
YPSILANTI MEALS ON WHEELS

FINANCIAL STATEMENTS

For the year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ypsilanti Meals on Wheels
Ypsilanti, Michigan

Opinion

We have audited the accompanying financial statements of Ypsilanti Meals on Wheels (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements 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 Ypsilanti Meals on Wheels as of December 31, 2025, 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 Ypsilanti Meals on Wheels 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.

Emphasis of Matter

As discussed in Note N to the financial statements, beginning net assets were restated to reflect changes to accumulated depreciation amounts for leasehold improvements. 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 Ypsilanti Meals on Wheels' 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 Ypsilanti Meals on Wheels' 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 Ypsilanti Meals on Wheels' 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.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
August 25, 2026

YPSILANTI MEALS ON WHEELS
STATEMENT OF FINANCIAL POSITION
December 31,

	<u>2025</u>
ASSETS	
Cash and cash equivalents	\$ 579,599
Grants receivable	135,869
Investments	2,011,467
Prepaid expenses	41,830
Operating lease right-of-use asset, net	34,271
Property and equipment, net	253,347
Beneficial interest in assets held at Community Foundation	<u>38,916</u>
TOTAL ASSETS	<u><u>\$ 3,095,299</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 65,293
Accrued expenses	91,351
Operating lease liability	<u>31,354</u>
TOTAL LIABILITIES	<u>187,998</u>
NET ASSETS	
Without donor restrictions	
Undesignated	2,802,974
Designated for endowment	<u>38,916</u>
	2,841,890
With donor restrictions	<u>65,411</u>
TOTAL NET ASSETS	<u><u>2,907,301</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,095,299</u></u>

YPSILANTI MEALS ON WHEELS
STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total 2025
Support and Revenue			
Grants and contributions	\$ 1,429,458	\$ 713,443	\$ 2,142,901
In-kind contributions	84,299	-	84,299
Program service fees	10,606	-	10,606
Net investment return	202,551	-	202,551
Other support and revenue	3,916	-	3,916
Total support and revenue before releases	1,730,830	713,443	2,444,273
Net assets released from restrictions			
Satisfaction of restriction requirements	797,032	(797,032)	-
Total support and revenue	2,527,862	(83,589)	2,444,273
Expenses			
Program services	2,058,610	-	2,058,610
Supporting services			
Management and general	314,279	-	314,279
Fundraising	192,454	-	192,454
Total expenses	2,565,343	-	2,565,343
Change in net assets	(37,481)	(83,589)	(121,070)
Net assets (restated), beginning of year	2,879,371	149,000	3,028,371
Net assets, end of year	<u>\$ 2,841,890</u>	<u>\$ 65,411</u>	<u>\$ 2,907,301</u>

YPSILANTI MEALS ON WHEELS
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2025

		Supporting Services		Total
	Program Services	Management and General	Fundraising	2025
Payroll expenses				
Salaries and wages	\$ 878,250	\$ 107,554	\$ 117,676	\$ 1,103,480
Simple IRA contributions	18,374	2,227	2,411	23,012
Other employee benefits	53,407	15,766	7,007	76,180
Payroll taxes	72,713	8,905	9,742	91,360
	<u>1,022,744</u>	<u>134,452</u>	<u>136,836</u>	<u>1,294,032</u>
Other expenses				
Accounting fees	-	117,360	-	117,360
Fees for services - other	-	31,479	-	31,479
Advertising and promotion	27,031	-	18,021	45,052
Office expenses and supplies	37,462	5,409	5,199	48,070
Information technology	49,300	5,976	6,468	61,744
Occupancy	65,826	3,657	3,657	73,140
Travel	33,042	-	-	33,042
Depreciation and amortization	181,436	7,832	7,902	197,170
Insurance	45,673	1,767	1,883	49,323
Food and packaging	529,281	-	-	529,281
Pet food and supplies	11,308	-	-	11,308
Home repair services	29,375	-	-	29,375
All other	26,132	6,347	12,488	44,967
	<u>2,058,610</u>	<u>314,279</u>	<u>192,454</u>	<u>2,565,343</u>
Total expenses	<u>\$ 2,058,610</u>	<u>\$ 314,279</u>	<u>\$ 192,454</u>	<u>\$ 2,565,343</u>

YPSILANTI MEALS ON WHEELS
STATEMENT OF CASH FLOWS
For the year ended December 31,

