense | 18,200 | - | - | 18,200 |
| Office supplies | 2,681 | 147 | 224 | 3,052 |
| | $ 774,957 | $ 20,241 | $ 70,752 | $ 865,950 |

See notes to financial statements.

**ON MY OWN OF MICHIGAN**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED JUNE 30, 2023**

| | Program | Management and General | Fundraising | Total Expenses |
|---|---|---|---|---|
| Salaries and wages | $ 361,730 | $ 11,577 | $ 34,726 | $ 408,033 |
| Payroll taxes | 29,347 | 955 | 2,864 | 33,166 |
| Employee benefits | 20,637 | 628 | 1,884 | 23,149 |
| Recruiting | 252 | - | - | 252 |
| Occupancy | 51,187 | 6,022 | 3,011 | 60,220 |
| Direct program expense | 50,085 | - | - | 50,085 |
| Professional fees | 25,432 | 1,413 | 1,413 | 28,258 |
| Revenue development | - | - | 1,431 | 1,431 |
| Technology | 6,077 | 688 | 592 | 7,357 |
| Insurance | 10,416 | 1,225 | 613 | 12,254 |
| Other expenses | 5,128 | - | 1,063 | 6,191 |
| Depreciation and amortization | 4,187 | 493 | 246 | 4,926 |
| Office supplies | 2,405 | 247 | 123 | 2,775 |
| | $ 566,883 | $ 23,248 | $ 47,966 | $ 638,097 |

See notes to financial statements.

**ON MY OWN OF MICHIGAN**
**STATEMENTS OF CASH FLOWS**
**YEARS ENDED JUNE 30, 2024 AND 2023**

| | 2024 | 2023 |
|---|---|---|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| Cash flows from operating activities | | |
| Change in net assets | $ 399,686 | $ (68,842) |
| Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 17,612 | 4,926 |
| Gain on disposal of property and equipment | (6,360) | - |
| Realized/unrealized gain on investments | (6,324) | (5,022) |
| Credit loss expense (recovery) | 18,200 | - |
| Non-cash lease expense | - | 4,740 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (21,799) | (974) |
| Promises to give | 5,000 | 5,000 |
| Grants receivable | 16,726 | (10,204) |
| Prepaid expenses | (27,896) | 3,947 |
| Other current assets | (3,000) | - |
| Operating lease right-of-use assets | 8,413 | - |
| Accounts payable | 150 | 2,181 |
| Accrued liabilities | 4,662 | 7,088 |
| Contract liabilities | 47,325 | 41,863 |
| Deferred rent | - | (2,200) |
| Operating lease liabilities | (9,190) | - |
| Net cash provided (used) by operating activities | 443,205 | (17,497) |
| Cash flows from investing activities | | |
| Purchase of investments | (183,754) | (150,871) |
| Proceeds from sale of investments | 150,940 | 1,333 |
| Proceeds from sale of property and equipment | 6,360 | - |
| Purchases of property and equipment | (69,200) | - |
| Net cash provided (used) by investment activities | (95,654) | (149,538) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 347,551 | (167,035) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 139,535 | 306,570 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 487,086 | $ 139,535 |

See notes to financial statements.

ON MY OWN OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

## NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

On My Own of Michigan (the Organization) is a non-profit organization that helps make independent living possible for people with developmental disabilities. In conjunction with that mission, the Organization offers a variety of programs designed to address the needs of individuals and families who reside in metro Detroit. Services are provided through five programs: 1:1 Coaching, Independence Prep, Independence College, the Skill Building Program, and the Independent Living Program.

Basis of Accounting

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.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating 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 non-operating activities.

Cash and Cash Equivalents

The Organization maintains cash and cash equivalents at two banks. Cash and cash equivalents include temporary cash deposits and highly liquid investments which have an original maturity date of three months or less. From time to time during the year, the Organization may have cash on deposit in excess of the federally insured limit.

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, less investment expenses.

Accounts Receivable and Credit Losses

The Organization is exposed to credit losses primarily through program dues and fees. Accounts receivable represent the Organization's unconditional right to consideration in exchange for program services that the Organization has provided to the member based on contracted prices. Accounts receivable are recorded when services are provided and invoices are issued and are presented on the statements of financial position at the amount management expects to collect. Management provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of member's trade accounts receivable. Due to the short-term nature of such receivables, the estimated accounts receivable that may not be collected is based on aging of the accounts receivable balances.

