HILLSDALE COUNTY SENIOR SERVICES CENTER, INC

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Maner Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillsdale County Senior Services Center, Inc

Opinion

We have audited the accompanying financial statements of the Hillsdale County Senior Services Center, Inc (a nonprofit organization) which comprise the statement of financial position as of September 30, 2023, 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 Hillsdale County Senior Services Center, Inc as of September 30, 2023, 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 Hillsdale County Senior Services Center, Inc 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 Hillsdale County Senior Services Center, Inc as of September 30, 2022 were audited by other auditors whose report dated February 28, 2023 expressed an unmodified opinion on those statements.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, management has implemented FASB Accounting Standard Update 2016-02, Leases. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Hillsdale County Senior Services Center, Inc'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 Hillsdale County Senior Services Center, Inc's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hillsdale County Senior Services Center, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maner Costerisan PC

January 23, 2024

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash	$ 412,706	$ 680,715
Accounts receivable, net of allowance	75,580	142,237
Inventory	8,270	10,789
Deposit	-	10,315
Prepaid expenses	16,340	17,074
Total current assets	512,896	861,130
Lease origination fees, net of accumulated amortization	7,286	15,522
Beneficial interest in assets hald at HCCF	8,457	7,070
Property and equipment		
net of accumulated depreciation	3,068,407	3,205,793
TOTAL ASSETS	$ 3,597,046	$ 4,089,515
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	$ 50,474	$ 42,920
Accrued payroll and related	56,021	53,962
Accrued interest	5,066	8,126
Current portion of long-term debt	-	320,896
Current portion of finance lease liabilities	325,000	-
Deferred revenue	-	4,340
Total current liabilities	436,561	430,244
Long-term liabilities		
Long-term debt, less current portion	-	475,000
Finance lease liabilities, less current portion	150,000	-
TOTAL LIABILITIES	586,561	905,244
NET ASSETS		
Without donor restrictions		
Undesignated	2,675,733	2,774,602
Board designated	319,691	395,227
	2,995,424	3,169,829
With donor restrictions	15,061	14,442
TOTAL NET ASSETS	3,010,485	3,184,271
TOTAL LIABILITIES AND NET ASSETS	$ 3,597,046	$ 4,089,515

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state	$ 518,870	$ -	$ 518,870
Local	36,898	-	36,898
Contributions	41,571	10,000	51,571
Property taxes	1,586,756	-	1,586,756
Program income	49,836	-	49,836
Program fees for services	124,555	-	124,555
Interest income	1,140	-	1,140
Other fees and income	31,222	-	31,222
Net assets released from restriction	9,381	(9,381)	-
TOTAL SUPPORT AND REVENUES	2,400,229	619	2,400,848
EXPENSES			
Program services			
Community connections	172,684	-	172,684
Home-based services	1,426,473	-	1,426,473
Life enrichment	644,411	-	644,411
Supporting services			
Management and general	329,050	-	329,050
Fundraising	2,016	-	2,016
TOTAL EXPENSES	2,574,634	-	2,574,634
CHANGE IN NET ASSETS	(174,405)	619	(173,786)
NET ASSETS, beginning of year	3,169,829	14,442	3,184,271
NET ASSETS, end of year	$ 2,995,424	$ 15,061	$ 3,010,485

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state	$ 493,252	$ -	$ 493,252
Local	46,690	-	46,690
Contributions	36,236	549	36,785
Property taxes	1,455,466	-	1,455,466
Program income	43,795	-	43,795
Program fees for services	123,845	-	123,845
Interest income	614	-	614
Other fees and income	37,946	-	37,946
Net assets released from restriction	17,964	(17,964)	-
TOTAL SUPPORT AND REVENUES	2,255,808	(17,415)	2,238,393
EXPENSES			
Program services			
Community connections	142,699	-	142,699
Home-based services	1,235,875	-	1,235,875
Life enrichment	524,387	-	524,387
Supporting services			
Management and general	290,616	-	290,616
Fundraising	1,538	-	1,538
TOTAL EXPENSES	2,195,115	-	2,195,115
CHANGE IN NET ASSETS	60,693	(17,415)	43,278
NET ASSETS, beginning of year	3,109,136	31,857	3,140,993
NET ASSETS, end of year	$ 3,169,829	$ 14,442	$ 3,184,271

