HILLSDALE COUNTY SENIOR SERVICES CENTER, INC

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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 statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillsdale County Senior Services Center, Inc as of September 30, 2024 and 2023, 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 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.

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

February 20, 2025

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash	$ 375,239	$ 412,706
Accounts receivable, net of allowance for credit losses of $3,462 and $5,886 in 2024 and 2023, respectively	178,699	75,580
Inventory	8,037	8,270
Prepaid interest	337	-
Prepaid expenses	63,836	16,340
Total current assets	626,148	512,896
Lease origination fees, net of accumulated amortization	3,575	7,286
Beneficial interest in assets held at HCCF	7,702	8,457
Property and equipment net of accumulated depreciation/amortization	2,939,376	3,068,407
TOTAL ASSETS	$ 3,576,801	$ 3,597,046
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	$ 58,497	$ 50,474
Accrued payroll and related	69,762	56,021
Accrued interest	-	5,066
Current portion of finance lease liabilities	150,000	325,000
Total current liabilities	278,259	436,561
Long-term liabilities		
Finance lease liabilities, less current portion	-	150,000
TOTAL LIABILITIES	278,259	586,561
NET ASSETS		
Without donor restrictions		
Undesignated	2,962,953	2,675,733
Board designated	329,232	319,691
	3,292,185	2,995,424
With donor restrictions	6,357	15,061
TOTAL NET ASSETS	3,298,542	3,010,485
TOTAL LIABILITIES AND NET ASSETS	$ 3,576,801	$ 3,597,046

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state	$ 563,362	$ -	$ 563,362
Local	190,106	-	190,106
Contributions of financial assets	219,160	-	219,160
Property taxes	1,723,315	-	1,723,315
Program income	61,557	-	61,557
Program fees for services	134,692	-	134,692
Interest income	1,925	-	1,925
Other fees and income	25,993	-	25,993
Net assets released from restriction	8,704	(8,704)	-
TOTAL SUPPORT AND REVENUES	2,928,814	(8,704)	2,920,110
EXPENSES			
Program services			
Community connections	166,122	-	166,122
Home-based services	1,441,331	-	1,441,331
Life enrichment	705,900	-	705,900
Supporting services			
Management and general	315,320	-	315,320
Fundraising	3,380	-	3,380
TOTAL EXPENSES	2,632,053	-	2,632,053
CHANGE IN NET ASSETS	296,761	(8,704)	288,057
NET ASSETS, beginning of year	2,995,424	15,061	3,010,485
NET ASSETS, end of year	$ 3,292,185	$ 6,357	$ 3,298,542

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 of financial assets	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 FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2024

	Program Services				Supporting Services		
	Community Connections	Home-Based Services	Life Enrichment	Total	Management and General	Fundraising	Total
Salaries and wages	$ 127,481	$ 765,959	$ 349,108	$ 1,242,548	$ 107,083	$ -	$ 1,349,631
Payroll taxes and benefits	10,495	144,808	52,421	207,724	34,686	-	242,410
Contract services	134	1,960	2,524	4,618	1,011	-	5,629
Donor development	-	-	-	-	-	3,380	3,380
Supplies	1,921	45,791	24,621	72,333	34,494	-	106,827
Raw food	235	189,652	66,744	256,631	6,210	-	262,841
Travel - administrative	230	56,441	1,133	57,804	1,463	-	59,267
Travel - service delivery	-	20,943	1,124	22,067	1,103	-	23,170
Utilities	779	18,360	41,855	60,994	16,804	-	77,798
Communications	3,893	32,393	16,054	52,340	13,597	-	65,937
Repairs and maintenance	1,148	35,422	31,784	68,354	9,060	-	77,414
Insurance	1,396	25,141	11,808	38,345	8,237	-	46,582
Training	543	6,384	3,079	10,006	1,044	-	11,050
Professional fees	1,079	11,830	5,193	18,102	7,500	-	25,602
Payroll services	-	-	-	-	10,286	-	10,286
Advertising	1,984	8,734	6,353	17,071	2,778	-	19,849
Unmet needs	12,721	571	-	13,292	2,620	-	15,912
Operating lease	271	2,979	1,278	4,528	589	-	5,117
Subscriptions and dues	-	1,270	1,427	2,697	476	-	3,173
Interest expense	96	2,297	5,236	7,629	2,471	-	10,100
Credit loss expense	-	-	-	-	4,276	-	4,276
Miscellaneous	54	5,290	384	5,728	7,798	-	13,526
Depreciation and amortization	1,662	65,106	83,774	150,542	41,734	-	192,276
TOTAL EXPENSES	$ 166,122	$ 1,441,331	$ 705,900	$ 2,313,353	$ 315,320	$ 3,380	$ 2,632,053

