

REACH FOR RECOVERY, INC.

FINANCIAL STATEMENTS

For the years ended
September 30, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

April 16, 2024

To the Board of Directors and Management
Reach for Recovery, Inc.
Holland, Michigan

Opinion

We have audited the accompanying financial statements of Reach for Recovery, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expense, 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 Reach for Recovery, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Reach for Recovery, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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; 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 Reach for Recovery, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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, including omissions, 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 auditing standards generally accepted in the United States of America, 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 Reach for Recovery, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reach for Recovery, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters, that we identified during the audit.



Certified Public Accountants
Holland, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

REACH FOR RECOVERY, INC.
September 30, 2023 and 2022

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 378,435	\$ 345,641
Restricted cash - ARPA	132,778	-
Accounts receivable, program services, net of allowance for doubtful accounts of \$5,000 at September 30, 2022	327,399	415,135
Prepaid expenses	19,508	25,925
Total Current Assets	858,120	786,701
Other Assets		
Property and equipment, net	981,982	958,588
Beneficial interest in assets held by others Endowment	272,578	269,029
Total Other Assets	1,254,560	1,227,617
Total Assets	\$ 2,112,680	\$ 2,014,318

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 37,009	\$ 27,046
Accrued payroll and related expenses	122,732	119,782
Other current liabilities	2,563	2,000
Deferred revenue	132,778	-
Current portion of notes payable	17,500	16,150
Total Current Liabilities	312,582	164,978
Notes Payable, net of current portion	41,060	58,565
Total Liabilities	353,642	223,543
Net Assets		
Without donor restrictions	1,451,354	1,470,485
With donor restrictions		
Time restrictions	35,106	51,261
Endowment fund	272,578	269,029
Total Net Assets	1,759,038	1,790,775
Total Liabilities and Net Assets	\$ 2,112,680	\$ 2,014,318

STATEMENTS OF ACTIVITIES

REACH FOR RECOVERY, INC.

For the year ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Program services:			
Government funds	\$ 1,018,771	\$ -	\$ 1,018,771
Government funds, recovery coach	162,324	-	162,324
Commercial funds	742,359	-	742,359
Patient	605,822	-	605,822
Public support:			
Cash contributions	181,461	-	181,461
In-kind contributions	4,155	-	4,155
United Way	19,275	-	19,275
Interest and investment income	7,218	-	7,218
Change in beneficial interest in endowment	-	24,490	24,490
Grants and bequests	85,321	-	85,321
Rental income	26,205	-	26,205
Miscellaneous	30,756	-	30,756
Other COVID-19 related grants	62,597	-	62,597
Loss on sale of asset	(432)	-	(432)
Net assets released from restrictions	37,096	(37,096)	-
Total Revenue, Gains and Other Support	2,982,928	(12,606)	2,970,322
Expenses			
Program services	2,550,551	-	2,550,551
Management and general	416,107	-	416,107
Fundraising expenses	35,401	-	35,401
Total Expenses	3,002,059	-	3,002,059
Change in Net Assets	(19,131)	(12,606)	(31,737)
Net Assets - beginning of year	1,470,485	320,290	1,790,775
Net Assets - end of year	\$ 1,451,354	\$ 307,684	\$ 1,759,038

STATEMENTS OF ACTIVITIES (Continued)

REACH FOR RECOVERY, INC.
For the year ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Program services:			
Government funds	\$ 820,885	\$ -	\$ 820,885
Government funds, recovery coach	155,848	-	155,848
Commercial funds	709,901	-	709,901
Patient	577,651	-	577,651
Public support:			
Cash contributions	171,556	51,261	222,817
In-kind contributions	2,926	-	2,926
United Way	36,695	-	36,695
Interest and investment income (loss)	176	-	176
Change in beneficial interest in endowment	-	(43,207)	(43,207)
Grants and bequests	127,950	-	127,950
Rental income	30,010	-	30,010
Miscellaneous	8,447	-	8,447
Other COVID-19 related grants	217,873	-	217,873
Total Revenue, Gains and Other Support	2,859,918	8,054	2,867,972
Expenses			
Program services	2,427,145	-	2,427,145
Management and general	392,803	-	392,803
Fundraising expenses	44,265	-	44,265
Total Expenses	2,864,213	-	2,864,213
Change in Net Assets	(4,295)	8,054	3,759
Net Assets - beginning of year (restated)	1,474,780	312,236	1,787,016
Net Assets - end of year	\$ 1,470,485	\$ 320,290	\$ 1,790,775

STATEMENTS OF FUNCTIONAL EXPENSES

REACH FOR RECOVERY, INC.

