

Disability Advocates of
Kent County

Audited Financial Statements

For the years ended
September 30, 2023 and
2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Disability Advocates of Kent County
Grand Rapids, MI

We have audited the accompanying financial statements of Disability Advocates of Kent County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023 and 2022, 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 Disability Advocates of Kent County as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Disability Advocates of Kent County 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 Disability Advocates of Kent County'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 Disability Advocates of Kent County'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 Disability Advocates of Kent County'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.

Jason F. Clausen, P.C

Fraser, MI
January 25, 2024

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 780,348	\$ 1,221,472
Certificate of deposit	498,741	13,578
Accounts receivable:		
Program services receivable	93,343	244,615
Contributions receivable, current	114,032	46,050
Prepaid expenses	50,052	20,305
Total current assets	1,536,516	1,546,020
<u>Fixed assets</u>		
Net property and equipment	1,219,161	1,253,058
<u>Other assets</u>		
Net financing right-of-use assets	1,801,715	1,919,142
Grants receivable, net of current portion	485,955	51,285
Contributions receivable, net of current portion	84,831	392,000
Total other assets	2,372,501	2,362,427
<u>Total Assets</u>	5,128,178	5,161,505
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable	55,954	36,123
Accrued compensation and withholdings	110,685	105,938
Deferred revenue	69,500	54,836
Financing right-of-use-liabilities, current	87,627	154,108
Total current liabilities	323,766	351,005
<u>Other liabilities</u>		
Financing right-of-use liabilities, net of current	1,648,252	1,735,697
Total other liabilities	1,648,252	1,735,697
Total liabilities	1,972,018	2,086,702
<u>Net assets</u>		
Net assets without donor restrictions	2,086,278	2,119,571
Net assets with donor restrictions	1,069,882	955,232
Total net assets	3,156,160	3,074,803
<u>Total liabilities and net assets</u>	\$ 5,128,178	\$ 5,161,505

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023		2022	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Government grants	\$1,468,991	\$ -	\$ 1,468,991	\$1,275,520
Other grants	168,715	572,658	741,373	113,503
Contributions	199,804	9,594	209,398	706,813
Special events, net of direct costs totaling \$44,987 and \$36,638	69,089	-	69,089	70,396
Donated goods and services	10,369	-	10,369	78,533
Program service revenue	631,778	-	631,778	1,015,858
Miscellaneous revenue	46,385	-	46,385	4,475
Net assets released from restriction	467,602	(467,602)	-	-
 Total revenue and other support	 <u>3,062,733</u>	 <u>114,650</u>	 <u>3,177,383</u>	 <u>3,265,098</u>
<u>Expense</u>				
Program services	2,710,302	-	2,710,302	2,683,244
Management and general	279,327	-	279,327	227,970
Fundraising	106,397	-	106,397	160,835
 Total expenses	 <u>3,096,026</u>	 <u>-</u>	 <u>3,096,026</u>	 <u>3,072,049</u>
 Change in net assets	 (33,293)	 114,650	 81,357	 193,049
Net assets, beginning of period	<u>2,119,571</u>	<u>955,232</u>	<u>3,074,803</u>	<u>2,881,754</u>
Net assets, end of period	<u>\$2,086,278</u>	<u>\$1,069,882</u>	<u>\$ 3,156,160</u>	<u>\$3,074,803</u>

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

<u>Description</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Compensation:					
Salaries and wages	\$ 1,369,435	\$ 189,016	\$ 57,093	\$ 1,615,544	\$ 1,494,162
Payroll taxes	108,967	14,340	4,660	127,967	117,052
Benefits	223,469	29,992	9,077	262,538	243,146
Retirement	38,472	4,035	1,163	43,670	41,073
Subtotal	<u>1,740,343</u>	<u>237,383</u>	<u>71,993</u>	<u>2,049,719</u>	<u>1,895,433</u>
Operational Expenses:					
Consulting and contractual services	187,640	3,245	1,476	192,361	213,567
Consumer pass-through equipment	321,803	226	-	322,029	369,416
Office expense	23,975	2,588	7,173	33,736	50,774
Occupancy	8,430	1,057	361	9,848	83,457
Telephone and Internet	14,801	1,610	532	16,943	17,342
Insurance	9,235	1,039	421	10,695	9,032
Travel	35,226	71	751	36,048	25,291
Conference and workshop	16,127	149	1,852	18,128	19,565
Communications/Events	93,742	-	7,512	101,254	79,203
Fundraising	20	-	3,149	3,169	3,865
Professional services	2,500	7,595	-	10,095	9,000
Interest on finance lease liability	47,406	5,528	1,839	54,773	15,350
Amortization of right-of-use asset	100,931	11,763	4,733	117,427	48,928
Depreciation	44,473	3,873	2,625	50,971	21,238
Equipment lease	4,657	603	200	5,460	5,460
Donated goods and services	10,369	-	-	10,369	9,945
Other operations	24,406	2,597	1,429	28,432	34,598
Operational expense subtotal	<u>2,686,084</u>	<u>279,327</u>	<u>106,046</u>	<u>3,071,457</u>	<u>2,911,464</u>
Percentage of total operational expenses	88%	9%	3%	100%	100%
Capital campaign:					
Fundraising	-	-	200	200	24,499
Donated goods and services	-	-	-	-	68,588
Computer expenses	1,884	-	-	1,884	28,620
Construction expenses	3,339	-	-	3,339	-
Signage/moving/other	18,995	-	151	19,146	38,878
Capital campaign subtotal	<u>24,218</u>	<u>-</u>	<u>351</u>	<u>24,569</u>	<u>160,585</u>
Total	<u>\$ 2,710,302</u>	<u>\$ 279,327</u>	<u>\$ 106,397</u>	<u>\$ 3,096,026</u>	<u>\$ 3,072,049</u>

