

**SOS Community Services  
Financial Statements  
March 31, 2023 and 2022**

**SOS Community Services**  
**Table of Contents**  
**March 31, 2023 and 2022**

---

Financial Statements

Independent Auditor's Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4-5
Statement of Functional Expenses.....	6-7
Statement of Cash Flows.....	8
Notes to the Financial Statements.....	9-21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
SOS Community Services  
Ypsilanti, Michigan

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of SOS Community Services (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SOS Community Services as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The financial statements of SOS Community Services for the year ended March 31, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on September 20, 2022.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SOS Community Services 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 opinions.

***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 SOS Community Services' 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 and *Government 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 and *Government 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 SOS Community Services' 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 SOS Community Services' 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of SOS Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SOS Community Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SOS Community Services' internal control over financial reporting and compliance.



Cole, Newton & Duran CPAs  
Livonia, Michigan  
October 23, 2023

**SOS Community Services**  
**Statement of Financial Position**  
**March 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,531,596	\$ 2,655,154
Investments	1,529,797	1,483,018
Grants and other receivables	467,107	266,246
Prepaid expenses and other current assets	26,088	15,653
Total current assets	4,554,588	4,420,071
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net	221,476	246,347
Beneficial interest in assets held by community foundation	83,230	32,497
Total property and equipment	304,706	278,844
<b>OTHER ASSETS</b>		
Operating lease right-of-use assets	136,704	-
Total other assets	136,704	-
<b>TOTAL ASSETS</b>	<b>\$ 4,995,998</b>	<b>\$ 4,698,915</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 135,643	\$ 73,082
Accrued expenses	204,356	101,145
Operating lease liability, current portion	37,179	-
Deferred revenue	24,011	24,087
Refundable advance	136,908	861,466
Total current liabilities	538,097	1,059,780
<b>OTHER LIABILITIES</b>		
Operating lease liability, long-term portion	99,525	-
Total other liabilities	99,525	-
Total liabilities	637,622	1,059,780
<b>NET ASSETS</b>		
Without donor restrictions		
Net investment in capital assets	221,476	246,347
Board designated	1,647,914	1,385,502
Unrestricted	2,321,110	1,945,923
Total net assets without donor restrictions	4,190,500	3,577,772
With donor restrictions		
Purpose restrictions	167,876	61,363
Total net assets	4,358,376	3,639,135
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,995,998</b>	<b>\$ 4,698,915</b>

See Notes to the Financial Statements

**SOS Community Services**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended March 31, 2023**

---

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,785,168	\$ 105,303	\$ 1,890,471
Federal and state grants and contracts	8,141,539	-	8,141,539
In-kind contributions	106,530	-	106,530
Net investment gain (loss)	(45,440)	2,573	(42,867)
Other revenue	76	-	76
Net assets released from restrictions	1,363	(1,363)	-
Total revenue, support and gains (losses)	9,989,236	106,513	10,095,749
<b>FUNCTIONAL EXPENSES</b>			
Program services	8,744,947	-	8,744,947
Management and administrative	332,825	-	332,825
Fundraising	298,736	-	298,736
Total functional expenses	9,376,508	-	9,376,508
<b>INCREASE (DECREASE) IN NET ASSETS</b>	612,728	106,513	719,241
<b>NET ASSETS AT BEGINNING OF YEAR</b>	3,577,772	61,363	3,639,135
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,190,500</u>	<u>\$ 167,876</u>	<u>\$ 4,358,376</u>

See Notes to the Financial Statements

**SOS Community Services**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended March 31, 2022**

---

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,511,962	\$ 62,500	\$ 1,574,462
Federal and state grants and contracts	10,520,607	-	10,520,607
In-kind contributions	89,411	-	89,411
Net investment gain (loss)	(16,621)	-	(16,621)
Other revenue	4,523	-	4,523
Net assets released from restrictions	8,850	(8,850)	-
Total revenue, support and gains (losses)	12,118,732	53,650	12,172,382
<b>FUNCTIONAL EXPENSES</b>			
Program services	10,911,643	-	10,911,643
Management and administrative	328,088	-	328,088
Fundraising	262,372	-	262,372
Total functional expenses	11,502,103	-	11,502,103
<b>INCREASE (DECREASE) IN NET ASSETS</b>	616,629	53,650	670,279
<b>NET ASSETS AT BEGINNING OF YEAR</b>	2,961,143	7,713	2,968,856
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,577,772</u>	<u>\$ 61,363</u>	<u>\$ 3,639,135</u>