For the year ended September 30, 2023

	Program Services	Management and General	Fundraising	Total
Wages	\$ 1,661,297	\$ 257,026	\$ 18,909	\$ 1,937,232
Payroll taxes	123,049	18,289	1,392	142,730
Employee benefits	183,139	27,994	2,130	213,263
Total Employee Costs	1,967,485	303,309	22,431	2,293,225
Advertising and promotion	-	-	12,772	12,772
Contractual and supplementary services	84,664	52,384	-	137,048
Facilities and insurance	154,511	22,843	-	177,354
Interest	-	5,289	-	5,289
Miscellaneous	-	-	-	-
Subscriptions and memberships	54,034	10,365	198	64,597
Supplies, materials, and repairs	154,574	5,702	-	160,276
Telephone	23,137	4,083	-	27,220
Travel and education	18,058	711	-	18,769
Vehicle expense	10,333	-	-	10,333
Total Expenses Before Depreciation and Amortization	2,466,796	404,686	35,401	2,906,883
Depreciation and amortization	83,755	11,421	-	95,176
Total Functional Expenses	\$ 2,550,551	\$ 416,107	\$ 35,401	\$ 3,002,059

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

REACH FOR RECOVERY, INC.

For the year ended September 30, 2022

	Program Services	Management and General	Fundraising	Total
Wages	\$ 1,501,404	\$ 229,740	\$ 17,486	\$ 1,748,630
Payroll taxes	106,974	16,371	1,246	124,591
Employee benefits	156,313	23,922	1,821	182,056
Total Employee Costs	1,764,691	270,033	20,553	2,055,277
Advertising and promotion	-	-	23,554	23,554
Contractual and supplementary services	188,427	59,801	-	248,228
Facilities and insurance	161,201	24,571	-	185,772
Interest	-	6,148	-	6,148
Miscellaneous	1,458	-	-	1,458
Subscriptions and memberships	45,577	10,322	144	56,043
Supplies, materials, and repairs	135,563	5,529	-	141,092
Telephone	20,826	3,675	-	24,501
Travel and education	10,540	820	14	11,374
Vehicle expense	11,569	-	-	11,569
Total Expenses Before Depreciation and Amortization	2,339,852	380,899	44,265	2,765,016
Depreciation and amortization	87,293	11,904	-	99,197
Total Functional Expenses	\$ 2,427,145	\$ 392,803	\$ 44,265	\$ 2,864,213

STATEMENTS OF CASH FLOWS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (31,737)	\$ 3,759
Noncash items included in change in net assets:		
Depreciation	77,340	79,379
Amortization	17,836	19,818
Revaluation of beneficial interest in endowment	(24,490)	43,207
Loss on sale of asset	432	-
Changes in operating assets and liabilities:		
Decrease (increase) in receivables and other assets	94,153	(47,493)
Increase (decrease) in payables and other liabilities	146,254	(36,651)
Net Cash Provided by Operating Activities	279,788	62,019
Cash Flows from Investing Activities		
Withdrawal from beneficial interest in assets held by others	20,939	-
Purchase of property and equipment	(119,000)	(46,055)
Net Cash Used for Investing Activities	(98,061)	(46,055)
Cash Flows from Financing Activities		
Repayments, long-term debt	(16,155)	(13,509)
Net Increase in Cash	165,572	2,455
Beginning Cash, Cash Equivalents, and Restricted Cash Balance	345,641	343,186
Ending Cash, Cash Equivalents, and Restricted Cash Balance	\$ 511,213	\$ 345,641
Supplemental disclosure of cash flow information		
Cash and cash equivalents	\$ 378,435	\$ 345,641
Cash restricted for ARPA	132,778	-
Total cash and cash equivalents and restricted cash	\$ 511,213	\$ 345,641
Cash paid during the year for interest	\$ 5,289	\$ 6,148

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note A – Nature of Business and Significant Accounting Policies

General

Reach for Recovery, Inc. is a non-profit organization in Holland, Michigan, governed by a local board of directors. The Organization has been helping individuals and their families overcome and recover from alcoholism, drug addiction and related problems for over 50 years. As a community supported organization, they provide a variety of treatment and educational services throughout West Michigan. Since the Organization's inception, they have helped over 60,000 individuals in their struggle with addiction.