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	Program Services				Supporting Services		
	Community Connections	Home-Based Services	Life Enrichment	Total	Management and General	Fundraising	Total
Salaries and wages	$ 124,921	$ 747,742	$ 330,733	$ 1,203,396	$ 102,614	$ -	$ 1,306,010
Payroll taxes and benefits	17,091	113,529	58,985	189,605	15,442	-	205,047
Contract services	1,256	14,304	8,079	23,639	3,217	-	26,856
Donor development	-	-	-	-	-	2,016	2,016
Supplies	1,331	41,953	17,355	60,639	7,746	-	68,385
Raw food	35	232,671	22,980	255,686	7,008	-	262,694
Travel - administrative	67	2,322	933	3,322	2,331	-	5,653
Travel - service delivery	-	69,709	1,150	70,859	836	-	71,695
Utilities	701	16,554	37,734	54,989	15,136	-	70,125
Communications	4,170	34,025	15,776	53,971	34,271	-	88,242
Repairs and maintenance	929	19,558	23,261	43,748	10,661	-	54,409
Insurance	1,408	26,103	11,993	39,504	8,289	-	47,793
Training	876	16,210	7,634	24,720	4,077	-	28,797
Professional fees	870	9,537	4,185	14,592	6,278	-	20,870
Payroll services	-	-	-	-	10,396	-	10,396
Advertising	1,992	8,768	6,377	17,137	2,790	-	19,927
Unmet needs	14,820	70	-	14,890	-	-	14,890
Operating lease	313	3,432	1,473	5,218	679	-	5,897
Subscriptions and dues	-	1,243	1,519	2,762	342	-	3,104
Interest expense	145	3,416	7,786	11,347	6,663	-	18,010
Bad debt expense	-	-	-	-	13,447	-	13,447
Miscellaneous	10	914	1,970	2,894	8,661	-	11,555
Depreciation and amortization	1,749	64,413	84,488	150,650	68,166	-	218,816
TOTAL EXPENSES	$ 172,684	$ 1,426,473	$ 644,411	$ 2,243,568	$ 329,050	$ 2,016	$ 2,574,634

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Supporting Services		
	Community Connections	Home-Based Services	Life Enrichment	Total	Management and General	Fundraising	Total
Salaries and wages	$ 100,445	$ 679,730	$ 258,209	$ 1,038,384	$ 100,303	$ 610	$ 1,139,297
Payroll taxes and benefits	10,545	72,341	33,392	116,278	12,327	46	128,651
Contract services	106	2,175	4,439	6,720	13,895	-	20,615
Donor development	-	-	-	-	-	882	882
Supplies	6	26,706	18,757	45,469	585	-	46,054
Raw food	-	200,809	22,954	223,763	1,303	-	225,066
Travel - administrative	-	-	100	100	461	-	561
Travel - service delivery	-	45,670	-	45,670	-	-	45,670
Utilities	623	14,709	33,530	48,862	13,462	-	62,324
Communications	4,562	29,520	15,988	50,070	23,233	-	73,303
Repairs and maintenance	871	49,383	17,575	67,829	9,927	-	77,756
Insurance	1,269	20,210	9,664	31,143	7,230	-	38,373
Training	206	3,918	1,188	5,312	2,151	-	7,463
Professional fees	706	7,739	3,396	11,841	7,801	-	19,642
Payroll services	-	-	-	-	7,307	-	7,307
Advertising	2,164	9,524	6,926	18,614	3,241	-	21,855
Unmet needs	18,982	162	(25)	19,119	-	-	19,119
Operating lease	259	2,843	1,220	4,322	562	-	4,884
Subscriptions and dues	-	351	253	604	867	-	1,471
Interest expense	216	5,095	11,615	16,926	6,424	-	23,350
Bad debt expense	-	-	-	-	24,744	-	24,744
Miscellaneous	-	923	173	1,096	4,169	-	5,265
Depreciation and amortization	1,739	64,067	85,033	150,839	50,624	-	201,463
TOTAL EXPENSES	$ 142,699	$ 1,235,875	$ 524,387	$ 1,902,961	$ 290,616	$ 1,538	$ 2,195,115

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (173,786)	$ 43,278
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	218,816	201,463
Bad debt expense	-	24,744
Loss (gain) on sale of asset	-	(6,362)
Change in beneficial interest of assets held at HCCF	(1,387)	1,422
Accounts receivable, net of allowance	66,657	24,611
Inventory	2,519	(5,142)
Security deposit	10,315	(10,315)
Prepaid expenses	734	314
Accounts payable	7,554	(52,955)
Accrued expenses	(1,001)	13,530
Deferred revenue	(4,340)	-
Net cash provided by operating activities	126,081	234,588
Cash flows from investing activties		
Purchase of equipment	(73,194)	(221,390)
Proceeds on sale of equipment	-	6,762
Investment contribution	-	100
Net cash used by investing activities	(73,194)	(214,528)
Cash flows from financing activities		
Principal payments on finance lease liabilities	(320,000)	-
Principal payments on long-term debt	(896)	(315,379)
Net cash used by financing activities	(320,896)	(315,379)
NET DECREASE IN CASH	(268,009)	(295,319)
CASH, beginning of year	680,715	976,034
CASH, end of year	$ 412,706	$ 680,715

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Hillsdale County Senior Services Center, Inc (the "Center") utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The Board has designated net assets for certain activities (see Note 12).