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable and Credit Losses (continued)

The Organization evaluates contract terms and conditions, economic and industry risk, and member credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for members that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectable after all collection efforts have been exhausted.

Activity related to the allowance for credit losses was as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance, July 1 | $ - | $ - |
| Provision charges | 18,200 | - |
| Balance, June 30 | $ 18,200 | $ - |

Promises to Give

Promises to give include 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 promises to give, time restricted, at June 30, 2024 and 2023 was $5,000 and $10,000, respectively. The Organization has not provided a discount on promises to be received in future years as management has determined that the effective discount rate at June 30, 2024 would produce a discount that is insignificant to the financial statements taken as a whole. The allowance for uncollectible promises is determined based on management's evaluation of the collectability of individual promises. Management has determined that no valuation allowance is required for promises to give for the years ended June 30, 2024 and 2023.

Government Grants and Conditional Grant Receivables

Revenue from government grants under expense reimbursement is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the funds, revenue and conditional grant receivables are recorded in the period during which the expenses are incurred. Funds received by the Organization in advance of incurring qualifying expenses are recorded as refundable advances reported as part of contract liabilities as presented in the statements of financial position. Grants whose conditions and restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions.

Property and Equipment

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.

## NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using risk-free rate. The risk-free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

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 2024 and 2023.

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restriction* – Net assets available for use in general operations, and not subject to donor (or grantor) restrictions.

*Net Assets With Donor Restriction* – Net assets subject to donor (or grantor) imposed restrictions. Donor-imposed restrictions related to net assets are temporary in nature, and will be met by the passage of time or other events specified by the donor. These restrictions are released when the stipulated time has elapsed, when the purpose for which the resource was restricted has been fulfilled, or both. The Organization chooses to report donor-restricted contributions whose restrictions are met in the same reporting period as support within net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT 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 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, 2024 and 2023, program dues were $554,679 and $279,700, respectively.

Program Fees - The Organization recognized fees such as application fees, trips, 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, 2024 and 2023, fees were $10,869 and $7,245, respectively.

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

- 1:1 Coaching
- Independence Prep
- Skill Building
- Independent Living
- Independence College

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.

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition (continued)

Revenue Recognition for Contracts with Customers (continued)

Contract liabilities consist of unearned revenue for program dues and program fees received in advance. Contract balances consist of the following:

| | 2024 | 2023 |
|---|---|---|
| Accounts receivable, beginning of year | $ 6,838 | $ 5,864 |
| Accounts receivable, end of year | 10,437 | 6,838 |
| Contract liabilities, beginning of year | 62,738 | 20,875 |
| Contract liabilities, end of year | 110,063 | 62,738 |

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.

Contributions of Nonfinancial Assets

Amounts that have been reported in the financial statements as voluntary donations of services are those services that create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills that would be typically purchased if not provided by donation. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services. The Organization has adopted an accounting policy recognizing such services when the value exceeds $5,000. There were no such services received and recognized for the years ended June 30, 2024 and 2023.

Contributed goods are valued and reported at the estimated fair value in the financial statements based on current rates for similar goods. During the years ended June 30, 2024 and 2023, the Organization did not receive contributed nonfinancial assets.

In addition, many people have contributed significant amounts of time to the Organization without compensation. These services are not recognized as contributions in the financial statements since the recognition criteria outlined above were not met.

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Allocation of Expense

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.

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, 2024 and 2023, there were no uncertain tax positions that required accrual.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to June 30, 2024, for potential recognition or disclosure in these financial statements. The evaluation was performed through November 11, 2024, which is the date the financial statements were available for issuance.

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.

Credit Risk

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and receivables. The Organization places its temporary cash investments with FDIC-insured financial institutions. Although such investments and cash balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

## NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk (continued)

In addition, the Organization recognizes an allowance for credit losses at the time a receivable is recorded based on management's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed. The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Organization performs ongoing credit evaluations of its members' financial condition whenever deemed necessary. The Organization evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all receivables, which takes into consideration an analysis of historical credit losses, specific creditworthiness and current economic trends. Management believes that the Organization's concentration of credit risk is limited because of its volume, credit quality, and small account balances.

