



Services for Older Citizens, Inc.
d/b/a The Helm at the Boll Life Center

Financial Statements
September 30, 2023 and 2022

Cohen & Co

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SERVICES FOR OLDER CITIZENS, INC. D/B/A THE HELM AT THE BOLL LIFE CENTER

SEPTEMBER 30, 2023 AND 2022

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Independent Auditor's Report

Board of Directors
Services for Older Citizens, Inc.
d/b/a The Helm at the Boll Life Center

Opinion

We have audited the accompanying financial statements of Services for Older Citizens, Inc. d/b/a The Helm at the Boll Life Center (The Helm) (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 years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Helm, 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 The Helm 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2023, the Organization adopted Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Helm'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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Helm's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Helm'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.

Cohen & Company Ltd.

Saint Clair Shores, Michigan
March 27, 2024

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 788,401	\$ 854,686
Current portion of pledges and grants receivable - Net	88,422	134,019
Lease contribution receivable	178,035	184,635
Prepaid expenses	<u>26,396</u>	<u>19,531</u>
	1,081,254	1,192,871
PLEDGES AND GRANTS RECEIVABLE - NET	80,900	146,000
PROPERTY AND EQUIPMENT - NET	1,775,023	1,805,919
INVESTMENTS	<u>590,520</u>	<u>483,172</u>
	<u>\$ 3,527,697</u>	<u>\$ 3,627,962</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 45,445	\$ 17,856
Accrued liabilities	29,128	25,685
Deferred revenue	<u>323,787</u>	<u>352,855</u>
	<u>398,360</u>	<u>396,396</u>
NET ASSETS		
Without donor restrictions	2,564,424	2,668,603
With donor restrictions	<u>564,913</u>	<u>562,963</u>
	<u>3,129,337</u>	<u>3,231,566</u>
	<u>\$ 3,527,697</u>	<u>\$ 3,627,962</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and pledges	\$ 145,229		\$ 145,229
Program and other service fees	188,725		188,725
Foundation and other grants	255,550		255,550
Program management fees - PAATS	30,000		30,000
In-kind property and equipment donation	5,400		5,400
Special events	624,650		624,650
Interest income	47		47
Rental income	4,000		4,000
Income (loss)	<u>(18,260)</u>	<u>\$ 35,476</u>	<u>17,216</u>
	1,235,341	35,476	1,270,817
NET ASSETS RELEASED FROM RESTRICTIONS	<u>33,526</u>	<u>(33,526)</u>	
TOTAL SUPPORT AND REVENUE	<u>1,268,867</u>	<u>1,950</u>	<u>1,270,817</u>
FUNCTIONAL EXPENSES			
Program services	1,032,641		1,032,641
Management and general	98,391		98,391
Fundraising	<u>242,014</u>		<u>242,014</u>
	<u>1,373,046</u>		<u>1,373,046</u>
CHANGE IN NET ASSETS	(104,179)	1,950	(102,229)
NET ASSETS - BEGINNING OF YEAR	<u>2,668,603</u>	<u>562,963</u>	<u>3,231,566</u>
NET ASSETS - END OF YEAR	<u>\$ 2,564,424</u>	<u>\$ 564,913</u>	<u>\$ 3,129,337</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and pledges	\$ 468,148		\$ 468,148
Program and other service fees	187,611		187,611
Foundation and other grants	228,795		228,795
Program management fees - PAATS	30,000		30,000
In-kind property and equipment donation	158,390		158,390
Special events	618,248		618,248
Interest income	31		31
Rental income	800		800
Investment loss	<u>(17,001)</u>	\$ (59,391)	<u>(76,392)</u>
	1,675,022	(59,391)	1,615,631
Net assets released from restrictions	<u>24,458</u>	<u>(24,458)</u>	
TOTAL SUPPORT AND REVENUE	<u>1,699,480</u>	<u>(83,849)</u>	<u>1,615,631</u>
FUNCTIONAL EXPENSES			
Program services	931,228		931,228