Net Assets With Donor Restrictions - Net assets available subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other event specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulation time has elapsed, or when the stipulated purpose has been accomplished (see Note 11).

Cash

For the purpose of the statement of cash flows, cash equivalents and liquid assets maturing no more than three months from the date of purchase are considered cash.

Accounts Receivable

Accounts receivable represent consideration from third-parties, of which the Center has an unconditional right to receive, and are comprised primarily of receivables from members and grantors, and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of receivable accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. For the years ended September 30, 2023 and 2022, the allowance for doubtful accounts balance is $5,886 and $0, respectively. Beginning and ending balances for accounts receivable, net of allowance is reported as follows for the year ended September 30:

	2023	2022
Accounts receivable, net of allowance, beginning of year	$ 142,237	$ 191,991
Accounts receivable, net of allowance, end of year	$ 75,580	$ 142,237

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Origination Fees

Hillsdale County issued bonds to assist the Center in financing its facilities. In return the Center entered into a lease agreement with the County to repay the bonds. The related cast are amortized over the lease term. The County holds the quit-claim deed for the Center's land and building until the bond obligations are paid in full in 2025 which coincides with the lease term.

Inventory

Inventory consist primarily of consumables and delivery/serving supplies that is reported on the basis of the lower cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment is stated at cost. Generally, the Center capitalizes items in excess of $1,000. Depreciation is computed on the straight line method over the estimated useful life of the assets as follows:

	Life (In Years)
Land improvements	10-15
Buildings	39
ROU Assets	39
Equipment	5-15
Vehicles	5
Software	5

Finance Leases

The Center determines whether an arrangement is or contains a lease at lease inception. On the commencement date, leases are recorded as a right-of-use (ROU) assets in the statement of financial position. Lease liabilities represent the Center's contractual obligation to make lease payments over the lease term.

For finance leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate if the implicit rate is not determinable. The lease liability is then increased to reflect interest on the liability and decreased to reflect the lease payment. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is determined consistent with the methodology stated above and is subsequently offset with any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term except for leases with a purchase option or transfer for which the Center believes transfer of the asset is expected to be exercised. For assets to be acquired under such purchase options, the ROU asset is amortized over the expected life consistent with the Center's policy for similar property and equipment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

The Center records deferred revenue when cash payments are received or due in advance of the Center's performance, including amounts which are refundable, and consists of receipts for projects to be completed by the Center in the coming year and deposits for projects as directed by various organizations which the Center has not incurred the related expenses to earn the revenue. Payments are recorded as deferred revenue until the revenue is earned either by completion of the project or completion of the services. Beginning and ending balances for deferred revenue is reported as follows for the year ended September 30:

	2023	2022
Deferred revenue, beginning of year	$ 4,340	$ 4,340
Deferred revenue, end of year	$ -	$ 4,340

Property Taxes

Hillsdale County residents approved two tax levies for public support of the Center's operations. The property taxes collected pay for program expenses and the Center's financing lease with Hillsdale County. The County collects tax dollars on behalf of the Center and distributes those dollars as they are collected.

Membership Dues Revenue

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied which is ratably over the membership term. As a result, deferred revenue and accounts receivable are recorded for any amount for which the Center has a right to invoice but for which services have not been provided.

Program Services Revenue

Program services revenues received is not recognized as revenue until the revenue is earned, which is when the activities or services are provided, and the Center does not believe it is required to provide additional activities or services. As a result, deferred revenue (contract liability) and accounts receivable are recorded for any amount for which the Center has a right to invoice but for which services have not been provided.

Contribution Revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenues and net assets with donor restrictions. When a donor stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service. Many individuals volunteer their time and perform a variety of tasks that assist with specific programs and various board and committee assignments. No amounts have been reflected in the financial statements for those services, as they do not meet the criteria for recognition.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially meet, and the gift becomes unconditional.