Program services provided by the Organization include outpatient services, residential services, and community services.

Outpatient services include the following:

The Organization's professional counselors provide comprehensive outpatient services to a broad range of people affected either directly or indirectly by chemical dependency. Each person is provided with an extensive assessment to determine the appropriate type of treatment. Outpatient therapy includes individual and group therapy sessions, and at times, a combination of both. The privacy of individuals receiving treatment for substance abuse is protected by Federal Law and HIPPA Regulations.

Group Therapy – The Organization offers a wide variety of group therapy programs to assist individuals through the process of recovery.

Individual Therapy – This person-centered approach assists the individual with recovery when a group setting might not be beneficial or appropriate.

Intensive Outpatient Therapy (IOP) – Designed for more severely addicted individuals and meets for three hours per day, three days per week, for a six-week period. Program goals are to assist clients in developing an alcohol/drug free lifestyle, increase self-confidence and develop a supportive environment.

Medication Assisted Treatment (MAT) – Involves the combination of FDA approved medications and behavioral counseling for those diagnosed with Opioid Use Disorder and other chemical dependencies. With the help of medication, clients are more inclined to remain in treatment and increase their chances of survival due to the minimization of opioid withdrawal.

Community & Family Program – Family counseling services provide members with a better understanding of the recovery process. The Organization offers support and strategies that help family members while their loved ones begin and sustain their recovery.

Residential services include the following:

The Chester A. Ray Center – Full residential substance abuse treatment services for men.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note A – Nature of Business and Significant Accounting Policies (Continued)

General (Continued)

Harbor House – Full residential substance abuse treatment services for women.

Community services include the following:

The Organization's Community and Family Program offers a variety of presentations and customized training packages to meet the needs of companies, non-profits and churches within the community. These presentations provide training on issues related to addiction and recovery.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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. Actual results could vary from the estimates that were used.

Cash, Cash Equivalents, and Restricted Cash

The Organization's cash, cash equivalents, and restricted cash at September 30, 2023 and 2022 consists of deposit accounts and petty cash funds. For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Accounts Receivable

Trade accounts receivable are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's estimate of the amount of receivables that will actually be collected. The Organization will charge off an account when it is considered to be uncollectible. Substantially all of the accounts receivable are considered collectible by management. The allowance for doubtful accounts was \$0 and \$5,000 at September 30, 2023 and 2022 respectively.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note A – Nature of Business and Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Specific promises to give are written-off when management believes that collection is unlikely. There were no promises to give as of September 30, 2023 and 2022.

Fair Value Measurement

Fair value measurements of the underlying investments held by the foundation are based on quoted prices. The underlying foundation assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active market prices are available, however, the carrying value of this asset is equal to the allocated portion of the total fair value of the underlying investments held by the foundation.

Property and Equipment

Property and equipment are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in operations. The Organization capitalizes all fixed assets over \$1,000 and expenses maintenance and repair costs as incurred below that threshold. Depreciation is computed over the estimated useful lives of the assets primarily by the straight-line method.

Depreciation expense was \$77,340 and \$79,379 for the years ended September 30, 2023 and 2022, respectively. Amortization expense was \$17,836 and \$19,818 for the years ended September 30, 2023 and 2022, respectively.

Deferred Revenue

The Organization received ARPA money as a reimbursable grant in 2023. The proceeds from this grant are not considered earned until the Organization has incurred eligible expenses related to the ARPA grant. Deferred revenue was \$132,778 and \$0 for the years ended September 30, 2023 and 2022, respectively.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note A – Nature of Business and Significant Accounting Policies (Continued)

Net Assets (Continued)

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions. The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Revenues from programs are recognized as the service is provided.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note A – Nature of Business and Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed Equipment and Improvements

Contributed equipment and improvements are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, the contributions are recorded as net assets without donor restrictions.