Management and general	100,839		100,839
Fundraising	203,678		203,678
	<u>1,235,745</u>		<u>1,235,745</u>
CHANGE IN NET ASSETS	463,735	(83,849)	379,886
NET ASSETS - BEGINNING OF YEAR	<u>2,204,868</u>	<u>646,812</u>	<u>2,851,680</u>
NET ASSETS - END OF YEAR	<u>\$ 2,668,603</u>	<u>\$ 562,963</u>	<u>\$ 3,231,566</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 522,394	\$ 71,720	\$ 44,550	\$ 638,664
Payroll taxes	41,866	5,729	3,565	51,160
Employee benefits	64,755	1,914	8,173	74,842
Event expenses	117,042		105,046	222,088
Advertising and public relations	41,213		46,202	87,415
Bad debt			5,000	5,000
Conferences and meetings	974		1,028	2,002
Dues and membership	9,115		567	9,682
Insurance	9,260	2,881	8,379	20,520
Miscellaneous	26,566	153	1,873	28,592
Occupancy	65,143			65,143
Office expenses	8,225	73		8,298
Postage	1,921	274	114	2,309
Printing	1,957	320	116	2,393
Professional fees	33,431	6,279	2,545	42,255
Rent	14,600	2,111	881	17,592
Telephone and internet	10,057			10,057
Volunteer recognition	901	91	147	1,139
Depreciation	63,221	6,846	13,828	83,895
	<u>\$ 1,032,641</u>	<u>\$ 98,391</u>	<u>\$ 242,014</u>	<u>\$ 1,373,046</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 495,095	\$ 67,972	\$ 42,222	\$ 605,289
Payroll taxes	37,358	5,112	3,181	45,651
Employee benefits	57,124	1,688	7,210	66,022
Event expenses	75,507		84,648	160,155
Advertising and public relations	25,764		27,195	52,959
Conferences and meetings	868		54	922
Dues and membership	1,095	7,765	139	8,999
Food purchases	18,898	5,880	17,100	41,878
Insurance	20,103			20,103
Education and enrichment	18,583	107	1,310	20,000
Miscellaneous	11,338			11,338
Occupancy	55,492	491		55,983
Office expenses	10,234	1,457	607	12,298
Postage	2,357	385	140	2,882
Printing	2,167	407	165	2,739
Professional fees	21,570	3,119	1,302	25,991
Rent	7,930	248	8,383	16,561
Telephone and internet	8,203			8,203
Volunteer recognition	593	73	109	775
Depreciation	60,949	6,135	9,913	76,997
	<u>\$ 931,228</u>	<u>\$ 100,839</u>	<u>\$ 203,678</u>	<u>\$ 1,235,745</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ (102,229)	\$ 379,886
Adjustments to reconcile change in net assets to net cash flow provided from operating activities:		
Depreciation	83,895	76,997
Unrealized and realized (gains) losses on investments	(58,214)	77,014
In-kind contribution of property and equipment	(5,400)	(158,390)
Bad debts	(5,000)	
Change in lease contribution receivable	6,600	6,593
Increase (decrease) in cash caused by changes in current items:		
Pledges and grants receivable - Net	115,697	(211,576)
Prepaid expenses	(6,865)	5,665
Accounts payable	27,589	1,428
Accrued liabilities	3,443	6,289
Deferred revenue	(29,068)	21,579
Net cash flow provided from operations	<u>30,448</u>	<u>205,485</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Purchases of property and equipment	(47,599)	(19,932)
Purchases of investments	(75,000)	
Grant proceeds from endowment fund	25,866	16,604
	<u>(96,733)</u>	<u>(3,328)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(66,285)	202,157
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>854,686</u>	<u>652,529</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 788,401</u>	<u>\$ 854,686</u>
NON-CASH INVESTING ACTIVITY		
In-kind property and equipment contribution	<u>\$ 5,400</u>	<u>\$ 158,390</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Services for Older Citizens, Inc. dba The Helm at the Boll Life Center, (The Helm) provides informational and referral resources and programmatic activities to the senior citizens and handicapped of the five Grosse Pointe and Harper Woods municipalities.

Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used, and such differences may be material.