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 81,357	\$ 193,049
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	168,398	70,166
Interest income on certificates of deposit	(10,164)	(240)
<u>Changes in operating assets and liabilities</u>		
(Increase) Decrease in:		
Program services receivable	151,272	(94,572)
Grants receivable	(434,670)	257,042
Contributions receivable	239,187	434,046
Prepaid expense	(29,747)	39,754
Lease deposit	-	1,889
Increase (Decrease) in:		
Accounts payable	19,833	2,260
Accrued compensation and withholdings	4,747	11,479
Deferred revenue	14,664	(12,602)
Net cash provided by operating activities	204,877	902,271
<u>Cash flows from investing activities</u>		
Cash paid for property and equipment	(17,075)	(1,274,296)
Purchase of certificates of deposit	(475,000)	-
Net cash used in investing activities	(492,075)	(1,274,296)
<u>Cash flows from financing activities</u>		
Cash paid on financing right-of-use liability	(153,926)	(78,265)
Net cash used in financing activities	(153,926)	(78,265)
Net decrease in cash and cash equivalents	(441,124)	(450,290)
Cash and cash equivalents, beginning of period	1,221,472	1,671,762
Cash and cash equivalents, end of period	<u>\$ 780,348</u>	<u>\$ 1,221,472</u>
Total cash paid for interest during the fiscal year	<u>\$ 54,773</u>	<u>\$ 15,350</u>

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 – NATURE OF ACTIVITIES

Disability Advocates of Kent County (the "Organization") is a nonprofit organization dedicated to working alongside people with disabilities as they seek to lead self-directed lives and advocate for accessible and welcoming communities for all. The service area covers primarily Kent County, but also covers four other counties in Western Michigan. The Organization is primarily supported through government and private grants, contracts and services with various agencies, and donations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Classification of Net Assets

The Organization prepares its financial statements in accordance with FASB ASC 958-205, "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. As permitted under the provisions of FASB 958-605, the Organization records donor-restricted contributions whose restrictions have been satisfied in the same reporting period as unrestricted support in such year.

Recognition of donor restrictions

Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Current Financial Assets

The Organization has \$1,486,464 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$780,348, certificates of deposit of \$498,741, and the current portion of program services, grants, and contributions receivable totaling \$207,375. Certain grants receivable amounts are subject to donor restrictions as outlined in Note 10. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$520,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Contributed Goods and Services

The Organization receives donations in-kind such as durable medical equipment and supplies, and items for fundraising events. Donations are recorded at fair values as revenues and expenses at the time they are received. The value of donations in-kind were \$10,369 and \$78,533 for the years ended September 30, 2023, and 2022, respectively.

In addition, the Organization receives services from volunteers who give of their time. This volunteer work does not meet the requirements for recognition in GAAP and is therefore not included in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES
(CONTINUED)**

principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Revenue

The Organization reports revenue in accordance with the Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Grant awards accounted for as exchange transactions are recorded as revenue when the performance obligation of services provided and expenditures incurred are in compliance with grant terms and conditions. Contributory grants and other contributions without restrictions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The prior three tax years remain open for examination.

Functional Reporting of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Indirect expenses are allocated using the Direct Allocation Method as noted in Appendix IV of 2 CFR 200.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts, Grants and Contributions Receivable

Accounts, grants and contributions receivable are stated at unpaid balances less an allowance for doubtful accounts. The Organization reviews accounts receivable periodically for collectability and establishes an allowance for doubtful accounts and records bad debt when deemed necessary. The allowance for doubtful accounts was \$0 as of September 30, 2023, and 2022.

