

COMMUNITY UNLIMITED, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**Taylor, Plant &
Watkins, P.C.**
Certified Public Accountants
and Business Advisors

20 Tibbits Plaza • Coldwater, MI 49036 • (517) 279-7931

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Community Unlimited, Inc.
Union City, Michigan**

January 29, 2021

We have audited the accompanying financial statements of Community Unlimited, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Unlimited, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Taylor, Plant & Watkins, P.C.
TAYLOR, PLANT & WATKINS, P.C.
COLDWATER, MICHIGAN

COMMUNITY UNLIMITED, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020**

ASSETS

| | |
|---|-------------------|
| Cash | \$ 136,149 |
| Cash - restricted | 237,404 |
| Accounts receivable | 294 |
| Prepaid expenses | 5,741 |
| Equipment at cost, less accumulated depreciation of \$98,208 in 2020 | <u>18,634</u> |
| Total assets | <u>\$ 398,222</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|--|---------------|
| Accounts payable | \$ 7,455 |
| Accrued expenses | 59,899 |
| Small Business Administration note payable | <u>81,268</u> |
| Total liabilities | 148,622 |

NET ASSETS

| | |
|-------------------------------------|-------------------|
| Without donor restrictions | 12,196 |
| With donor restrictions | <u>237,404</u> |
| Total net assets | <u>249,600</u> |
| Total liabilities and net assets | <u>\$ 398,222</u> |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Grants | \$ - | \$1,647,933 | \$1,647,933 |
| Contributions | 3,740 | 14,902 | 18,642 |
| Youth activities | - | 12,521 | 12,521 |
| Interest income | 255 | - | 255 |
| Loan forgiveness Small Business Administration | 179,705 | - | 179,705 |
| Net assets released from restrictions | <u>1,585,109</u> | <u>(1,585,109)</u> | <u>-</u> |
| Total revenues and other support | 1,768,809 | 90,247 | 1,859,056 |
| EXPENSES | | | |
| Program services | | | |
| Child and Adult Care Food Program | 78,906 | - | 78,906 |
| Great Start Readiness Program | 1,656,790 | - | 1,656,790 |
| Other Youth Activities | <u>40,733</u> | <u>-</u> | <u>40,733</u> |
| Total expenses | <u>1,776,429</u> | <u>-</u> | <u>1,776,429</u> |
| INCREASE (DECREASE) IN NET ASSETS | (7,620) | 90,247 | 82,627 |
| NET ASSETS - BEGINNING OF YEAR | <u>19,816</u> | <u>147,157</u> | <u>166,973</u> |
| NET ASSETS - END OF YEAR | <u>\$ 12,196</u> | <u>\$ 237,404</u> | <u>\$ 249,600</u> |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>CACFP</u> | <u>GSRP</u> | <u>Other Youth Activities</u> | <u>Total</u> |
|-------------------------|------------------|--------------------|-----------------------------------|--------------------|
| Salaries | \$ 13,298 | \$1,164,197 | \$ 22,583 | \$1,200,078 |
| Payroll taxes | 2,168 | 99,862 | 1,954 | 103,984 |
| Employee benefits | - | 73,850 | 1,265 | 75,115 |
| Retirement | - | 34,071 | - | 34,071 |
| Youth activities | - | 36,443 | - | 36,443 |
| Supplies | - | - | 6,828 | 6,828 |
| Food | 63,440 | 35,679 | 3,025 | 102,144 |
| Transportation | - | 111,880 | 1,703 | 113,583 |
| Professional fees | - | 8,630 | 220 | 8,850 |
| Office | - | 5,939 | 897 | 6,836 |
| Repairs and maintenance | - | 6,047 | 149 | 6,196 |
| Insurance | - | 7,586 | 369 | 7,955 |
| Dues and subscriptions | - | 1,106 | 296 | 1,402 |
| Licenses and permits | - | 3,056 | - | 3,056 |
| Training | - | 13,388 | 987 | 14,375 |
| Depreciation | - | 23,369 | - | 23,369 |
| Utilities | - | 6,993 | 184 | 7,177 |
| Advertising | - | 246 | - | 246 |
| Rent | - | 23,780 | - | 23,780 |
| Miscellaneous | - | 668 | 273 | 941 |
| | <u>\$ 78,906</u> | <u>\$1,656,790</u> | <u>\$ 40,733</u> | <u>\$1,776,429</u> |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-----------------|
| Increase (decrease) in net assets | \$ 82,627 |
| Adjustments to reconcile the increase (decrease) in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 23,369 |
| Forgiveness of Small Business Administration loan | (179,705) |
| Decrease (increase) in: | |
| Accounts receivable | 16,083 |
| Increase (decrease) in: | |
| Accounts payable | (14,604) |
| Accrued expenses | <u>2,121</u> |
| Net cash provided (used) by operating activities | <u>(70,109)</u> |