Adoption of New Accounting Pronouncement - Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (known as FASB Accounting Standards Codification [ASC] 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in ASC 842 is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, expanded disclosures are required about the nature and terms of lease agreements to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The comparative information presented in the accompanying financial statements continues to be reported under prior lease guidance in accordance with ASC 840.

The Helm adopted the provisions of ASC 842 effective October 1, 2022, and measured leases existing at, or entered into after the beginning of the period of adoption with certain practical expedients available.

Concurrent with the adoption of ASC 842, the Helm elected the following implementation package of practical expedients: to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Adoption of ASC 842 did not have a material impact on the Helm's statement of financial position, statement of activities, or statement of cash flows. Accordingly, management has not recorded any right-of-use asset or lease liability, nor has it provided any of the expanded disclosures required by ASC 842.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Helm determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Helm considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Helm can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Helm elected to apply the short-term lease exemption. Under this exemption, ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less. Short-term lease expense was immaterial to the financial statements for the year ended September 30, 2023.

Prior to the adoption of ASC 842, under ASC 840, lease expense related to operating leases was recognized on a straight-line basis over the lease term with disclosures made regarding future minimum payments. Prior to the adoption of ASC 842, there was no recognition of operating leases on the balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, except those held in The Helm's investment accounts, purchased with an original maturity of three months or less. From time to time throughout the year, The Helm's cash balances may exceed the limits of related federal deposit insurance.

Receivables

Contributions, pledges (promises to give) and grants receivable are stated at net realizable value. If promises to give are due in more than one year, they are discounted to the present value of their estimated future cash flows using a discount rate commensurate with the risk involved.

An allowance for doubtful accounts is established based on a specific assessment of the amounts still owed at year end. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period such determination is made.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at fair value at the date of donation based upon what the related asset would cost if purchased in the same condition.. Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives:

Building improvements	30 years
Computers and software	3 - 5 years
Furniture and equipment	5 - 7 years

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued)

The Helm capitalizes single or groups of similar expenditures with an original cost in excess of \$500 that have a useful life of three years or more. Lesser amounts are expensed as incurred and included in the accompanying statement of activities. Gains and losses from the sale or disposal of property and equipment are recorded in the Statement of Activities.

Investments

Beneficial Interest - Community Foundation Assets

Included with investments in the statement of financial position is the fair value of a fund held and managed with the Community Foundation of Southeast Michigan (CFSEM) (an unrelated non-profit foundation). The fund was established by The Helm engaging in a "reciprocal transfer," as defined by GAAP. A "reciprocal transfer" involves a resource provider (The Helm) contributing assets to a recipient entity (CFSEM) and designating itself as the beneficiary of those assets and any income generated therefrom. The Helm granted "variance power" to CFSEM, whereby CFSEM has the duty and power to modify any restriction or condition on the distribution of the contributed funds if, in the judgment of CFSEM's Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with CFSEM's charitable mission.

GAAP requires that the fair value of the reciprocal transfer, plus any undistributed earnings thereon, be included as an asset in The Helm's statement of financial position. GAAP also requires that the original net asset classification of the underlying funds transferred be maintained. The fair value is adjusted annually based on the fair value of the fund, as reported by CFSEM.

Other Investments

Investments not held at the CFSEM at September 30, 2023 and 2022, are carried at fair value and consist of money market funds. Investments in securities with readily determinable fair values are reported at quoted market values. Realized and unrealized gains or losses are reflected in the accompanying statement of activities.

Investment income consists of interest and dividend income and net realized and unrealized gains and losses and is reported net of investment expenses in the statement of activities as increases or decreases in net assets without donor restrictions unless restricted by the donor.

Deferred Revenue

Deferred revenue primarily consists of revenue received for special events that took place after September 30, 2023 and 2022, respectively.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

The Helm's net assets are classified as follows depending on the presence and characteristics of donor-imposed restrictions limiting The Helm's ability to use or dispose of contributed assets or the economic benefits embodied in those assets:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.
- With Donor Restrictions - Net assets subject to donor-imposed purpose restrictions (including endowment amounts restricted in perpetuity), or restrictions that expire with the passage of time.