Deferred Revenue

Deferred revenue is recorded for payments received prior to fiscal year end for events and services provided in the following fiscal year. The balance of deferred revenue as of September 30, 2023, and 2022, was \$69,500 and \$54,836 respectively.

Property and Equipment

Property and equipment are carried at cost at the date of purchase or fair market value at date of donation. Additions with a cost over \$5,000 are charged to property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

removed from the accounts. Gains and losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated life of the assets.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of temporary cash investments and accounts receivable. The Organization places its temporary cash investments with financial institutions. The Organization has determined that current operational cash needs will occasionally result in balances in excess of insured limits. At September 30, 2023, and 2022 balances in excess of federally insured limits were \$317,367 and \$531,876, respectively. Accounts receivable are currently considered fully collectible.

Leases

On October 1, 2021, the Organization adopted ASC 842, Accounting for Leases which is a replacement for the previous lease accounting standard, ASC 840. The new lease accounting standard was applied on a modified retrospective approach to new leases incepted during the current fiscal year. Leases incepted prior to the current fiscal year are reported under ASC 840. ASC 842 requires that both operating and finance type leases be reported as a right-of-use asset and a right-of-use liability on the balance sheet if the lease term is greater than 12 months. Additional information is disclosed in Note 6.

Advertising

The Organization expenses advertising as incurred. The total expense for the years ended September 30, 2023, and 2022 were \$2,125 and \$1,155 respectively.

Accrued Paid Time off

Accrued paid time off (PTO) may be used for vacation, sick or personal time off. Employees may carry a maximum of 10 days of PTO over to a new fiscal year. Upon termination employees will be paid a maximum of 10 days of PTO time from accrued PTO. As of September 30, 2023, and 2022, accrued PTO balances were \$42,972 and \$43,137 respectively.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 6,267	\$ 6,267
Leasehold Improvements	1,291,371	1,274,296
Computer Equipment and Software	<u>7,350</u>	<u>7,350</u>
Total	\$ 1,304,988	\$ 1,287,913
Less: Accumulated depreciation	<u>85,827</u>	<u>34,855</u>
Net property and equipment	<u>\$ 1,219,161</u>	<u>\$ 1,253,058</u>

Depreciation expense for the fiscal years ended September 30, 2023, and 2022, was \$50,971 and \$21,238, respectively.

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 4 – CERTIFICATES OF DEPOSIT

The Organization had a 60-month C.D. that matured September 25, 2023, with a credit union. The annual percentage yield was 1.8%. The original deposit was \$12,643 on September 25, 2018, and had a maturity value of \$13,823. This amount was renewed into a 60-month C.D. that matures on September 25, 2028, with an annual percentage yield of 3.445%.

The Organization has a 12-month C.D. which matures March 27, 2024, with a credit union. The annual percentage yield is 4.15%. The original deposit was \$50,000 on March 27, 2023, and has a current value of \$51,035.

The Organization has a 12-month C.D. which matures March 8, 2024, with a bank. The annual percentage yield is 4.67%. The original deposit was \$425,000 on March 8, 2023, and has a current value of \$433,833.

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally Accepted Accounting principles establish 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 Generally Accepted Accounting Principles 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 specified (contractual) term, the level 2 input must be observable for substantially the full term of this asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lower 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 methodologies used for assets measured at fair value:

Certificates of Deposit: Valued at the fair value of the certificate at the close of business on the last business day of the year.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or 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 of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are stated at their fair values, and consist of certificates of deposit at September 30, 2023 as follows:

<u>June 30, 2023</u>	<u>Fair Value</u>	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Levels 3)
Certificates of deposit	<u>\$ 498,741</u>	<u>\$ -0-</u>	<u>\$ 498,741</u>	<u>\$ -0-</u>

Investments are stated at their fair values, and consist of certificates of deposit at September 30, 2022 as follows:

<u>June 30, 2022</u>	<u>Fair Value</u>	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Levels 3)
Certificates of deposit	<u>\$ 13,578</u>	<u>\$ -0-</u>	<u>\$ 13,578</u>	<u>\$ -0-</u>

Interest income for the years ended September 30, 2023, and 2022, was \$23,797 and \$4,362, respectively.

