CARES OF FARMINGTON HILLS, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS

AUGUST 31, 2022

(With Independent Auditor's Report Thereon)

DoerenMayhew
ASSURANCE

CARES OF FARMINGTON HILLS, INC.
(A Nonprofit Organization)

TABLE OF CONTENTS

DoerenMayhew
ASSURANCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CARES of Farmington Hills, Inc.
(A Nonprofit Organization)

Qualified Opinion

We have audited the financial statements of CARES of Farmington Hills, Inc., which comprise the statement of financial position as of August 31, 2022, and the statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of CARES of Farmington Hills, Inc. as of August 31, 2022, 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 Qualified Opinion

CARES of Farmington Hills, Inc. receives donations of food. We were unable to obtain sufficient appropriate audit evidence about the amount of these donations which would be recognized into in-kind revenues and expenses. As a result, these donations were not recognized in the accompanying financial statements. Consequently, we were unable to determine the amount of adjustments necessary to be recorded for these donations.

CARES of Farmington Hills, Inc. does not perform physical inventory counts. As a result, we were not able to obtain sufficient appropriate audit evidence regarding the existence of inventory at August 31, 2022, which is included in the statement of financial position in the amount of $12,557. Consequently, we were unable to determine if any adjustments are necessary related to inventory.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 CARES 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 qualified audit opinion.

Emphasis of Matter – Prior Period Adjustments

As discussed in Note 1 to the financial statements, a prior period adjustment was recorded to correct multiple misstatements. 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 CARES of Farmington Hills, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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.

Doeren Mayhew Assurance

Troy, Michigan
September 16, 2025

CARES OF FARMINGTON HILLS, INC.
(A Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

Assets		
Current assets		
Cash	$	103,165
Grants receivable		39,720
Inventory		12,557
Total current assets		155,442
Property and equipment, net (note 3)		908,739
Total assets	$	1,064,181
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	1,010
Accrued expenses		7,249
Current portion of long-term debt (note 5)		14,122
Deferred rent (note 4)		10,391
Total current liabilities		32,772
Long-term liabilities		
Notes payable - related parties (note 6)		70,000
Long-term debt (note 5)		513,990
Total long-term liabilities		583,990
Total liabilities		616,762
Net assets		
Without donor restrictions		314,675
With donor restrictions (note 8)		132,744
Total net assets (note 5)		447,419
Total liabilities and net assets	$	1,064,181

See accompanying notes to financial statements

CARES OF FARMINGTON HILLS, INC.
(A Nonprofit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	$ 344,648	$ -	$ 344,648
Contributions of nonfinancial assets (note 7)	20,000	-	20,000
Program revenue	18,695	-	18,695
Grant revenue	165,070	50,000	215,070
Forgiveness of interest	20,331	-	20,331
Rental income	8,363	-	8,363
Total revenues and support	577,107	50,000	627,107
Functional expenses			
Program services	331,355	-	331,355
Fundraising	42,463	-	42,463
General and administrative	180,575	-	180,575
Total expenses	554,393	-	554,393
Release of net assets from restrictions	7,256	(7,256)	-
Changes in net assets	29,970	42,744	72,714
Net assets - September 1, 2021 as previously reported	300,655	-	300,655
Prior period adjustment (note 1)	(15,950)	90,000	74,050
Net assets - September 1, 2021 as restated	284,705	90,000	374,705
Net assets - August 31, 2022	$ 314,675	$ 132,744	$ 447,419

See accompanying notes to financial statements

CARES OF FARMINGTON HILLS, INC.
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	Program Services	Management and General	Fundraising	Total
Advertising	$ 7,378	$ -	$ 7,378	$ 14,756
Bank charges	436	633	1,248	2,317
Computer related expenses	-	13,397	-	13,397
Depreciation and amortization	23,321	2,591	-	25,912
Food and pantry goods	101,022	-	-	101,022
Insurance expense	16,356	6,151	-	22,507
Interest expense	-	22,109	-	22,109
Meals and entertainment	655	979	157	1,791
Membership and licenses	-	260	3,783	4,043
Office and management expenses	2,472	10,683	-	13,155
Outside labor	39,992	47,833	750	88,575
Repairs and maintenance	53,905	5,925	-	59,830
Salaries and wages	29,007	61,292	29,147	119,446
Supplies	8,794	746	-	9,540
Utilities	39,982	7,976	-	47,958
Vehicle	8,035	-	-	8,035
Total functional expenses	$ 331,355	$ 180,575	$ 42,463	$ 554,393

