CARES OF FARMINGTON HILLS, INC

AUDITED FINANCIAL STATEMENTS

Year Ended
August 31, 2021

CARES OF FARMINGTON HILLS, INC

Schlaupitz Madhavan
AUDIT | TAX | ADVISORS

Independent Auditor's Report

To the Board of Directors
CARES of Farmington Hills, Inc
Farmington Hills, Michigan

Opinion

We have audited the accompanying financial statements of CARES of Farmington Hills, Inc ("CARES") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021, and the related statement 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 CARES of August 31, 2021, 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 CARESCARES of Farmington Hills 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 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 CARES'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 CARES of Farmington Hills 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 CARES of Farmington Hills 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.

Schlaupitz Madhavan, P.C.

April 15, 2024

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2021

ASSETS

Current assets		
Cash	$	270,208
Property and equipment, net		613,770
	$	**883,978**

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued interest - notes payable, related parties	$	18,103
Accrued interest - notes payable		17,320
Notes payable, current portion		2,242
Total current liabilities		37,665
Long term liabilities		
Notes payable, related parties		170,000
Notes payable, non current portion		327,758
Economic Injury Disaster Loan		47,900
Total long term liabilities		545,658
Net assets		
Without donor restrictions		300,655
	$	**883,978**

STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 216,461	$ -	$ 216,461
Contributions of nonfinancial assets	21,877	-	21,877
Grant revenue	172,549	-	172,549
Program revenue	56,488	-	56,488
Rental income	14,788	-	14,788
Total support and revenue before releases	482,163	-	482,163
Net assets released from restrictions	25,000	(25,000)	-
Total support and revenue	507,163	(25,000)	482,163
Expenses			
Program services	260,293	-	260,293
Management and general	156,262	-	156,262
Fundraising	511	-	511
Total expenses	417,066	-	417,066
Changes in net assets from operating activities	90,097	(25,000)	65,097
Net assets, beginning of year	210,558	25,000	235,558
Net assets, end of year	$ 300,655	$ -	$ 300,655

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021

	Program Services	Management and General	Fundraising	Total Functional Expenses
Advertising	$ 14,647	$ -	$ -	$ 14,647
Bank charges	-	4,107	-	4,107
Charitable donations	1,056	569	-	1,625
Computer related expenses	1,022	3,576	511	5,109
Deprecation	-	21,024	-	21,024
Food and pantry goods	107,793	-	-	107,793
Insurance expense	10,070	10,070	-	20,140
Interest expense	-	17,583	-	17,583
Meals and entertainment	-	1,947		1,947
Membership and licenses	-	772	-	772
Office and management expenses	-	7,185	-	7,185
Outside labor	90,718	10,080	-	100,798
Property taxes	7,819	7,819	-	15,638
Repairs and maintenance	12,696	12,696	-	25,392
Salaries and wages	-	15,724	-	15,724
Supplies	4,402	2,935	-	7,337
Utilities	-	40,175	-	40,175
Vehicle	10,070	-	-	10,070
Total functional expenses	**$ 260,293**	**$ 156,262**	**$ 511**	**$ 417,066**

STATEMENTS OF CASH FLOWS
YEAR ENDED AUGUST 31, 2021

Cash flows from operating activities	
Change in net assets	$ 65,097
Adjustment to reconcile change in net assets to cash provided by operating activities	
Deprecation expense	21,024
Changes in operating assets and liabilities	
(Increase) decrease in	
Grants receivable	25,000
Increase (decrease) in	
Accounts payable	(28,100)
Accrued interest - notes payable, related parties	4,637
Accrued interest - notes payable	(13,400)
Net cash provided by operating activities	74,258
Cash flows from investing activities	
Purchase of property and equipment	(14,320)
Net increase in cash	59,938
Cash, beginning of year	210,270
Cash, end of year	**$ 270,208**
Supplemental cash flow information:	
Cash paid for interest	**$ 26,347**

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CARES of Farmington Hills, Inc (the "Organization") is a nonprofit organization which runs a food pantry for their local area as well as provide a multitude of programs centered around assisting the local population. The organization receives its funding from program revenues, grants, and contributions from private foundations and individual donors.

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, support, expenses and gains or 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 certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless restricted by the donor or law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Organization's operating revenue in excess of operating expense includes all operating revenues and expenses that are an integral part of its programs and supporting activities and the assets released from donor restrictions to support operating expenditures.

Cash - Cash consists of demand deposits in banks. The Organization maintains its deposits, generally in a large financial institution, which at times may exceed the federally insured limits. Management does not believe the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

Property and Equipment – Property and equipment with a cost in excess of $2,500 and useful life in excess of one year is capitalized. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Property and equipment are depreciated using the straight-line method over the estimated useful lives. When fixed assets are sold or otherwise disposed of any gain or loss is included in the statement of activities. Management annually reviews these assets to determine whether carrying values have been impaired.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions - Contributions, including unconditional promises to give, are recognized as support in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as support in the net assets without donor restrictions class.