Donated Services and Materials

The Organization recognized in-kind contributions that create or enhance nonfinancial assets or require specialized skills and would typically be purchased had they not been provided by donation. These contributions assist the programs and supportive services of the Organization and are recorded at their fair value as contributions and expenses in the consolidated statements of activities in the period the service is provided.

Numerous volunteers have donated significant amounts of time to the Organization's program services. No amounts have been reflected in the financial statements for these services because they did not meet the criteria for recognition ASC 958-605-20, nor is a value for these services readily determinable.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$12,772 and \$23,554 for the years ended September 30, 2023 and 2022, respectively.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising, management and general or the appropriate program, based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note A – Nature of Business and Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

Leases

The Organization has an operating lease for office space. The lease terms are not longer than twelve months and therefore, the Organization has elected not to disclose a right of use asset and a corresponding lease liability on the statement of financial position.

New Accounting Pronouncement

Effective October 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

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 September 30, 2023 and 2022 are:

	2023	2022
Financial Assets		
Cash	\$ 511,213	\$ 345,641
Accounts receivable	327,399	415,135
Beneficial interest in assets held by others	272,578	269,029
Total Financial Assets	1,111,190	1,029,805
Less financial assets held to meet donor-imposed restrictions:		
Time-restricted net assets	(35,106)	(51,261)
Perpetual in nature restricted net assets	(272,578)	(269,029)
Total available for general expenditure within one year	\$ 803,506	\$ 709,515

The above table reflects the Organization's financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general use because of donor-imposed or time restrictions within one year.

Note C – Substance Abuse Contracts

The Organization enters into contracts with Community Mental Health of Ottawa County, Kent County CMH Authority d/b/a Network 180, Allegan County Community Mental Health Services, HealthWest, and West Michigan Community Mental Health System, under the authority of Act 368 of 1978 to provide alcohol and drug counseling services. These contracts represent federal and state funding passed through the Michigan Department of Community Health Center for Substance Abuse Services. All contracts specify fees for services rendered to patients.

Note D – Accounts Receivable

The following is a summary of the beginning and ending balances of accounts receivable:

	2023	2022
October 1	\$ 415,135	\$ 368,041
September 30	327,399	415,135

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note E – Property and Equipment

The capitalized value of property and equipment, and related accumulated depreciation, at September 30, 2023 and 2022, are as follows:

	2023	2022
Land and improvements	\$ 331,378	\$ 331,378
Buildings and improvements	1,755,368	1,647,499
Furniture, fixtures and equipment	127,701	188,699
Computer software and office equipment	91,500	99,000
Vehicles	47,186	47,186
	<u>2,353,133</u>	<u>2,313,762</u>
Accumulated depreciation	1,333,497	1,335,356
Accumulated amortization	37,654	19,818
	<u>1,371,151</u>	<u>1,355,174</u>
Property and equipment, net	<u>\$ 981,982</u>	<u>\$ 958,588</u>

Note F – Beneficial Interest in Assets Held by Others

The following was recorded on the Organization's statements of financial position as of September 30, 2023 and 2022 and is being held at the Community Foundation of the Holland/Zeeland Area in the Founding Fund:

	2023	2022
Donor restricted endowment	\$ 272,578	\$ 269,029

The Foundation has legal ownership of these assets and has the right to redirect the return to another beneficiary without the approval of the donor, the Organization, or any other party if distributions to the Organization become unnecessary, impossible, or inconsistent with the needs of the community. All distributions of the available for use and future benefit assets must be requested by the Organization and approved by the Foundation's board of trustees. The Organization may only request the earnings from the endowed portion and may not withdraw any principal of the portion endowed in perpetuity.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note G – Fair Value of Assets

The Organization adopted the Financial Accounting Standards Board's (FASB) standard regarding Fair Value Measurements. The standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets.

Financial assets valued using level 3 inputs are based on pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. Valuation techniques utilized to determine fair values are consistently applied.

Following is a description of the valuation methods used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

Beneficial Interest in assts held by others: Fair value measurements of the underlying investments held by others are based on quoted prices. The underlying assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active market prices are available, however, the carrying value of this asset is equal to the allocated portion of the total fair values of the underlying investments held by others.