Reclassifications

Certain prior year financial information has been reclassified to conform to the current year presentation.

## NOTE 2 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of June 30, 2024 and 2023, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 487,086 | $ 139,535 |
| Investments | 242,764 | 203,626 |
| Accounts receivable, net | 10,437 | 6,838 |
| Promises to give | 5,000 | 10,000 |
| Grants receivable | 10,116 | 26,842 |
| Less donor-restricted net assets | (62,822) | (45,572) |
| Financial assets available to meet general expenditures within one year | $ 692,581 | $ 341,269 |

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. In addition, the Organization maintains a $75,000 line of credit, as discussed in Note 12, which remained available on June 30, 2024. This line of credit may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

## NOTE 3 - INVESTMENTS

Fair values and unrealized gains are summarized as follows:

| | 2024 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized |
| Money market fund | $ 1,356 | $ 1,356 | $ - |
| Mutual funds | 44,391 | 57,903 | 13,512 |
| Certificates of deposit | 183,505 | 183,505 | - |
| Total | $ 229,252 | $ 242,764 | $ 13,512 |

| | 2023 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized |
| Money market fund | $ 1,108 | $ 1,108 | $ - |
| Mutual funds | 44,893 | 52,312 | 7,419 |
| Certificates of deposit | 150,206 | 150,206 | - |
| Total | $ 196,207 | $ 203,626 | $ 7,419 |

Investment return for the years ended June 30 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Interest and dividends, net of fees | $ 18,046 | $ 4,791 |
| Realized and unrealized gain (loss) | 6,324 | 5,022 |
| | $ 24,370 | $ 9,813 |

## 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 are described below.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

## NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The assets or liabilities 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.

Money market fund and mutual funds: Valued at the closing price reported in the active market on which the individual securities are traded.

Certificates of deposit: The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

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.

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

| | 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market fund | $ 1,356 | $ - | $ - | $ 1,356 |
| Mutual funds | 57,903 | - | - | 57,903 |
| Certificates of deposit | - | 183,505 | - | 183,505 |
| Total investments | $ 59,259 | $ 183,505 | $ - | $ 242,764 |

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market fund | $ 1,108 | $ - | $ - | $ 1,108 |
| Mutual funds | 52,312 | - | - | 52,312 |
| Certificates of deposit | - | 150,206 | - | 150,206 |
| Total investments | $ 53,420 | $ 150,206 | $ - | $ 203,626 |

## NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | Useful Life | 2024 | 2023 |
|---|---|---|---|
| Vehicles | 5 | $ 93,835 | $ 39,816 |
| Leasehold improvements | 5-7 | 8,646 | 8,646 |
| Computer equipment | 5 | 24,629 | 24,629 |
| | | 127,110 | 73,091 |
| Less accumulated depreciation | | (70,186) | (67,755) |
| | | $ 56,924 | $ 5,336 |

## NOTE 6 - 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 Michigan 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 and (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.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

Endowment net assets to be held in perpetuity totaled $35,572 and $35,572 as of June 30, 2024 and 2023.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments at June 30, 2024 and 2023.

## NOTE 6 - ENDOWMENT (continued)

*Investment and Spending Policies*

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.

The Organization's investment policy includes a spending policy allowing an annual distribution formula of 3.5% of the quarterly average asset balance over a three-year period at the discretion of the Board of Directors. If distributions are not paid for a period, a catch-up distribution may be scheduled.

There were no changes in endowment net assets for the years ended June 30, 2024 and 2023.

## NOTE 7 - PROMISES TO GIVE

Promises to give consist of the following:

| | 2024 | 2023 |
|---|---|---|
| Promises to give | $ 5,000 | $ 10,000 |
| Amounts due in: | | |
| Less than one year | 5,000 | 5,000 |
| One to five years | - | 5,000 |
| Total promises to give | $ 5,000 | $ 10,000 |

## NOTE 8 - CONDITIONAL GRANT RECEIVABLES

The Organization receives grants from government agencies that are conditional upon the Organization incurring qualifying expenses. The Organization's conditional grant receivables as of June 30, 2024 and 2023 amounted to $10,116 and $26,842, respectively. The remaining conditional grant commitment balance at June 30, 2024 and 2023 amounted to $7,068 and $106,514, respectively.