Functional Expenses

The cost of providing various programs and other activities has been reported in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification of expenses that are allocated to program or supporting functions of the Center. Allocated expenses primarily consist of payroll and related general expenses based on management's estimated use of resources.

Income Tax

The Center is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Center has no income subject to income taxes and thus no provision for federal income tax was recorded for the years ended September 30, 2023 and 2022.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS, AND UNCERTAINTIES

Hillsdale County Senior Services Center, Inc (the "Center") is a Michigan not-for-profit corporation whose purpose is to provide a broad spectrum of services to individuals over 50 years of age, including nutritional health, social and educational activities in accordance with the standards of the National Institute of Senior Centers. The Center is primarily funded with state and federal grants through Region II Area Agency on Aging and Department of Human Services, fees for services, local donations, and a county-wide property tax levy.

The Center is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash and accounts receivable. Credit risk with respect to accounts receivable is concentrated within the geographic area and includes grantors.

The Center places its cash with Federal Deposit Insurance Corporation (FDIC) insured financial institutions. At various times during the year, the Center's cash balances may exceed this amount in the normal course of business, but they are, in the opinion of management, subject to minimal risk. As of September 30, 2023 and 2022, the Center's cash balances exceeded the FDIC limit by $108,482 and $53,759, respectively.

The process of preparing financial statements requires the use of managements estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from these estimated amounts. 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 programs and supporting services based on management estimates.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The Center evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through January 23, 2024, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Center regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

The following reflects the Center's financial assets as of September 30, 2023 **and 2022**, which are deemed available for general expenditures within one year of the date of the statement of financial position. Amounts not available include donor restricted net assets and board designated net assets.

	2023	2022
Cash	$ 412,706	$ 680,715
Accounts receivable	75,580	142,237
Total financial assets	488,286	822,952
Less unavailable assets for general expenditures due to:		
Board designations	319,691	395,227
Net assets with donor restrictions	15,061	14,442
Financial assets available to meet cash needs for general expenditures within one year	$ 153,534	$ 413,283

In addition to the financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collection of sufficient revenue to cover general expenditures.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD AT HCCF

In 2001, the Center transferred $5,000 to the Hillsdale County Community Foundation (HCCF) and specified itself as the beneficiary. Earnings from the fund are distributed to the Center upon written request of the Foundation's Board of Directors. The fund agreement grants variance power to the Foundation to modify any restriction or condition on the distributions of funds if such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of Hillsdale County, Michigan. In accordance with Accounting Standards Codification 958, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others, the value of this fund in the amount of $8,457 and $7,070 is recorded in assets at market value (comprised of cash and securities at quoted market prices) as of September 30, 2023 and 2022, respectively.

NOTE 5 - FAIR VALUE MEASUREMENT

The Center is subject to accounting standards that establish a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under the new standard 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 5 - FAIR VALUE MEASUREMENT (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 Center's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

A description of the valuation techniques applied to the Center's major categories of investments measured at fair value are as follows:

Beneficial Interest in Assets Held at HCCF: valued at unadjusted quoted market prices of shares/interest held by Hillsdale County Community Foundation on behalf of the Center are valued at Level 2.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2023	2022
Land	$ 152,845	$ 153,000
Land improvements	45,647	45,647
Construction in progress	7,702	-
Building	2,266,110	4,571,286
ROU Asset - Building	2,313,638	-
Equipment	615,408	568,950
Vechicles	282,874	317,031
Software licensing	21,050	-
	5,705,274	5,655,914
Less accumulated depreciation and amortization	(2,636,867)	(2,450,121)
Net property and equipment	$ 3,068,407	$ 3,205,793

NOTE 7 - FINANCE LEASES

In August of 2005, the Center transferred ownership of their building and land at 320 W. Bacon Rd. through the execution of a quit-claim deed. The Center subsequently entered into a financing lease agreement for the building and land to pay back bonds to Hillsdale County that were issued on behalf of the Center by Hillsdale County. The prior lease agreement ended on December 31, 2022 and was extended to December 31, 2025, coinciding with the maturity of the bonds. Ownership of the building and land will transfer back to the Center at the completion of the lease agreement, provided that the bonds have been paid off on time. The details of the bonds are as follows:

Principal and interest is payable to Hillsdale County in annual installments ranging from $110,000 to $150,000, interest ranging from 0.7% to 2.7% is payable semi-annually, through November 1, 2025.

Principal and interest is payable to Hillsdale County in annual installments ranging from $75,000 to $160,000, interest ranging from 0.75% to 2.7% is payable semi-annually, through November 1, 2023.