NOTE 6 – LEASES

Financing right-of-use assets consist of the following:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Office space	\$ 1,726,178	\$ 1,726,178
Office furnishings	<u>241,892</u>	<u>241,892</u>
Total	\$ 1,968,070	\$ 1,968,070
Less: Accumulated amortization	<u>166,355</u>	<u>48,928</u>
Net financing right-of-use asset	<u>\$ 1,801,715</u>	<u>\$ 1,919,142</u>

Office Space Lease

The Organization leases office space under a financing lease agreement. The lease had a commencement date of May 1, 2022, and has a 60-month term, with options to renew four additional 60-month terms for a total of 300 months. The lease calls for monthly payments of \$6,896 to begin 60 days after commencement. The monthly rate will increase by 1.5% on each yearly anniversary of the commencement date. The Organization plans to exercise all four options on the lease.

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 6 – LEASES (CONTINUED)

A financing right-of-use asset was obtained in exchange for the new financing lease liability in the amount of \$1,726,178 which was calculated using a risk-free discount rate of 2.93%. The risk-free discount rate was set at the U.S. Treasury 10-year yield curve rate. The asset is being amortized over 25 years, and amortization expense for the year ended September 30, 2023, was \$69,048.

Following is a reconciliation of undiscounted future payments to the financing lease liability at September 30, 2023:

Total undiscounted future payments under the financing lease	\$ 2,382,169
Discount rate of 2.93% applied to future lease payments	<u>(697,850)</u>
Financing lease liability	<u>\$ 1,684,319</u>

Office Furnishings Lease

The Organization leases office furnishings under a finance lease agreement with an inception date of May 25, 2022. The lease has a 24-month term calling for monthly payments of \$10,418.

A finance right-of-use asset was obtained in exchange for the new finance lease liability in the amount of \$241,892 which was calculated using a discount rate of 4.17% as stated in the lease contract. The asset is being amortized over five years, and amortization expense for the year ended September 30, 2023, was \$48,379.

Following is a reconciliation of undiscounted future payments to the finance lease liability at September 30, 2023:

Total undiscounted future payments under the financing lease	\$ 52,090
Discount rate of 4.17% applied to future lease payments	<u>(533)</u>
Financing lease liability	<u>\$ 51,557</u>

Operating equipment lease

The Organization leases office equipment under an operating lease agreement with an inception date of October 27, 2020. The lease has a 48-month term calling for monthly payments of \$455. Lease expense for the years ended September 30, 2023, and 2022 under this agreement was \$5,460 and \$5,460, respectively.

Future minimum payments for the leases described above as of September 30, 2023, for the next five years are as follows:

Fiscal Year	Amount
2024	142,597
2025	93,534
2026	87,618
2027	<u>88,932</u>
Total	<u>\$ 405,041</u>

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 7 – RETIREMENT PLAN

The Organization offers its employees a 401(k) retirement plan. Under this plan, the employer offers a matching contribution up to a maximum of 3% of the employee’s wages, which increased from 2% as of January 1, 2021. For the years ended September 30, 2023, and 2022, the total amount contributed to the plan was \$41,094 and \$37,208, respectively.

NOTE 8 – CONCENTRATIONS

The Organization has a substantial concentration of revenue from reimbursable government grants, government agency grants, and private grants.

For the year ended September 30, 2023, 46% of the Organization’s revenue came from reimbursable government grants, 20% came from government agency contracts, and 10% came from contributions.

For the year ended September 30, 2022, 39% of the Organization’s revenue came from reimbursable government grants, 31% came from government agency contracts, and 25% came from contributions.

The loss of funding from some of these sources could have a material impact on the operations of the Organization.

NOTE 9 – CAPITAL CAMPAIGN

During the year ended September 30, 2021, the Board of Directors of the Organization approved the move of its offices to be a part of the Special Olympics Michigan Inclusion Campus in the year ending September 30, 2022. To fund the cost of the remodeling of that space, and to fund an expansion of its Home Accessibility Services, the Board also approved a \$2.5 million capital campaign. During the year ended September 30, 2023, the campaign had net assets with donor restrictions of \$480,687. During the year ended September 30, 2022, the campaign released net assets with donor restrictions of \$232,246 and recorded an additional \$9,594.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

<u>Restricted purpose:</u>	<u>2023</u>	<u>2022</u>
Advocacy Programs	\$ 535,955	\$ 134,983
Occupational Therapy Services Program	41,936	86,897
Staff Training and Scholarships	11,305	11,305
Workforce Development	-0-	18,708
Capital Campaign	<u>480,687</u>	<u>703,339</u>
Total	<u>\$ 1,069,883</u>	<u>\$ 955,232</u>

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 11 – COMPARATIVE STATEMENTS

Certain amounts shown for the year ended September 30, 2022, in the accompanying financial statements are included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, 2022 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

NOTE 12 – DATE OF MANAGEMENT'S REVIEW

These financial statements and accompanying notes have been reviewed by management through the date of this report, which is the date the financial statements were available to be issued.