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
Credit loss 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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	$ 288,057	$ (173,786)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	192,276	218,816
Gain on sale of asset	(1,533)	-
Change in beneficial interest of assets held at HCCF	755	(1,387)
Accounts receivable, net of allowance	(103,119)	66,657
Inventory	233	2,519
Security deposit	-	10,315
Prepaid interest	(337)	-
Prepaid expenses	(47,496)	734
Accounts payable	8,023	7,554
Accrued expenses	8,675	(1,001)
Deferred revenue	-	(4,340)
Net cash provided by operating activities	345,534	126,081
Cash flows from investing activties		
Purchase of equipment	(75,001)	(73,194)
Proceeds on sale of equipment	17,000	-
Net cash used by investing activities	(58,001)	(73,194)
Cash flows from financing activities		
Principal payments on finance lease liabilities	(325,000)	(320,000)
Principal payments on long-term debt	-	(896)
Net cash used by financing activities	(325,000)	(320,896)
NET DECREASE IN CASH	(37,467)	(268,009)
CASH, beginning of year	412,706	680,715
CASH, end of year	$ 375,239	$ 412,706

See notes to financial statements.

HILLSDALE COUNTY SENIOR SERVICES CENTER, INC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>

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

<u>Net Assets</u>

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 11).
>
> *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 10).

<u>Cash</u>

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.

<u>Accounts Receivable and Credit Losses</u>

The Center is exposed to credit losses primarily through membership income and grant related services. 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. Accounts receivable are recorded when invoices are issued and are presented on the statement of financial position at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for credit loss expense and an adjustment to a valuation allowance based on its assessment of the current status of receivable accounts. The Center'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 customers' 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable and Credit Losses (continued)

The Center evaluates contract terms and conditions, economic and industry risk, customer credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for customers and grantors that have a higher probability of default. The Center 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. See Note 2 regarding concentrations of credit risk.

Opening and closing balances of accounts receivable net of the allowance for credit losses consist of the following as of December 31:

	2024	2023
Accounts receivable, beginning of year	$ 75,580	$ 142,237
Accounts receivable, end of year	$ 178,699	$ 75,580

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

	2024	2023
Balance, October 1st	$ 5,886	$ -
Provision charges	3,462	5,886
Write-offs	5,886	-
Balance, September 30th	$ 3,462	$ 5,886

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 cost 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is stated at cost. Generally, the Center capitalizes items in excess of $1,000. Depreciation and amortization 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.

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. The deferred revenue balance was $0 for the years ended September 30, 2024 and 2023.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenue 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

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 met, and the gift becomes unconditional.

The following schedule shows the Center's revenues disaggregated according to the timing of transfer of goods or services for the years ended September 30:

	2024	2023
Contract revenue recognized over time		
Program income	$ 61,557	$ 49,836
Program fees for services	134,692	124,555
	196,249	174,391
Contributions and other revenue		
Federal and state	563,362	518,870
Local	190,106	36,898
Contributions of financial assets	219,160	51,571
Property taxes	1,723,315	1,586,756
Interest income	1,925	1,140
Other fees and income	25,993	31,222
	2,723,861	2,226,457
Total revenues	$ 2,920,110	$ 2,400,848

Functional Expenses

The cost of providing various programs and other activities has been reported in the statements of activities. 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, 2024 and 2023.

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, 2024 and 2023, the Center's cash balances exceeded the FDIC limit by $0 and $108,482, respectively.