See accompanying notes to financial statements

CARES OF FARMINGTON HILLS, INC.
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2022

Cash flows from operating activities		
Changes in net assets	$	72,714
Adjustments		
Depreciation and amortization		25,912
Donation of property and equipment (note 7)		(20,000)
Contributions restricted for long-term purposes		50,000
Noncash rental income		(6,563)
Decrease/(increase) in assets		
Grants receivable		34,330
Inventory		(12,557)
Increase/(decrease) in liabilities		
Accounts payable		1,010
Accrued expenses		(28,174)
Total adjustments		43,958
Net cash provided from operating activities		116,672
Cash flows from investing activities		
Acquisition of property and equipment		(283,748)
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes		(50,000)
Debt issuance costs		(5,378)
Proceeds from notes payable - related parties		40,000
Proceeds from notes payable		487,320
Payments on notes payable - related parties		(170,000)
Payments on notes payable		(301,909)
Net cash provided from financing activities		33
Net decrease in cash		(167,043)
Cash - September 1, 2021		270,208
Cash - August 31, 2022	$	103,165

Supplemental Disclosure of Cash Flow Information

Building improvements in exchange for rent (note 4)	$	35,000
Deferred rent in exchange for building improvements (note 4)	$	10,391
Cash paid for interest	$	30,120

See accompanying notes to financial statements

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

CARES of Farmington Hills, Inc. (A Nonprofit Organization) (the "Organization") is a nonprofit 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 Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

This portion of the Organization's net assets is available for general obligations and is not subject to any donor-imposed restrictions. Revenues earned from contributions without donor restrictions and all operating expenses are reported in this category. As needed, the Board may designate net assets to be allocated for specific actions.

Net Assets With Donor Restrictions

This portion of the Organization's net assets is limited to uses specified by donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 7 for details.

Cash

The statement of cash flows classifies changes in cash according to operating, investing or financing activities. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains cash balances at high credit quality financial institutions. The Organization's accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times during the year, such balances may be in excess of the FDIC limit. No cash balances were in excess of this limit as of August 31, 2022. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Grants Receivable

Grants receivable are carried at invoice amounts and consist of reimbursable grants at August 31, 2022. No allowance for uncollectible accounts has been provided for this account. Management has evaluated the account based on historical experience and review of current status and believe it is collectible.

Continued

Inventory

Goods purchased for resale, which is comprised of food purchases, are recorded at the lower of cost or net realizable value. The costs are determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes assets with an initial cost of more than $2,500. Depreciation is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the assets. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

Donations of property and equipment are recorded as contributions at fair value at the date of the donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Contributions and Grants

Donations received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. See Note 7 for the breakdown of net assets with donor restrictions.

Revenue from grant awards under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the grant, revenue and grants receivable are recorded in the period during which the expenses are incurred. In cases where grants are received in advance of incurring the expenses, grant revenue is recorded as deferred revenue.

Revenue Recognition

Program revenue includes revenue from selling food and household items in the Organization’s grocery store. Revenue is recognized at the time of purchase. The transaction price is the amount of consideration received in exchange for the goods.

Income Tax Status

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income”. No income tax was incurred during the years ended August 31, 2022.

Continued

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2019 - 2022.

Subsequent to year end, the Organization's tax exempt status was revoked due to failure to file a tax return for three consecutive years. The Organization is in the process of getting the status reinstated.

Advertising

Advertising costs are expensed as incurred and amounted to $14,756 for the year ended August 31, 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing program and supporting services have been reported on a functional basis in the statements of activities and changes in net assets. Expenses directly related to a specific program or supporting service are allocated accordingly. Indirect costs have been allocated between program services, fundraising and general and administrative expenses. Salaries and wages are allocated based on the percentage of salary expense directly allocated. Depreciation and amortization, building and property insurance, labor and repairs and maintenance related to the building, supplies and utilities are based on percentage of square footage utilized. Advertising is allocated evenly between program services and fundraising as both areas benefit from these expenses. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Prior Period Adjustments

The Organization posted prior period adjustments to the financial statements of CARES of Farmington Hills, Inc. (A Nonprofit Organization). The adjustments are related to an unconditional grant that should have been recorded in the prior year when the award was received as well as conditional grants that had qualifying expenses in the prior year. The actual amount recorded in the prior year was only for the cash received related to the grant awards. As a result, there was an increase in beginning net assets of $74,050. The prior period adjustments also reclassified net assets increasing with donor restrictions and decreasing without donor restrictions. If the amounts were recorded in the prior year, it would have resulted in an increase in grants receivable and grant revenue in the amount of $74,050.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 16, 2025, which is the date the financial statements were available to be issued.