See Notes to the Financial Statements

**SOS Community Services  
Statement of Functional Expenses  
For the Year Ended March 31, 2023**

	<u>Program Services</u>				<u>Support Services</u>			<u>Total Expenses</u>
	<u>Children's Services</u>	<u>Housing Services</u>	<u>Resource Center</u>	<u>Subrecipient Housing Services</u>	<u>Total Program Services</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	
Personnel	\$ 353,612	\$ 726,978	\$ 239,379	\$ -	\$ 1,319,969	\$ 281,604	\$ 195,807	\$ 1,797,380
Communications	9,798	16,876	10,740	-	37,414	12,117	38,456	87,987
Donated supplies	13,599	12,501	62,881	-	88,981	15	20	89,016
Donated volunteer services	-	17,214	-	-	17,214	-	-	17,214
Insurance	533	666	974	-	2,173	2,985	167	5,325
Miscellaneous	23,316	20,024	4,869	-	48,209	4,623	13,756	66,588
Occupancy	34,647	105,318	18,148	-	158,113	6,367	4,661	169,141
Consultants and contractors	17,966	6,610	365	-	24,941	18,818	15,131	58,890
Specific assistance	2,699	558,796	5,642,687	-	6,204,182	-	-	6,204,182
Subrecipient pass through	-	-	-	771,116	771,116	-	-	771,116
Supplies and equipment	22,326	32,053	18,256	-	72,635	6,296	30,738	109,669
Total functional expenses	<u>\$ 478,496</u>	<u>\$ 1,497,036</u>	<u>\$ 5,998,299</u>	<u>\$ 771,116</u>	<u>\$ 8,744,947</u>	<u>\$ 332,825</u>	<u>\$ 298,736</u>	<u>\$ 9,376,508</u>

See Notes to the Financial Statements



**SOS Community Services  
Statement of Functional Expenses  
For the Year Ended March 31, 2022**

	<u>Program Services</u>				<u>Support Services</u>			<u>Total Expenses</u>
	<u>Children's Services</u>	<u>Housing Services</u>	<u>Resource Center</u>	<u>Subrecipient Housing Services</u>	<u>Total Program Services</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	
Personnel	\$ 233,232	\$ 581,153	\$ 212,869	\$ -	\$ 1,027,254	\$ 267,824	\$ 188,474	\$ 1,483,552
Communications	6,766	13,366	14,700	-	34,832	8,100	32,008	74,940
Donated supplies	16,161	17,453	38,087	-	71,701	17	89	71,807
Donated volunteer services	-	17,004	-	-	17,004	-	-	17,004
Insurance	397	880	739	-	2,016	3,004	511	5,531
Miscellaneous	18,531	23,962	5,672	-	48,165	7,211	10,536	65,912
Occupancy	11,542	73,556	21,785	-	106,883	7,613	6,293	120,789
Consultants and contractors	4,415	10,079	5,210	-	19,704	18,782	5,332	43,818
Specific assistance	6,911	506,194	8,399,806	-	8,912,911	-	-	8,912,911
Subrecipient pass through	-	-	-	611,501	611,501	-	-	611,501
Supplies and equipment	13,405	24,627	21,640	-	59,672	14,917	19,129	93,718
Bad debt	-	-	-	-	-	620	-	620
Total functional expenses	<u>\$ 311,360</u>	<u>\$ 1,268,274</u>	<u>\$ 8,720,508</u>	<u>\$ 611,501</u>	<u>\$ 10,911,643</u>	<u>\$ 328,088</u>	<u>\$ 262,372</u>	<u>\$ 11,502,103</u>

See Notes to the Financial Statements

**SOS Community Services**  
**Statement of Cash Flows**  
**For the Years Ended March 31, 2023 and 2022**

---

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 719,241	\$ 670,279
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Bad debt	-	(620)
Depreciation	24,871	22,328
Unrealized gains (losses) on investments	104,767	62,295
Realized gains (losses) on investments	(11,515)	(28,456)
Donated securities	(102,967)	(107,603)
Change in value of beneficial interest in assets held by others	(50,733)	(2,988)
(Increase) decrease in assets:		
Grants and other receivables	(200,861)	36,384
Prepaid expenses	(10,435)	(595)
Increase (decrease) in liabilities		
Accounts payable	62,561	(82,217)
Accrued expenses	103,211	(2,803)
Refundable advance	(724,634)	842,652
Net cash (used in) provided by operating activities	(86,494)	1,408,656
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(53,245)
Purchase of investments	(317,970)	(1,037,164)
Proceeds from sale of investments	280,906	424,962
Net cash (used in) provided investing activities	(37,064)	(665,447)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(123,558)	743,209
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,655,154	1,911,945
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 2,531,596	2,655,154
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See Notes to the Financial Statements