	Fair Value Measurements Using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Fair Value		
September 30, 2023			
Community Foundation of the Holland/Zeeland Area - Founding Fund	\$ 272,578	\$ -	\$ 272,578
September 30, 2022			
Community Foundation of the Holland/Zeeland Area - Founding Fund	\$ 269,029	\$ -	\$ 269,029

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note G – Fair Value of Assets (Continued)

Level 3 investments include pooled funds managed by the Community Foundation of the Holland/Zeeland Area on behalf of the Organization. The following is a summary of the activity of the level 3 investments as of September 30:

	<u>2023</u>	<u>2022</u>
Fair Value, October 1	\$ 269,029	\$ 312,236
Withdrawals	-	3,048
Ordinary income (loss)	3,201	4,399
Investment income (loss)		
Realized gain	3,811	24,406
Unrealized gain (loss)	20,296	(68,964)
Administrative fees	(2,818)	(3,048)
Distributions	(20,941)	(3,048)
	<u>\$ 272,578</u>	<u>\$ 269,029</u>
Fair Value September 30		

Note H – Endowment Funds

The Organization has an endowment fund held with the Community Foundation of the Holland/Zeeland Area. The amounts contributed by donors to the endowment fund are owned and controlled by the Community Foundation and are reflected on the Organization's statements of financial position. The Organization will be able to request, on an annual basis, a calculated amount from the earnings of the endowment fund to be used to fund the operations of the Organization. The fair market value of the endowment fund, as reported by the Community Foundation of the Holland/Zeeland Area, was \$272,578 and \$269,029 as of September 30, 2023 and 2022, respectively.

The Organization also has an endowment fund held with the Grand Haven Area Community Foundation. The amounts contributed by donors to the endowment fund are owned and controlled by the Community Foundation and are not reflected on the Organization's statements of financial position. The Organization will be able to request, on an annual basis, a calculated amount from the earnings of the endowment fund to be used to fund the operations of the Organization. The fair market value of the endowment fund, as reported by the Grand Haven Area Community Foundation, was \$20,496 and \$18,637 as of September 30, 2023 and 2022, respectively.

Donor-Restricted Endowment

The Board of Directors (the Board) of the Organization has interpreted Michigan's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original donor-restricted gift, as of the gift date, absent explicit donor stipulations to the contrary.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note H – Endowment Funds (Continued)

Donor-Restricted Endowment (Continued)

As a result of this interpretation, the Organization classifies the original value of the gifts donated to the Endowment and the original value of subsequent gifts to the Endowment made in accordance with the applicable donor's original instructions as net assets with donor restrictions, restricted in perpetuity (note N).

The remaining portion of the Endowment that is not considered to be restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with UPMIFA. The Board considers a variety of factors in its appropriation decisions, including the duration and preservation of the Endowment, the individual donors' intentions and the prevailing economic and market conditions, as well as the Organization's investment policies and financial situation.

Since the Endowment's inception, the Board's investment and spending policies were designed to preserve the original donor-restricted gifts while providing a periodic stream of income to support the Organization's general operations.

During the years ended September 30, 2010 and 2009, this objective was achieved by investing the funds within an investment pool at the Community Foundation of the Holland/Zeeland Area. During the year ended September 30, 2010, the Board directed the Organization to begin holding any new Endowment contributions in cash until the Board has concluded a reevaluation of its investment policies. During the years ended September 30, 2023 and 2022, the Board directed the Organization to contribute the restricted cash to the Founding Fund at the Community Foundation of the Holland/Zeeland Area.

Since the Endowment's inception, the Organization's policy was that any income generated by the Endowment would be appropriated by the Board for the Organization's general use as of September 30 of each year. As such, all positive Endowment investment gains have been reclassified as net assets without donor restrictions.

Changes in the endowment net assets were as follows for the years ended September 30, 2023 and 2022 are presented in Note G.

Note I – Letter of Credit

The Organization is self-insured for unemployment and is required to maintain a letter of credit. The amount of the letter of credit was \$67,642 and \$60,447 as of September 30, 2023 and 2022, respectively. Borrowings on the letter of credit bear interest at 18.00%. There were no borrowings on the letter of credit as of September 30, 2023 and 2022. Subsequent to year end, the letter of credit was renewed and now expires December 31, 2024.