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES

| | |
|---|--------------------------|
| Cash proceeds from short-term debt | <u>260,973</u> |
| NET INCREASE IN CASH | 190,864 |
| CASH AND RESTRICTED CASH - BEGINNING | <u>182,689</u> |
| CASH AND RESTRICTED CASH - ENDING | <u><u>\$ 373,553</u></u> |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Community Unlimited, Inc. is a nonprofit corporation established to promote and oversee programs for children and adolescents that integrate aspects of character development with school and community primarily for people in the Branch and Calhoun County, Michigan area. The Organization is supported primarily through grant contracts with the State of Michigan Department of Education. Revenues received from the Department of Education amounted to approximately 97% of the total revenue.

Basis of presentation – 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. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Basis of accounting – The financial statements have been prepared on the accrual basis.

Cash and cash equivalents – For purposes of the statement of cash flows, management considers all liquid investments with an original maturity date of three months or less to be cash equivalents.

Accounts receivable – The Organization has established policies for extending credit, however, due to Organizations’ favorable collection history, historical trends and other information, no allowance for doubtful accounts is deemed necessary. Bad debt expense for the year ended September 30, 2020 amounted to \$0.

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES - Continued

Land, buildings and equipment – All acquisitions of land, buildings and equipment and all expenditures for repairs, maintenance, or betterments that materially prolong the useful lives of assets are capitalized. Accounting principles generally accepted in the United States of America require that fixed assets be recorded at cost.

Donated services – No amounts have been reflected in the financial statements for donated services. The Organization did not have any donated services in the current year.

Income taxes – The Organization is public charity exempt from Federal income taxes under the Internal Revenue Service regulation 501 (c) (3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization has determined no unrelated business activity exists for the year ended September 30, 2020. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the year ended September 30, 2020 amounted to \$246.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Cost allocation – The costs of the Organizations programs and supporting services have been reported on the functional basis. The schedule of functional expenses requires allocation of certain costs among the various services based on estimates by management. The Organization allocates all cost to programs therefore no fundraising or general and administrative expenses are presented.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Community Unlimited, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events – The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE B – CASH

The Organization uses local financial institutions for cash purposes. The account maintained in the financial institutions is a checking account. The carrying amount of the Organization's cash at September 30, 2020 was \$373,553 and the bank balance was \$386,110. The differences between the balances are the result of deposits in transit and checks issued but not yet presented for payment. The amount of \$136,110 is considered uninsured at September 30, 2020.

NOTE C – LIQUITY AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of requirements in short-term investments. All of the Organizations current assets are available for general use within one year of the balance sheet.

NOTE D – EQUIPMENT

Depreciation included in the increase in net assets for the year ended September 30, 2020 amounted to \$23,369. Depreciation has been recorded on the straight line method.

| | |
|--------------------------------|-------------------------|
| Equipment | \$ 116,842 |
| Less, accumulated depreciation | <u>98,208</u> |
| Undepreciated cost | <u><u>\$ 18,634</u></u> |

A building was donated to the Organization, but at the dissolution of the Organization, the building reverts back to the original owner. Therefore, the Organization does not capitalize any significant repairs or improvements as they do not feel it adds future value to the Organization.

NOTE E – NOTE PAYABLE SMALL BUSINESS ADMINISTRATION

The Organization received a Payroll Protection Program (PPP) loan. After calculation of the amount used the Organization plans to return \$81,268 of the \$260,973 received which is reflected as a note payable. The amount of \$179,705 has been shown as forgiveness of debt during the year ended September 30, 2020

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE F – RENT

The Organization leases various facilities and classrooms for program services. These are classified as operating leases and are renewed on a year-to-year basis. The rent expense amounted to \$23,780 for the year ended September 30, 2020.

NOTE G – PROFIT SHARING PLAN

The Organization has established a qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. The Organization is currently contributing a match of all employee contributions up to 2% of wages limited to the amount deferred. Qualified employees also participate in a 2% profit sharing plan. Contributions included in the increase in net assets for the year ending September 30, 2020 amounted to \$34,071.