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 1 – Nature of Activities**

SOS Community Services (the Organization) is a Michigan non-profit organization established to provide cost-free services to families facing housing instability in Washtenaw County. SOS empowers families to stay housed by providing housing services, a resource center, and children's services. Housing services include an emergency family shelter, public housing family support, and rapid rehousing. Families are provided employment support, case management, rental subsidies, assistance to help retain their housing choice vouchers, and referrals to community resources. The SOS Resource Center offers a host of services to those facing difficulty in meeting their basic needs. Resource Center services include a food pantry and walk-in services, which include transportation assistance, referrals to community resources, MI Bridges navigation, and financial assistance with utilities arrearages and shut-offs. Children's services include a summer enrichment program and an in-home parenting education and support program.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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 certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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 those resources be maintained in perpetuity.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

Fair Value of Financial Instruments

FASB guidance on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, receivables, prepaids, accounts payable, and accrued liabilities, approximate fair value due to the short-term maturity of these instruments.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. As of March 31, 2023 and 2022, the Organization had deposits of cash and cash equivalents in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. Uninsured balances as of March 31, 2023 and 2022 were \$9,743 and \$859,808, respectively. The Organization has not experienced any losses with respect to uninsured cash balances.

Accounts Receivable

The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary as of March 31, 2023 and 2022.

It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

Funds held in brokerage accounts are not covered by the FDIC but are covered by the Securities Investor Protection Corporation (SIPC), which insures certain claims up to \$500,000, including a \$250,000 limit for cash. Uninsured balances in brokerage accounts at the years ended March 31, 2023 and 2022, were \$1,529,797 and \$1,483,018, respectively. The Organization has not experienced any losses with respect to uninsured deposits.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

Gifts of land, buildings, equipment, and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time 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.

Board Designated and Donor Restricted Beneficial Interest in Assets Held by Others

The Organization has previously established and periodically makes contributions to an endowment held and managed by the Ann Arbor Area Community Foundation (AAACF). Investment earnings are designated for general operations of the Organization or future board designations. The Organization received disbursements of \$0 during the years ended March 31, 2023 and 2022. The Foundation has variance power of these funds, and any disbursements or management fees cannot exceed the endowment corpus.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Goods

The Organization records the value of donated goods such as food, household goods, personal care items, children's items, special event auction items, and gift cards as contributions using estimated fair values at the date of receipt. The estimated fair value has been recorded in the accompanying financial statements within In-kind contributions on the statement of activities and changes in net assets, with a like amount included as donated supplies within the statement of functional expenses. The Organization recognized donated supplies of \$89,016 and \$71,807 for the years ended March 31, 2023 and 2022, respectively. It is the Organization's policy to only accept in-kind donations that they are able to use within their programs or special events. Items received for the annual auction (special event) are sold with the sale price recorded as the estimated fair value.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. The Organization recognized donated services of \$17,514 and \$17,604 for the years ended March 31, 2023 and 2022, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, which is allocated on a square footage basis. Personnel expenses are allocated on the basis of estimates of time and effort. Supplies and equipment expenses are allocated based on usage. Communications are allocated based on the ratio of each function's number of telephones compared to total telephones. Costs that benefit all functions are allocated based on the ratio of each function's full-time employees to total full-time employees. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

Advertising

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended March 31, 2023 and 2022 was \$3,737 and \$2,590, respectively.

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a). The Organization files information returns in the U.S. Federal and Michigan jurisdiction. The Organization is no longer subject to U.S. Federal tax examinations for years before 2019. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded there are no uncertain positions.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the date the financial statements were available to be issued.

New Accounting Pronouncement – Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt these ASUs effective April 1, 2022 and utilized all of the available practical expedients. The adoption did not have a material impact on the Organization's statement of financial position or statement of activities and changes in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Organization to restate amounts as of April 1, 2022, resulting in an increase in operating lease ROU assets of approximately \$6,000, and an increase in operating lease liabilities of approximately \$6,000.