On June 9, 2023, the executive director loaned $20,000 to the Organization. The note payable did not state any payment terms but is considered payable on demand. The note does not carry any interest rate.

Continued

Note 2 – 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:

Total current assets	$	155,442
Less those unavailable for general expenditure within one year, due to		
Restricted by donor with time or purpose restrictions		132,744
Total	$	22,698

Financial assets in the amount of $22,698 are available for general expenditure without donor or other restrictions limiting their use for the year ended August 31, 2022. If funds to cover the cost of current liabilities are backed out, there would be a deficit of $10,024. In the case of a deficit, the Organization's board members and executive director have historically demonstrated a willingness to support the Organization through financing or additional contributions when needed.

Note 3 – Property and Equipment

The principal categories of property and equipment may be summarized as follows:

Land	$	350,000
Building and building improvements		370,095
Machinery and equipment		26,199
Vehicles		29,000
Construction-in-progress		206,452
Total cost		981,746
Less accumulated depreciation		(73,007)
Undepreciated cost	$	908,739

Depreciation expense for the year ended August 31, 2022 amounted to $25,733.

Construction-in-progress represents assets that have been purchased and not yet placed into service. As such, there has been no depreciation taken on these assets. As of August 31, 2022, the Organization had approximately $8,100 in additional costs to complete the construction-in-progress.

Continued

Note 4 – Deferred Rent

The Organization entered into a lease agreement with a third-party organization effective December 2018 for office space. In lieu of monthly payments, the third-party organization provided building improvements with a value of $35,000 prior to the lease effective date. The lease expires in March 2024. The fair value of building improvements provided approximates the fair value of rent to be received over the lease term. The remaining future rent to be received in exchange for the building improvements provided is $10,391 as of August 31, 2022.

Note 5 – Long-Term Debt

Mortgage payable to bank in monthly installments of $3,433, including interest at 5.70%, due June 2027, secured by specific property	$	485,311
Note payable to Small Business Administration in monthly installments of $205 starting January 2023, including interest at 2.75%, due June 2050, secured by substantially all assets		48,000
Unamortized debt issuance costs		(5,199)
Total		528,112
Less current portion of long-term debt		(14,122)
Total debt reflected as long-term	$	513,990

The Organization incurred debt issuance costs, which are being presented as a deduction to the corresponding debt and are being amortized over the life of the debt as a component of interest expense. Interest expense associated with the debt issuance costs for the year ended August 31, 2022 totaled $179.

The amount of long-term debt coming due during the five years ending August 31, 2027 and thereafter are as follows:

2023	$	14,122
2024		15,779
2025		16,670
2026		17,611
2027		425,863
Thereafter		38,067
Total	$	528,112

Continued

Note 6 – Related Party Transactions

The Organization has a note payable to the executive director in the amount of $40,000. The note did not state any payment terms, but is considered payable on demand. The note does not carry any interest rate and no payments have been made as of August 31, 2022.

The Organization has a note payable to an organization, in which a member of CARES of Farmington Hills, Inc.'s Board of Directors as well as CARES of Farmington Hills, Inc.'s executive director sits on the Board of this organization. The amount of the note is $30,000 and did not state any payment terms, but is considered payable on demand. The note does not carry any interest and no payments have been made as of August 31, 2022.

The Organization uses an outside firm to perform bookkeeping responsibilities. This firm is owned by a Board member. The amount of expenses incurred for these bookkeeping responsibilities during the year ended August 31, 2022 is $8,080.

Note 7 – Contributions of Nonfinancial Assets

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased.

For the year ended August 31, 2022, contributed nonfinancial assets recognized within the statement of activities and changes in net assets includes $20,000 for a contributed vehicle. Contributed vehicles are valued and are reported at the estimated fair value in the financial statements based on the current sale price of the donation. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Note 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of August 31, 2022 amounted to $132,744 and are to support the reorganization of the food pantry.

Net assets were released from donor restrictions during 2022 by incurring expenses in the amount of $7,256 satisfying the purpose restriction.