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (121,070)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Operating lease right-of-use asset amortization	32,727
Depreciation and amortization	197,170
Realized and unrealized (gain) loss on investments	(104,426)
Change in beneficial interest in assets held at Community Foundation	(3,493)
Change in operating assets and liabilities	
Contributions receivable	19,216
Grants receivable	125,736
Prepaid expenses	(16,764)
Accounts payable	19,524
Accrued expenses	41,753
Deferred revenue	(131,064)
Operating lease liability	(32,727)
Net cash from operating activities	<u>26,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(146,067)
Proceeds from sales of investments	<u>250,000</u>
Net cash from investing activities	<u>103,933</u>
Net change in cash and cash equivalents	130,515
Cash and cash equivalents, beginning of year	<u>449,084</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 579,599</u></u>

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ypsilanti Meals on Wheels (the “Organization”), a Michigan not-for-profit organization founded in 1974, supports Ypsilanti and surrounding township’s homebound elderly, ill and disabled residents to help them live healthier, safer, and more independent lives. This is accomplished through the various programs provided by the Organization as follows:

Home-Delivered Meals – Through access to daily home-delivered meals, fresh produce, and access to the personal care pantry, the Organization moves closer to its vision: a community where every senior feels nourished, valued, and supported.

Safe at Home (Formally Cares on Wheels) – The Safe at Home program fulfills the Organization’s mission to help seniors live more safely at home. The program helps remove the obstacles that make aging in place difficult, and even dangerous, for homebound neighbors living in Ypsilanti and surrounding townships. The program also provides occupational or physical therapy to seniors participating in the program. The program simultaneously eases the burdens placed on family caregivers, leaving them more time to care for themselves, or to just enjoy their loved one without the duties that come with caregiving. Caregiver visits also provide relief from isolation.

Fur-Ever Friends Pet Program (Formally Pets Assisting the Lives of Seniors (“PALS”)) – For many homebound people, a pet is a treasured companion and an important tool against loneliness. To help clients care for their furry friends, the Organization offers free pet food delivery through this program as well as support for vet visits, pet grooming, medical care for pets and pet supplies.

The Organization receives the majority of its support and revenue from programs service fees, contributions, and contracts and grants from local governmental agencies.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenues are recognized when earned and expenses are recognized as they are incurred.

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.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash held temporarily in the investment portfolio is excluded from cash and cash equivalents.

Contributions Receivable

Unconditional promises to give are stated at the amount pledged by donors net of net present value discounts. The Organization provides an allowance for doubtful pledges, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent pledges receivable are written off based on the specific circumstances of the donor making the pledge. Management has determined that receivables related to contributions are fully collectible and has not recorded an allowance for doubtful pledges.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchases of property and equipment are carried at cost. All donated equipment is carried at estimated fair market value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. It is the Organization's policy to capitalize expenditures for property and equipment that have an original cost in excess of \$3,000. Repairs are not capitalized unless they both increase the value of the asset and extend the useful life.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Support and Revenue Recognition

Grants and Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

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. Conditional gifts received prior to the satisfaction of conditions are recorded as deferred revenue.

Grants are primarily from governmental sources and are considered conditional contributions. Conditions are considered satisfied as reimbursable costs are incurred or when a unit of service is provided for a performance grant.

In-Kind Contributions

Donated goods for use by the Organization to support their mission are recorded as contributions and as expenditures at their actual or estimated fair market values on the date of receipt. The Organization records the fair value of contributed services in the financial statements if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by persons possessing those skills and would need to be purchased if they were not donated.

Program Service Fees

Program service fees consist primarily of fees received from clients who receive home-delivered meals and other supplies and are able to pay for the goods or services provided. Performance obligations related to these fees are transferred to the customer at a point in time. Since the Organization does not expect payment on the goods or services provided, revenue for these fees is recognized when received.

Contract Balances

There are no contract balances at December 31, 2025.

Disaggregation of Revenue from Contracts with Customers

All earned revenue is recognized at a point in time.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and insurance, which are allocated on a square-footage basis, as well as salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Organization as other than a private foundation.

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 accounting estimates and assumptions that affect the reported amounts of assets, liabilities, and other amounts and disclosures included herein. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through August 25, 2026, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025, comprise the following:

	<u>2025</u>
Financial assets:	
Cash and cash equivalents	\$ 579,599
Grants receivable	135,869
Investments	2,011,467
Beneficial interest in assets held at Community Foundation	<u>38,916</u>
Total financial assets	<u>2,765,851</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(40,411)
Less board-designated endowment fund	<u>(38,916)</u>
Amount available for general expenditures within one year	<u><u>\$ 2,686,524</u></u>

The above table reflects board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the organization. The *Endowment* footnote provides more information about those funds and about the spending policies for those funds.