New Accounting Pronouncement – Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind. Contributed nonfinancial assets will be reported by category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 3 – 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 at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,531,596	\$ 2,655,154
Investments	1,529,797	1,483,018
Grants and other receivables	467,107	266,246
Beneficial interest in assets held by community foundation	<u>83,230</u>	<u>32,497</u>
Total financial assets – end of year	4,611,730	4,436,915

Less: Financial assets unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions

Restricted by donor with time or purpose restrictions	(167,876)	(61,363)
Refundable advances	(136,908)	(861,466)

Board Designations:

Property renovation and purchase	(200,000)	(200,000)
Beneficial interest in assets held by community foundation	(83,230)	(32,497)
Quasi-endowment fund, primarily for long-term investing	(500,000)	(500,000)
Amounts set aside for liquidity reserve	<u>(917,257)</u>	<u>(653,005)</u>

	<u>(2,005,271)</u>	<u>(2,308,331)</u>
--	--------------------	--------------------

Financial assets available to meet cash needs for general expenditures within one year

	<u>\$ 2,606,459</u>	<u>\$ 2,128,584</u>
--	---------------------	---------------------

**Note 4 – Investments**

Fair value of marketable debt and equity securities consist of the following at March 31:

	<u>2023</u>	<u>2022</u>
Available for sale		
Cash and cash equivalents	\$ 98,153	\$ 64,483
Fixed income bond funds	545,997	552,065
Equity funds	<u>885,647</u>	<u>866,470</u>
Total available for sale	<u>\$ 1,529,797</u>	<u>\$ 1,483,018</u>

Investment income (loss) is composed of the following at March 31:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 59,459	\$ 25,011
Realized gain	11,515	28,456
Unrealized gain (loss)	(104,767)	(62,295)
Less: investment fees	<u>(9,074)</u>	<u>(7,793)</u>
	<u>\$ (42,867)</u>	<u>\$ (16,621)</u>

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 4 – Investments (continued)**

Credit Risk

Funds held in brokerage accounts are not covered by the FDIC, however, cash and money market funds may be covered if the funds are held by a bank. Certain funds held in brokerage accounts may be covered by the Securities Investor Protection Corporation (SIPC), which insures certain claims up to \$500,000, including a \$250,000 limit for cash. SIPC insurance does not cover losses due to market decline. The Organization's uninsured investment balances at March 31, 2023 and 2022 was \$1,431,644 and \$1,418,535, respectively.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

**Note 5 – Conditional Promises to Give**

During the fiscal year, the Organization received conditional promises to give related to local, state, and federal grants. Payment of the grants is contingent upon spending the funds for the designated, allowable purpose and various compliance requirements in accordance with 2 CFR 200. The conditional contributions consisted of the following as of March 31, 2023:

Condition/Grant Purpose	Total Contract/ Grant Amount	Spent to Date	Conditional Contribution
SOS RRH for Families	\$ 2,286,006	\$ 764,225	\$ 1,521,781
COVID Emergency Rental Assistance Grant	6,700,000	6,051,764	648,236
Substance Use Home Visiting Program	231,200	57,574	173,626
Emergency Solutions Grant	123,485	4,135	119,350
Family Resource Centers	110,000	45,381	64,619
Emergency Food and Shelter National Board Program	81,701	29,348	52,353
Children's Trust Fund	100,000	49,880	50,120
EITC Minority Health	69,800	28,194	41,606
Temporary Assistance for Needy Families (TANF)	61,291	31,762	29,529
Community Development Block Grant	72,000	47,241	24,759
State School Aid Act, Section 32p	36,400	23,112	13,288
	<u>\$ 9,871,883</u>	<u>\$ 7,132,616</u>	<u>\$ 2,739,267</u>



**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 6 – Property and Equipment**

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 50,925	\$ 50,925
Building	568,147	568,147
Furniture and equipment	33,699	33,699
Vehicles	<u>39,999</u>	<u>39,999</u>
	692,770	692,770
Accumulated depreciation	<u>(471,294)</u>	<u>(446,423)</u>
Property and equipment, net	<u>\$ 221,476</u>	<u>\$ 246,347</u>

Depreciation expense was \$24,871 and \$22,328 for the years ended March 31, 2023 and 2022, respectively.