Contributions of Nonfinancial Assets – Donated goods for use by the Organization to support their mission are recorded as contributions of nonfinancial assets at their estimated fair value, based on independent supplier quotations. Contributions are recorded as inventory at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed goods are not sold and goods are only distributed for program use.

Fundraising and Cost Allocations – The Organization solicits funds for ongoing operations from local foundations, community groups, and individuals. Such activities, however, do not include significant joint costs that qualify for allocation among the program services. Fundraising expenses are based on actual amounts paid and percentage of time allocated.

Functional Expense – The Organization accumulates and reports its expenses by function as for program services, management and general activities, or fundraising purposes. Program services are activities that fulfill the purposes or mission of the Organization. Management and general activities include governance recordkeeping, budgeting and administration other than for direct conduct of program services.

A material portion of the Organization's indirect expenses, primarily contracted staff services, are allocated among the functional classifications based on management's record as to the utilization of staff time.

Income Taxes – The Organization is recognized by the Internal Revenue Service as an organization described in the Internal Revenue Code (IRC) section 501(c)(3) and is exempt from federal income tax under IRC Section 509(a). Although the Organization was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from contributors. The Organization is not a private foundation. There were no temporary timing differences at August 31, 2021 and as such no deferred taxes have been recorded.

The Organization analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Organization treats interest and penalties attributed to income taxes, and reflects any changes for such, to the extent that they arise, as a component of its management and general expense.

The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at August 31, 2021, and it is not aware of any claims for such amounts by federal or state income tax authorities.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's Review of Subsequent Events – In preparing the accompanying financial statements, the Organization has evaluated for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to August 31, 2021, the most recent balance sheet presented herein, through April 15, 2024, the date the accompanying financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following for the year ended August 31, 2021:

	Estimated Life in Years	
Buildings	40	$ 150,000
Buildings improvements	15	112,095
Machingery and equipment	5	26,199
Vehicles	5	9,000
Land		350,000
Total property and equipment cost		647,294
Less: accumulated depreciation		(33,524)
Property and equipment, net		$ 613,770

NOTE 3 – NOTES PAYABLE, RELATED PARTIES

In 2018, the Organization secured a note payable from a board member for $70,000. The note did not state any payment terms but is considered payable on demand. The note does not carry any interest rate. No principal payments have been made as of August 31, 2021. Subsequent to year end, in June 2022, the principal on the note was paid off in full as part of the Organization securing a note from a banking institution for the purpose of refinancing its debt.

In 2017, the Organization secured a note payable from a board member for $100,000. The note did not state any payment terms but is considered payable on demand. The note carries a 4% interest rate. No principal payments have been made as of August 31, 2021. Subsequent to year end, in June 2022, the principal on the note was paid off in full as part of the Organization securing a note from a banking institution for the purpose of refinancing its debt. The accrued interest as of the payoff date was forgiven by the board member lender and recognized as debt forgiveness contribution.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 4 – NOTES PAYABLE

In 2018, the Organization secured a note payable from a nonprofit organization for $30,000. The note did not state any payment terms but is considered payable on demand. The note does not carry any interest rate. No principal payments have been made as of August 31, 2021.

In 2017, the Organization entered into a mortgage note payable with a nonprofit organization for $300,000. The note did not state any payment terms but is considered payable on demand. The note carries a 4% interest rate. No principal payments have been made as of August 31, 2021. Subsequent to year end, in June 2022, the principal and accrued interest on the note was paid off in full as part of the Organization securing a note from a banking institution for the purpose of refinancing its debt.

Current maturities related to the refinancing bank note secured subsequent to year end are as follows:

2022	$	2,242
2023		13,906
2024		14,719
2025		15,581
2026		16,492
Thereafter		424,380
	$	**487,320**

NOTE 5 – ECONOMIC INJURY DISASTER LOAN

In June 2020, the Organization applied for and received an Economic Injury and Disaster Loan (the "EIDL") in the amount of $47,900 from the Small Business Administration (the "SBA"). The loan carries an interest rate of 2.75% and matures in June 2051. Monthly payments of $205 are required, beginning in June 2022. The maturities of this loan for the next five years are as follows:

2022	$	294
2023		1,084
2024		1,115
2025		1,146
2026		1,178
Thereafter		43,084
	$	**47,900**

NOTE 6 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Organization reported donated food or pantry items as contributions of nonfinancial assets based on an estimated number of pounds and the estimated wholesale value of one pound of donated product. Total contributions for food and other pantry items for the years ending August 31, 2021 was $21,877. At August 31, 2021 no amounts of contributed goods remained in inventory, all good were utilized and recorded as food and pantry goods expense on the financials.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 7 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following.

Financial assets held by Organization	
Cash	$ 270,208
Less amounts with limits on usage	
Spendable net assets with donor purpose restrictions	-
Total financial assets available for general use within one year	**$ 270,208**