As part of its liquidity management plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It invests cash in excess of daily requirements in mutual funds, exchange traded funds, and certificates of deposit.

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Quoted prices in active markets for identical investment

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – Significant unobservable inputs. In these situations, the Organization develops inputs using the best information available in the circumstances.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The following is a description of the valuation methodologies used for investments measured at fair value:

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds are valued at the daily net asset value (NAV) reported by the fund and are considered readily determinable.

Certificates of Deposit: Certificates of deposit are valued at original cost plus accrued interest, which approximates fair value.

Beneficial Interest in Assets Held at Community Foundation: The value of units held by the Organization are calculated based on the NAV of the underlying investment. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the value of the underlying assets owned by the fund, less expenses, then divided by the number of shares outstanding. The unit prices will adjust based on market value fluctuations associated with the underlying investments and expenses of the fund. In accordance with Subtopic 820-10, certain investments that are measured at NAV per share (or its equivalent) are not required to be classified in the fair value hierarchy.

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

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis are as follows:

December 31, 2025	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds	\$ 651,852	\$ -	\$ -	\$ 651,852
Exchange traded funds	926,946	-	-	926,946
Money market mutual funds	331,300	-	-	331,300
	<u>\$ 1,910,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,910,098</u>
Non-brokered certificates of deposit				101,369
Beneficial interest in assets held at community foundation				38,916
				<u>\$ 2,050,383</u>

Beneficial Interest in Assets Held at Community Foundation

In 2002, the Organization transferred funds to the Ann Arbor Area Community Foundation (the “Community Foundation”) to establish a charitable agency endowment fund (the “Fund”) in the Community Foundation. This Fund was established to generate investment income for use by the Organization in perpetuity to support the Organization’s mission. The Organization’s Board of Directors designated \$10,000 of net assets without donor restrictions for this endowment at the time the fund was established. In connection with the established endowment fund, the Organization received a \$10,000 matching contribution from the Community Foundation.

The Organization has granted the Community Foundation variance power which gives the Community Foundation’s Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Community Foundation’s investment and spending policies. The Organization reports the fair value of the Fund as a “Beneficial interest in assets held at Community Foundation” in the statement of financial position. The Fund is not redeemable by the Organization. Changes in the value of the Fund are reported as gains or losses in the statement of activities without donor restrictions.

See *Endowment* footnote for a roll forward of the beneficial interest in the assets of the Ann Arbor Area Community Foundation.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2025
Delivery vans	\$ 280,005
Delivery equipment	8,291
Furniture and equipment	83,961
Leasehold improvements	467,157
	<u>839,414</u>
Less accumulated depreciation and amortization	<u>(586,067)</u>
Total property and equipment, net	<u>\$ 253,347</u>

NOTE E - OPERATING LEASE

The Organization leases approximately 3,100 square feet of space, including office, pantry, and storage areas, under an operating lease agreement. The lease provided for annual rent of \$35,000.

The weighted average remaining lease term on operating leases as of December 31, 2025 is 12 months. The weighted average discount rate on operating leases as of December 31, 2025 is 4.62%.

Amounts recognized in the financial statements for the operating lease are as follows:

	2025
Lease cost	\$ 35,000
Cash paid for amounts included in measurement of lease liability	\$ 35,000

Future minimum lease payments are as follows:

2026	\$	35,000
2027		-
2028		-
2029		-
2030		-
Thereafter		-
		<u>35,000</u>
Effect of discounting and prepayment		<u>(3,646)</u>
Lease liability recognized	\$	<u>31,354</u>

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2025
Subject to expenditure for specified purpose:	
Program activities:	
Home-Delivered Meals	\$ 15,000
Fur-Ever Friends Pet Program	9,107
Other Program Activities	16,304
	<u>40,411</u>
Subject to the passage of time:	
Time Restriction	25,000
	<u>25,000</u>
	<u><u>\$ 65,411</u></u>

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 as follows during the year ended December 31, 2025:

	2025
Expiration of time restrictions	\$ 123,897
Satisfaction of purpose restrictions	
Program activities:	
Home-Delivered Meals	535,765
Safe at Home	131,064
Fur-Ever Friends Pet Program	3,481
Other Program Activities	2,825
	<u>\$ 797,032</u>

NOTE G - CONTRIBUTED NONFINANCIAL ASSETS (IN-KIND CONTRIBUTIONS)

For the year ended December 31, 2025, contributed nonfinancial assets recognized within the statement of activities included:

	2025
Food and pantry items	\$ 44,299
Office space	40,000
	<u><u>\$ 84,299</u></u>

The Organization recognized contributed nonfinancial assets within revenue, including office space and food and pantry items. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed Food and Pantry Items

The Organization reported donated food and pantry items as contributions of nonfinancial assets based on an estimated number of pounds donated and the estimated wholesale value of one pound of donated product of \$1.90 per pound for the year ended December 31, 2025, based on the national level as disclosed in Feeding America's June 30, 2025 financial statements. Certain other foods and pantry items were reported at estimated fair value of the items donated. Contributed food and pantry items were utilized in the home-delivered meals program during 2025.