Revenue Recognition

Special Event Revenue

Special event revenue consists of revenue earned from event sponsorship contributions, contributions received during special events, and ticket sales associated with admission to special events. The Helm's principal revenue source subject to Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* is the exchange portion of its special event revenue. Special events are considered to have a sole performance obligation, namely, to conduct the event, which is recognized at a point in time when the event is held. Special event revenue subject to ASC 606 amounted to \$50,160 and \$54,892 for the years ended September 30, 2023 and 2022, respectively, and is included in special events on the accompanying statement of activities.

Contributions

Revenue from promises to give in the future are recorded at fair value using a probability weighted, discount rate adjusted present value model. Contributions with donor-imposed time or purpose restrictions are reported as revenue with donor restrictions. All other contributions are reported as revenue without donor restrictions. When a donor restriction expires, that is, when a 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.

Contributions whose restrictions are met in the year received are recorded as revenue without donor restrictions.

In-kind Contributions

Contributed goods are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

In-kind Contributions (continued)

The Helm recorded revenue of \$5,400 and \$158,390 for the years ended September 30, 2023 and 2022, for the value of donated equipment and renovations to its facility that were directly funded by the County of Wayne, respectively. The in-kind contributions were retained as property and equipment and not monetized.

No amounts have been recorded in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist The Helm in its programs.

Beneficial Use of Property

The Helm and its facilities are located in a building that The Helm leases from the Henry Ford Medical Center at below market rates. The lease was executed in a prior year and The Helm recorded a contribution receivable and related revenue in the year of execution, based upon an estimated fair value of the property obtained from Henry Ford Medical Center. The receivable is discounted to net present value and is amortized to rent expense annually over the term of the lease.

Functional Allocation of Expenses

The statements of activities and functional expenses report certain categories of expenses that are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and related costs, which are allocated on the basis of estimates of time and effort, as well as facility and other property costs, which are allocated on a square footage and related asset value basis.

Income Taxes

The Helm is a Michigan not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Helm recognizes and discloses uncertain tax positions in accordance with GAAP. As of and for the years ended September 30, 2023 and 2022, The Helm did not have a liability for unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through March 27, 2024, the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Helm's financial assets comprise the following amounts at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 788,401	\$ 854,686
Pledges and grants receivable - Net	169,322	280,019
Investments	<u>590,520</u>	<u>483,172</u>
Total financial assets	<u>\$ 1,548,243</u>	<u>\$ 1,617,877</u>

The below table reflects adjustment to The Helm's financial assets as of September 30, 2023 and 2022, for amounts not available for general expenditures within one year due to contractual or donor-imposed restrictions or internal designations. The Helm considers all of its programmatic, general and administrative, and fundraising expenses to be its annual expenditures.

	<u>2023</u>	<u>2022</u>
Financial assets	\$ 1,548,243	\$ 1,617,877
Less amounts not available due to:		
Donor purpose restrictions not expected to be met in the next year		105,000
Pledges due in more than one year	80,900	146,000
Beneficial interest at community foundation	360,578	350,968
Board designated quasi endowment	<u>367,650</u>	<u>344,750</u>
Financial assets available within one year for general expenditures	<u>\$ 739,115</u>	<u>\$ 671,159</u>

The Helm manages its liquidity by considering anticipated program, grant, and contribution revenue against anticipated general expenses. The Helm expects future revenue in the next twelve months to cover general expenditures. Additionally, The Helm maintains a line of credit with a bank to manage unanticipated liquidity needs (see Note 7).

3. RECEIVABLES - NET

Pledges and grants receivable - net consists of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 88,422	\$ 134,019
Due in one to five years	<u>80,900</u>	<u>146,000</u>
	<u>\$ 169,322</u>	<u>\$ 280,019</u>

NOTES TO THE FINANCIAL STATEMENTS

3. RECEIVABLES - NET (Continued)

Unconditional promises to give due in more than one year are discounted to estimated present value at the time the promises are made. The discount was determined to be immaterial as of and for the years ended September 30, 2023 and 2022, respectively.