Note J – Line of Credit

The Organization has a line of credit with a bank for \$75,000. Borrowings on the line bear interest at 1.00% above the bank's prime rate with a floor of 3.25%. No amounts were drawn on the line at September 30, 2023 and 2022. The line expires on November 15, 2025.

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note K – Notes Payable

The Organization entered into a new payment agreement for software in April 2021. The note requires monthly payments of \$1,787, including interest at 7.845%. The note matures in October 2026. The note balance as of September 30, 2023 and 2022 was \$58,560 and \$74,715, respectively.

PPP Loan

The Organization received loan proceeds of \$0 and \$310,300 under the Paycheck Protection Program (PPP) in the years ended September 30, 2023 and 2022, respectively. Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides loans to qualifying organizations in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a covered period of 8 to 24 weeks as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

Loan Forgiveness Income Recognized

The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Organization recognized \$0 and \$310,300 of loan forgiveness income for the years ended September 30, 2023 and 2022, respectively.

Current maturities of long-term debt are as follows for the year ended September 30:

2024	\$	17,500
2025		18,890
2026		20,423
2027		1,747

Note L – Operating Leases

Lessee Agreements

The Organization leases office space in Grand Haven, Michigan requiring monthly payments of \$1,475 plus common area maintenance expenses of \$860 per month, plus additional fees as they arise. The lease has been renewed through September 2024. Total rent expense was \$27,511 and \$27,138 for the years ended September 30, 2023 and 2022, respectively.

Future minimum lease payments under these operating leases are as follows for the year ended September 30:

2024	\$	28,020
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NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note L – Operating Leases (Continued)

Lessor Agreements

The Organization is the lessor of office suites in Holland, Michigan. There is one lease with an unrelated tenant. The lease requires a monthly payment \$2,275 as of September 30, 2023. This lease was renewed subsequent to year-end through November 30, 2025.

The Organization also rents the Retreat Center to individuals and other organizations on an event basis.

Rental income was \$26,205 and \$30,010 for the years ended September 30, 2023 and 2022, respectively.

Future minimum lease payments to be received based on current lease contracts are as follows for the year ended September 30:

2024	\$	27,300
2025		27,300
2026		4,550

Note M – Retirement Plan

The Organization sponsors a 403(b) retirement savings plan for all employees of the Organization except those who are Residential Aides or working less than 1,040 hours annually. Contributions to the plan are up to 3% of eligible employee wages. Contributions of \$49,088 and \$16,012 were made for the years ended September 30, 2023 and 2022, respectively.

Note N – Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at September 30:

	<u>2023</u>	<u>2022</u>
Time Restrictions	\$ 35,106	\$ 51,261

Net assets with donor restrictions in perpetuity consist of the following purposes at September 30:

	<u>2023</u>	<u>2022</u>
Endowment Fund - Investments	\$ 272,578	\$ 269,029

NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2023 and 2022

Note O – Concentration

Approximately 35% of the Organization’s September 30, 2023 revenue is provided by Ottawa Community Mental Health and 35% is provided by Kent County (Network 180). Termination of the agreements could adversely affect the Organization’s operations until additional funding is procured.

Note P – Contributed Nonfinancial Assets

The Organization recognized contributed nonfinancial assets within revenue. Contributed nonfinancial assets include program supplies and discounts on property and equipment purchased by the Organization.

Contributed nonfinancial assets recognized within the consolidated statements of activities as of September 30, 2023 and 2022 included:

Category	2023	2022
Program materials	\$ 1,176	\$ 2,926
Donations	2,979	-
	<u>\$ 4,155</u>	<u>\$ 2,926</u>

	2023 Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Program materials (groceries)	\$ 1,176	Special Events	None	Estimated the fair value based on wholesale values that would be received for selling similar products in the United States.
Donations (discounts on rooftop and parking lot improvements)	\$ 2,979	Improvements	None	Estimated the fair value based on values that would be received for performing similar services in the United States.

Note Q – Prior Period Adjustment

A prior period adjustment in the amount of \$93,037 was recorded to reclassify the remaining balance of the endowment from net assets without donor restrictions to net assets with donor restrictions. This adjustment was determined to be necessary in order to comply with GAAP accounting principles and to accurately reflect restrictions on net assets.