NOTE G - CONTRIBUTED NONFINANCIAL ASSETS (IN-KIND CONTRIBUTIONS) (CONTINUED)

Office Space

The Organization leases its office space under a below-market operating lease agreement. It recognizes contribution revenue for the difference between the fair rental value of the property and the stated lease payments. The donated value of leased office space is reported at estimated fair value of the leased space using an average price per square foot for commercial property in the local area of the leased property. The contributed office space is used primarily for program services, but also for management and general activities as well as fundraising activities.

Contributed Services

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, but do not meet the criteria for recognition in the financial statements. For the year ended December 31, 2025, volunteers contributed approximately 3,601 hours.

NOTE H - CONDITIONAL CONTRIBUTIONS

The Organization has received grants from governmental sources that are considered conditional contributions, as reimbursement contracts. The Organization receives grant funds once conditions are met as outlined in the Organization's grant reports. Some grants from governmental sources have grant terms that fall within two fiscal years. The amounts of conditional contributions whose conditions have not been met as of December 31, 2025 are \$285,445. These amounts will be recognized once the conditions are met either through incurring related costs or providing services.

NOTE I - BOARD DESIGNATED NET ASSETS

The Organization has designated funds for an endowment and placed them with the Ann Arbor Area Community Foundation.

NOTE J - RETIREMENT PLAN

The Organization sponsors a Simple IRA retirement plan covering qualified employees, as defined in the plan document. The Organization matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. During the year ended December 31, 2025, the Organization contributed \$23,012 in matching Simple IRA contributions.

NOTE K - COMMUNITY FOUNDATION

Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Ann Arbor Area Community Foundation (the "Community Foundation"). The Community Foundation maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Organization. The fair market value of these funds was approximately \$407,853 at December 31, 2025. These funds are not reflected in the financial statements. Earnings are available for distribution to the Organization at the discretion of the Community Foundation, and therefore, are not reflected as revenue in the financial statements until received by the Organization. Distributions of \$13,246 were received in 2025.

NOTE L - ENDOWMENT

The Organization's endowment consists of a fund established to support its mission. Its endowment includes funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment consists entirely of board-designated funds.

Change in Endowment Net Assets

The changes in endowment net assets for the year ended December 31, 2025 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 35,423	\$ -	\$ 35,423
Net investment return	4,743	-	4,743
Contributions	-	-	-
Amounts appropriated for expenditure	(1,250)	-	(1,250)
Other changes	-	-	-
Net assets, end of year	<u>\$ 38,916</u>	<u>\$ -</u>	<u>\$ 38,916</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are composed entirely of board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization has placed its endowment funds with the Ann Arbor Area Community Foundation (the "Community Foundation"). The funds are invested in accordance with the Community Foundation's investment policy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment funds are subject to the investment and distribution policies of the Community Foundation. The Organization determines annually whether it will accept the distribution designated by the Community Foundation from the fund or ask that it be reinvested for growth.

NOTE M - CONCENTRATIONS AND CREDIT RISK

Cash

The Organization's cash balances are held at a local bank located in Michigan. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash balances may exceed FDIC limits. The Organization manages the concentration of credit risk in its cash balances by placing funds in the ICS program offered by the local bank which places cash among a network of FDIC insured institutions. Management does not believe the Organization is exposed to any significant credit risk in the cash accounts.

Investments

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 statement of financial position.

NOTE N - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2025, the Organization discovered errors in how it was estimating the useful life of its leasehold improvements under a lease agreement that expires December 31, 2026. Management has addressed this by restating property and equipment, net and net assets as of December 31, 2024.

The following summarizes the impact of the restatement:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets (as previously reported) December 31, 2024	\$ 3,048,749	\$ 149,000	\$ 3,197,749
Prior period adjustment related to estimating useful life of leasehold improvements	(169,378)	-	(169,378)
Net asset (restated) December 31, 2024	<u>\$ 2,879,371</u>	<u>\$ 149,000</u>	<u>\$ 3,028,371</u>