Pledges and grants receivable are shown net of an allowance of \$20,000 at September 30, 2023. No allowance was considered necessary at September 30, 2022.

4. PROPERTY AND EQUIPMENT - NET

Property and equipment comprise the following assets as of September 30:

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 2,320,202	\$ 2,319,922
Computers and software	46,528	40,133
Furniture and equipment	<u>204,213</u>	<u>157,889</u>
	2,570,943	2,517,944
Less: Accumulated depreciation	<u>795,920</u>	<u>712,025</u>
	<u>\$ 1,775,023</u>	<u>\$ 1,805,919</u>

Depreciation expense for the years ended September 30, 2023 and 2022, amounted to \$83,895 and \$76,997, respectively.

5. FAIR VALUE MEASUREMENT

The various inputs used to determine the fair value of The Helm's investment assets are summarized in three broad levels:

- Level 1 Quoted prices for identical assets or liabilities in active markets
- Level 2 Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 Significant unobservable inputs (including The Helm's own assumptions used to determine value)

Mutual funds and money market funds are measured at the daily closing price as reported by the fund. The money market funds are deemed to be actively traded.

Beneficial interest - CFSEM: The beneficial interest in the assets held at CFSEM is classified as Level 3 within the fair value hierarchy. These assets are generally held in the pooled investment funds managed by CFSEM and are not available for redemption by The Helm due to variance power being granted to CFSEM.

NOTES TO THE FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENT (Continued)

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

Assets measured at fair value on a recurring basis comprise the following investments at September 30, 2023:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,849			\$ 2,849
Beneficial interest - CFSEM (Note 6)			\$ 360,578	360,578
Mutual funds	227,093			227,093
	<u>\$ 229,942</u>	<u>\$</u>	<u>\$ 360,578</u>	<u>\$ 590,520</u>

Assets measured at fair value on a recurring basis are comprised of the following investments at September 30, 2022:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,351			\$ 1,351
Beneficial interest - CFSEM (Note 6)			\$ 350,968	350,968
Mutual funds	130,853			130,853
	<u>\$ 132,204</u>	<u>\$</u>	<u>\$ 350,968</u>	<u>\$ 483,172</u>

The reconciliation of The Helm’s Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2023 and 2022 is presented in Note 6 and is the same as the change in its endowment assets.

6. ENDOWMENT ASSETS

The Helm’s beneficial interest in the CFSEM (the fund) consists of a reciprocal transfer it made of assets with donor (permanent) restrictions, along with accumulated undistributed earnings. The fund also includes third-party donations which are excluded from these financial statements because CFSEM was granted explicit variance power over such donations.

The funds are held in perpetuity at the CFSEM solely for the benefit of The Helm. Annual distributions are anticipated to be made by CFSEM based on its income distribution policies.

NOTES TO THE FINANCIAL STATEMENTS

6. ENDOWMENT ASSETS (Continued)

CFSEM has calculated the market value of the two components of the account balance as follows:

	<u>2023</u>	<u>2022</u>
Reciprocal transfer plus accumulated earnings	\$ 360,578	\$ 350,968
Third party donations (not included in these financial statements)	<u>43,187</u>	<u>41,894</u>
	<u>\$ 403,765</u>	<u>\$ 392,862</u>

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Helm classifies as net assets with donor restrictions not subject to appropriation or expenditure (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is classified as net assets with donor restrictions will be released from restrictions when those amounts are appropriated for expenditure by The Helm in a manner consistent with the standard of prudence prescribed by SPMIFA.

The Helm considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of The Helm and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of The Helm
7. The investment policies of The Helm

Return Objectives and Risk Parameters

Because of the reciprocal transfer nature of The Helm's endowment funds, its investment and spending policies for endowment assets are tied directly to those of CFSEM. The Helm's management believes that CFSEM's investment and distribution policies seek to maintain the purchasing power of the endowment assets.