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

	2023
Finance lease expense	
Amortization of ROU Assets	$ 59,324
Interest on lease liabilities	17,534
Total	$ 76,858

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

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	17,534
Financing cash flows from finance leases (i.e. principal portion)	320,000
Weighted-average remaining lease term in years for finance leases	1.48
Weighted-average discount rate for finance leases	2.56%

Future minimum lease payments and reconciliations to the statement of financial position at September 30, 2023 are as follows:

Year Ending September 30,	Financing Leases
2024	$ 334,953
2025	154,050
Total undiscounted cash flows	489,003
Less: present value discount	(14,003)
Total financing lease liabilities	$ 475,000

NOTE 8 - LONG-TERM DEBT AND LINE OF CREDIT

The Center had a vehicle loan with Frank Beck Chevrolet, principal was payable in monthly installments of $448, with 0% interest, through November 1, 2022. As of September 30, 2023 the loan balance was $0. As of September 30, 2022 the loan balance was $896, with the full amount being classified as current on the statement of financial position. Prior to the implementation of FASB Accounting Standard Update 2016-02, Leases, on October 1, 2022, the finance leases described in Note 7 were considered long-term debt of $475,000 and current portion of long-term debt of $320,000 as of September 30, 2022 on the statement of financial position.

The Center has an unsecured line of credit for working capital for borrowings up to $250,000 at a variable interest rate based on the institution's base index. The outstanding balance on the line of credit at September 30, 2023 and 2022 was $0. The line of credit was renewed on October 13, 2023 for $250,000 with variable interest rate not greater than 25% and not less than 4% and matures on October 13, 2026.

NOTE 9 - RETIREMENT PLAN

The Center provides a SIMPLE deferred compensation plan for the benefit of eligible employees. Eligibility is limited to employees who have received at least $5,000 in compensation during any preceding calendar year or who are expected to receive at least $5,000 in compensation for the current calendar year.

This plan requires the Center to make matching contributions to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contribution up to a limit of 3% of the employee's compensation for the calendar year. Retirement plan contributions totaling $13,342 and $8,270 were expensed during the years ended September 30, 2023 and 2022, respectively. Additionally, there were no changes to the Center's retirement plan in either year that affects comparative reporting.

NOTE 10 - UNEMPLOYMENT TAXES

The Center is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. During the years ended September 30, 2023 and 2022 the Center incurred $0 in costs related to reported claims.

The Unemployment Insurance Agency requires the Center to obtain a line-of-credit from a financial institution which the Agency can draw upon in the event the Center becomes delinquent on payment for two consecutive quarters for claims approved by the Agency. The Center has been approved for an irrevocable standby letter-of-credit with a financial institution in the amount of $50,125 at a variable interest rate based on the institution's base index. There were no borrowings against the letter-of-credit as of September 30, 2023 and 2022.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at September 30:

	2023	2022
Bell choir	$ -	$ 283
Phase IV improvements	4,957	9,807
Dining Hall / Reception	8,704	549
Adult day care	-	1,734
Kinship care	1,400	1,500
Fitness	-	569
Total net assets with donor restrictions	$ 15,061	14,442

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as of September 30:

	2023	2022
Assets released from restictions		
Bell choir	$ 283	$ -
Phase IV improvements	4,850	-
Dining Hall / Reception	1,845	-
Adult day care	1,734	17,964
Kinship care	100	-
Fitness	569	-
Total assets released from restictions	$ 9,381	$ 17,964

NOTE 12 - DESIGNATED NET ASSETS

Board designations at September 30, 2023 and 2022 are as follows:

	2023	2022
Facility maintenance	$ 54,721	$ 56,250
Perennial Park vision	8,237	18,237
Operating reserve	107,054	103,500
Pet assistance	625	695
Vehicle reserve	33,000	30,000
Health insurance	116,054	186,545
Total board designated net assets	$ 319,691	$ 395,227

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2023, the Center implemented the following new pronouncement: Financial Accounting Standards Board (the “FASB”) Accounting Standard Update (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”),

Summary:

On February 25, 2016, the FASB issued ASU 2016-02 and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-02 (collectively, the “new leases standard”). The objective of ASU 2016-02 is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Center adopted the new lease standard using the effective date method of the modified retrospective transition, under which amounts in prior periods presented were not restated. For adoption, the Center elected to not reassess (i) whether any existing contracts contain leases, (ii) initial direct costs, and (iii) and classification of existing leases.

The Center's financial statements were updated to reflect reclassifications of property and equipment to right-of-use assets and long-term debt to financing lease liabilities after the adoption of ASU 2016-02.