## NOTE 9 - LEASES

The Organization leases its office facility under an operating lease that expires in May 2028 and has variable payments over the remaining lease term ranging from $4,544 to $5,015 per month. The lease agreement of its office facilities contains an escalation clause. As of June 30, 2024, the Organization had a security deposit for the lease totaling $4,193. The Organization also leases a copier under an operating lease that expires in November 2026 for $165 per month and has entered into three apartment leases that expire in May 2025 with a combined monthly payment amount of $4,380. The Organization utilized the federal daily risk-free rate of 4.19% for new leases added in 2024 and 2.88% for leases implemented in 2023.

## NOTE 9 - LEASES (continued)

The components of lease expense are as follows for June 30:

| | 2024 | 2023 |
|---|---|---|
| Operating lease expense | $ 55,829 | $ 58,337 |

Supplemental cash flow information related to leases are as follows for June 30:

| | 2024 | 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | $ 81,053 | 55,837 |
| Weighted-average remaining lease term in years for operating leases | 3.38 | 4.88 |
| Weighted-average discount rate for operating leases | 3.10% | 2.88% |

Future minimum lease payments and reconciliations to the statements of financial position at June 30, 2024, are as follows:

| Year Ending June 30, | Operating Leases |
|---|---|
| 2025 | $ 100,461 |
| 2026 | 58,535 |
| 2027 | 59,277 |
| 2028 | 55,165 |
| Total undiscounted cash flows | 273,438 |
| Less: present value discount | (13,179) |
| Total lease liabilites | $ 260,259 |

Total lease liabilities as presented in the statements of financial position at June 30, are as follows:

| | 2024 | 2023 |
|---|---|---|
| Current portion of operating lease liabilities | $ 94,180 | $ 52,161 |
| Operating lease liabilities, less current portion | 166,079 | 217,288 |
| | $ 260,259 | $ 269,449 |

## NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Subject to expenditure for specified purpose | | |
| College scholarships | $ 20,000 | $ - |
| College outings | 2,000 | - |
| Skill building program | 250 | - |
| | 22,250 | - |
| Subject to passage of time - promises to give | 5,000 | 10,000 |
| Endowment funds - held in perpetuity to support general program activities | 35,572 | 35,572 |
| TOTAL NET ASSETS WITH DONOR RESTRICTION | $ 62,822 | $ 45,572 |

Net assets released from restriction during the year ended June 30, were as follows:

| | 2024 | 2023 |
|---|---|---|
| Releases from restriction | | |
| Satisfaction of time restrictions | $ 5,000 | $ 5,000 |

## NOTE 11 - PROGRAM EXPENSES

Expenses for the Organization's major program activities for the years ended June 30, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Independent Living | $ 301,785 | $ 281,249 |
| Skill Building | 97,734 | 112,146 |
| Independence Prep | 87,700 | 89,271 |
| Independence College | 287,722 | 68,422 |
| Independence Village | - | 15,790 |
| 1:1 Coaching | 16 | 5 |
| | $ 774,957 | $ 566,883 |

## NOTE 12 - 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, 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.

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, 2024 and 2023 the line of credit was unused and no interest was paid for the years then ended, respectively.

## NOTE 13 - ADOPTION OF A NEW ACCOUNTING STANDARD

For the year ended June 30, 2024, the Organization implemented the following new pronouncement: Financial Accounting Standards Board (the "FASB") Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) ("ASU 2016-13").

In June 2016, the FASB issued ASU 2016-13 and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-13 (collectively, "CECL"). The objective of the ASU 2016-13 is to provide financial statement users with more decision-useful information about current expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. 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. The Organization adopted the new standard on July 1, 2023 using the modified-retrospective approach.

The Organization determined that the adoption of ASU 2016-13 did not have a material impact on net assets, assets, or liabilities as of the date of adoption and primarily resulted in enhanced disclosures.

## NOTE 14 - SUBSEQUENT EVENT

In August 2024, the Organization entered into an additional apartment lease agreement which expires in May 2025. Payments for this lease total $2,708 per month.