In addition, the Center 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 Center 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 Center is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Company performs ongoing credit evaluations of its customers' financial condition whenever deemed necessary. The Company evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical credit losses, specific customer creditworthiness and current economic trends. Management believes that the Company's concentration of credit risk is limited because of its large number of customers, credit quality of the customer base, small account balances for most of these customers, and customer geographic diversification.

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 February 20, 2025, 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.

The following reflects the Center's financial assets as of September 30, 2024 and 2023, 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.

	2024	2023
Cash	$ 375,239	$ 412,706
Accounts receivable, net of allowance for credit losses	178,699	75,580
Total financial assets	553,938	488,286
Less unavailable assets for general expenditures due to:		
Board designations	329,232	319,691
Net assets with donor restrictions	6,357	15,061
Financial assets available to meet cash needs for general expenditures within one year	$ 218,349	$ 153,534

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 $7,702 and $8,457 is recorded in assets at market value (comprised of cash and securities at quoted market prices) as of September 30, 2024 and 2023, 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.

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.

The valuation techniques applied to the Center's major categories of investments measured at fair value as of September 30, 2024:

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at HCCF	$ -	$ 7,702	$ -	$ 7,702

The valuation techniques applied to the Center's major categories of investments measured at fair value as of September 30, 2023

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at HCCF	$ -	$ 8,457	$ -	$ 8,457

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2024	2023
Land	$ 152,845	$ 152,845
Land improvements	45,647	45,647
Construction in progress	7,702	7,702
Building	2,266,110	2,266,110
ROU Asset - Building	2,313,638	2,313,638
Equipment	691,120	615,408
Vehicles	265,874	282,874
Software licensing	21,050	21,050
	5,763,986	5,705,274
Less accumulated depreciation and amortization	(2,824,610)	(2,636,867)
Net property and equipment	$ 2,939,376	$ 3,068,407

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 an annual installment of $150,000, interest of 2.7% is payable semi-annually, through November 1, 2025.

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

	2024	2023
Finance lease expense		
Amortization of ROU Assets	$ 59,324	$ 59,324
Interest on lease liabilities	9,953	17,534
Total	$ 69,277	$ 76,858

NOTE 7 - FINANCE LEASES (continued)

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

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases (i.e. Interest)	$ 9,953	$ 17,534
Financing cash flows from finance leases (i.e. principal portion)	325,000	320,000
Weighted-average remaining lease term in years for finance leases	0.67	1.48
Weighted-average discount rate for finance leases	2.70%	2.56%

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

Year Ending September 30,	Financing Leases
2025	$ 154,050
Total undiscounted cash flows	154,050
Less: present value discount	(4,050)
Total financing lease liabilities	$ 150,000

NOTE 8 - 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 $18,438 and $13,342 were expensed during the years ended September 30, 2024 and 2023, respectively. Additionally, there were no changes to the Center's retirement plan in either year that affects comparative reporting.

NOTE 9 - 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, 2024 and 2023 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, 2024 and 2023.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Phase IV improvements	$ 4,957	$ 4,957
Dining Hall / Reception	-	8,704
Kinship care	1,400	1,400
Total net assets with donor restrictions	$ 6,357	$ 15,061

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

	2024	2023
Assets released from restictions		
Bell choir	$ -	$ 283
Phase IV improvements	-	4,850
Dining Hall / Reception	8,704	1,845
Adult day care	-	1,734
Kinship care	-	100
Fitness	-	569
Total assets released from restictions	$ 8,704	$ 9,381

NOTE 11 - DESIGNATED NET ASSETS

Board designations at September 30, 2024 and 2023 are as follows:

	2024	2023
Facility maintenance	$ 56,762	$ 54,721
Perennial Park vision	8,237	8,237
Operating reserve	110,054	107,054
Pet assistance	625	625
Vehicle reserve	36,000	33,000
Health insurance	116,054	116,054
Tech	1,500	-
Total board designated net assets	$ 329,232	$ 319,691

NOTE 12 - ADOPTION OF A NEW ACCOUNTING STANDARD

For the year ended September 30, 2024, the Center 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").

Summary:

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 Center adopted the new standard on October 1, 2023 using the modified-retrospective approach.

The Center 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.