NOTES TO THE FINANCIAL STATEMENTS

6. ENDOWMENT ASSETS (Continued)

Strategies Employed for Achieving Objectives

Because of the reciprocal transfer nature of The Helm’s endowment funds, it’s strategies employed for achieving objectives are tied directly to those of CFSEM. The Helm’s management believes that CFSEM’s investment policies result in a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment assets are governed by CFSEM’s spending policy that allows for the allocation of interest and dividends earned to operating expenses in accordance with donor restrictions. Management believes that CFSEM’s spending policies do not allow for funds designated as permanently restricted endowments to be reduced below their initial contribution basis.

Further, the spending policy anticipates that the growth of values over time will allow for the allocation of interest and dividends earned to operating expenses without the need to draw from the corpus of the original gift.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) requires The Helm to retain as a fund of perpetual duration. There were no deficiencies of this nature at September 30, 2023 and 2022.

Changes in endowment net assets (which also represents the changes in Level 3 investment assets at fair value) for the years ended September 30, 2023 and 2022, are summarized as follows:

	<u>Net Assets With Donor Restrictions</u>
Endowment net assets - October 1, 2021	\$ 426,963
Net investment loss	(59,391)
CFSEM distributions, equal to appropriations	<u>(16,604)</u>
Endowment net assets - September 30, 2022	350,968
Net investment income	35,476
CFSEM distributions, equal to appropriations	<u>(25,866)</u>
Endowment net assets - September 30, 2023	<u>\$ 360,578</u>

7. LINE OF CREDIT

The Helm maintains a \$25,000 revolving line of credit with a financial institution. The line of credit requires monthly interest-only payments and is secured by unspecified assets of The Helm. As of September 30, 2023 and 2022, there were no borrowings outstanding.

NOTES TO THE FINANCIAL STATEMENTS

8. BOARD-DESIGNATED NET ASSETS

At September 30, 2023 and 2022, net assets without donor restrictions bear the following board-designations:

	<u>2023</u>	<u>2022</u>
Allocated to property and equipment	\$ 1,774,998	\$ 1,805,918
Operational reserve	100,000	100,000
Quasi-endowment fund	<u>367,650</u>	<u>344,750</u>
	<u>\$ 2,242,648</u>	<u>\$ 2,250,668</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Endowment assets (held at CFSEM)	\$ 300,000	\$ 300,000
Unappropriated endowment earnings (held at CFSEM)	60,578	50,968
Beneficial use of real estate	178,035	184,635
Endowment creation	9,519	9,519
Facility buildout	10,000	10,000
Other	<u>6,781</u>	<u>7,841</u>
	<u>\$ 564,913</u>	<u>\$ 562,963</u>

10. BENEFICIAL USE OF PROPERTY / CONTRIBUTION RECEIVABLE

The Helm's operating and administrative facilities are located in a leased building. The terms of the lease require monthly rent payments of \$1 through June, 2043. The Helm has estimated the rental value to be \$1,000 per month for the term of the lease. Accordingly, the difference between the fair value of the property's rental value and the stated amount of the lease payment at the date of the lease was recognized as contribution revenue and a corresponding contribution receivable discounted to present value.

The contribution receivable is summarized as follows at September 30:

	<u>2023</u>	<u>2022</u>
Long-term contribution receivable	\$ 226,000	\$ 238,000
Less: Discount to net present value	<u>47,965</u>	<u>53,365</u>
Ending Balance	<u>\$ 178,035</u>	<u>\$ 184,635</u>

Imputed rent incurred related to this lease agreement amounted to \$12,000 for the years ended September 30, 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

11. ADVERTISING COSTS

The Helm prints a Communicator periodically throughout the year that is distributed to senior citizens that visit The Helm's facility. The Communicator outlines services The Helm provides, as well as services provided for senior citizens throughout the Grosse Pointe and Harper Woods communities. Costs to publish the Communicator are expensed as incurred, and amounted for the years ended September 30, 2023 and 2022, amounted to \$87,415 and \$52,959, respectively.

12. EMPLOYEE BENEFIT PLAN

The Helm sponsors a 403(b) plan under which all eligible employees are permitted to contribute up to a stipulated percentage of gross compensation, up to a maximum determined by the Internal Revenue Code. There were no employer contributions made to the plan for the years ended September 30, 2023 or 2022.