**Note 7 – Board Designated Net Assets**

The Board of Directors of the Organization has voluntarily designated net assets for the following purposes as of March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Property renovation and purchase	\$ 200,000	\$ 200,000
Operating reserve	917,257	653,005
Investments	500,000	500,000
Beneficial interest in assets held by community foundation – board designated portion	<u>30,657</u>	<u>32,497</u>
Total board designated net assets	<u>\$ 1,647,914</u>	<u>\$ 1,385,502</u>

**Note 8 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at March 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Child Services YPN	\$ 90,000	\$ 60,000
HUD Match	25,000	-
Back to School Needs	302	1,363
Beneficial interest in assets held by community foundation – donor restricted portion	<u>52,574</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 167,876</u>	<u>\$ 61,363</u>

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 9 – Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended March 31, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions:		
Kiwanis (PAT Program – Washtenaw)	\$ -	\$ 3,663
Sponsor a Family	-	4,050
Back to School Needs	1,363	1,137
Total net assets released from donor restrictions	\$ 1,363	\$ 8,850

**Note 10 – Board Designated and Donor Restricted Beneficial Interests in Assets Held by Community Foundation**

The Board has designated an endowment fund which is held at the AAACF. These balances are net assets without donor restrictions set aside based on the approval of the Board of Directors. Investment earnings are designated for general operations of the Organization or future board designations.

The Organization received funds from a donor who restricted the funds for use as an endowment. The Organization has opened a new endowment fund which is held at the AAACF. These balances are net assets with donor restrictions with only periodic distributions. The distributions are able to be used for general operations. Investment earnings are to be maintained as donor restricted net assets.

Changes in endowment net assets for the year ended March 31, 2023 and 2022 are as follows:

	Board Designated	2023 Donor Restricted	Total
Beginning of year	\$ 32,497	\$ -	\$ 32,497
Additions	-	50,000	50,000
Investment income (loss)	(1,840)	2,573	733
End of year	\$ 30,657	\$ 52,573	\$ 83,230

	Board Designated	2022 Donor Restricted	Total
Beginning of year	\$ 29,509	\$ -	\$ 29,509
Investment income (loss)	2,988	-	2,988
End of year	\$ 32,497	\$ -	\$ 32,497

Return Objectives and Risk Parameters

The Organization has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for current projects of the Organization.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 10 – Board Designated and Donor Restricted Beneficial Interests in Assets Held by Community Foundation (continued)**

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization’s return objective is to optimize the total real rate of return (adjusted for inflation) as measured over a three to five year market period against appropriately weighted market indices. The asset mix of the endowment fund is to range approximately within the following limits: fixed income instruments and equity instruments not to exceed total investment balances by 35 percent to 55 percent and 40 percent to 60 percent, respectively.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization’s finance committee will review annually and recommend a spending percentage based on the goals of the fund.

**Note 11 – Donor Designated Beneficial Interest in Assets Held by Community Foundation**

Certain funds donated by outside donors for the benefit of the Organization are held and managed by the AAACF. Such contributions are subject to variance power maintained by AAACF. The fair market value of these funds are \$250,238 and \$264,844 at March 31, 2023 and 2022, respectively. Earnings are available for distribution to the Organization for operations at the discretion of AAACF; therefore, interest and principal balances are not reflected in the financial statements.

**Note 12 – Revenue from Contracts with Customers**

The following summarizes revenue by type for the year ended March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 174,973	\$ 195,599
Contribution revenue	1,890,471	1,574,462
In-kind contributions	106,530	89,411
Federal and state grants and contracts	7,966,642	10,329,531
Net investment income (loss)	<u>(42,867)</u>	<u>(16,621)</u>
Total revenue	<u>\$ 10,095,749</u>	<u>\$ 12,172,382</u>

The following summarizes bad debt expense for the year ended March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Total bad debt expense	<u>\$ -</u>	<u>\$ 620</u>

The revenue from contracts with customers for the year ended March 31, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Revenue earned over time	<u>\$ 174,973</u>	<u>\$ 195,599</u>

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 12 – Revenue from Contracts with Customers (continued)**

Revenue earned over time consists of subcontractor agreements on various grant activities providing items such as housing or other resources to families in need. The overall state, federal, and private funding of the respective program initiatives impacts the Organization’s number of engagements and ability to receive payment. The contract or engagement period is typically one year with amendments extending the contract if deemed necessary, and the performance obligation is typically satisfied over the period of time of the contract. The receivable is due monthly on receipt of the month’s invoice. The transaction price is allocated to the performance obligation based on the employee effort or hourly rate as approved in the contract budget. Contract revenue is recognized monthly based on the effort allocation applied towards the project.

The following summarizes contract assets and contract liabilities as of:

	March 31, 2023	March 31, 2022	March 31, 2021
Accounts receivable	\$ 13,954	\$ 49,364	\$ 7,316
Total contract assets	<u>\$ 13,954</u>	<u>\$ 49,364</u>	<u>\$ 7,316</u>
Deferred revenue	\$ 24,011	\$ 24,087	\$ 25,610
Total contract liabilities	<u>\$ 24,011</u>	<u>\$ 24,087</u>	<u>\$ 25,610</u>

There were no changes in judgments related to revenue recognition for the years ended March 31, 2023 and 2022.

The Organization uses the practical expedient to record revenue as if there is no significant financing component when the receivable is due within one year.

**Note 13 – Fair Value Measurements**

The following tables represent information about the Organization’s assets and liabilities measured at fair value on a recurring basis at March 31, 2023 and 2022, and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 13 – Fair Value Measurements (continued)**

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of March 31, 2023 and 2022, respectively:

	Balance at March 31, 2023	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 98,153	\$ 98,153	\$ -	\$ -
Fixed income bond funds	545,997	545,997	-	-
Equity funds	885,647	885,647	-	-
Pooled funds	83,230	-	-	83,230
Total assets at fair value	<u>\$ 1,613,027</u>	<u>\$ 1,529,797</u>	<u>\$ -</u>	<u>\$ 83,230</u>

  

	Balance at March 31, 2022	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 64,483	\$ 64,483	\$ -	\$ -
Fixed income bond funds	552,065	552,065	-	-
Equity funds	866,470	866,470	-	-
Pooled funds	32,497	-	-	32,497
Total assets at fair value	<u>\$ 1,515,515</u>	<u>\$ 1,483,018</u>	<u>\$ -</u>	<u>\$ 32,497</u>

The Organization measures the beneficial interest funds held at the AAACF and promises to give at fair value on a recurring basis. The fair value of the beneficial interest and promises to give were determined primarily based on Level 3 inputs. The Organization estimates the fair value of the investments based upon the Organization's relative share of assets held and reported by the AAACF, unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

**Note 14 – Retirement Plan**

Employees of the Organization may participate in a 403(b) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length of service requirements. The Organization contributes a matching percentage of an eligible employee's salary. Employer contributions to the plan were \$22,432 and \$27,068 for the years ended March 31, 2023 and 2022, respectively.

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 15 – Operating Lease**

The Organization has operating and financing leases of office space. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Short term leases resulted in an expense of \$45,693 and \$25,738 for the years ended March 31, 2023 and 2022, respectively.

The following summarizes the line items in the statement of financial position which include amounts for operating and financing leases as of March 31:

	2023	2022
<u>Operating leases:</u>		
Operating lease right of use asset	\$ 136,704	\$ -
Operating lease liability, current portion	\$ 37,179	\$ -
Operating lease liability, long-term portion	99,525	-
Total operating lease liabilities	\$ 136,704	\$ -

The following summarizes the weighted average remaining lease term and discount rate as of March 31:

	2023	2022
Weighted average remaining lease term	4.13 years	N/A
Weighted average discount rate	3.03%	N/A

The maturities of lease liabilities as of the year ended March 31, 2023 were as follows:

Year Ending March 31:		
	2024	\$ 40,788
	2025	34,818
	2026	28,848
	2027	28,848
	2028	12,050
Total lease liability payments		145,352
Less: Interest		(8,648)
Present value of lease liabilities		\$ 136,704

**SOS Community Services**  
**Notes to the Financial Statements**  
**March 31, 2023 and 2022**

---

**Note 15 – Operating Lease (continued)**

The following summarizes the line items in the statements of activities which include the components of operating lease expense for the year ended March 31:

	2023	2022
Expense included in program services expenses	\$ 74,070	\$ 37,231
Expense included in management and administrative expenses	267	233
Expense included in fundraising expenses	154	275
	\$ 74,491	\$ 37,738

The following summarizes cash flow information related to leases for the year ended March 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 74,491	\$ 37,738
Lease assets obtained in exchange for operating lease obligations	\$ 156,939	N/A

Subsequent to March 31, 2023, the Organization has executed additional operating leases that have not yet commenced of approximately \$81,000. These operating leases will commence during fiscal year ending March 31, 2024 with lease terms of 1 to 5 years.

**Note 16 – Concentration**

The Organization received approximately 75% and 72% of its revenues directly and indirectly from the U.S. Department of Housing and Urban Development for the years ended March 31, 2023 and 2022, respectively. There were two temporary grant awards during 2022 and 2023 which are not expected to be provided in future years. The 2023 and 2022 concentrations are approximately 18% and 13% excluding those awards.