

# REACH FOR RECOVERY, INC.

## FINANCIAL STATEMENTS

For the years ended  
September 30, 2024 and 2023

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**INDEPENDENT AUDITOR'S REPORT**

March 19, 2025

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, 2024 and 2023, and the related statements of activities, functional expense, and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years 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

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## **FINANCIAL STATEMENTS**

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## STATEMENTS OF FINANCIAL POSITION

REACH FOR RECOVERY, INC.  
September 30, 2024 and 2023

### ASSETS

	2024	2023
<b>Current Assets</b>		
Cash and cash equivalents	\$ 598,027	\$ 378,435
Restricted cash - ARPA	88,605	132,778
Accounts receivable, program services	280,174	327,399
Prepaid expenses	29,347	19,508
<b>Total Current Assets</b>	996,153	858,120
<b>Other Assets</b>		
Property and equipment, net	925,151	981,982
Beneficial interest in assets held by others		
Endowment	316,498	272,578
<b>Total Other Assets</b>	1,241,649	1,254,560
<b>Total Assets</b>	<b>\$ 2,237,802</b>	<b>\$ 2,112,680</b>

### LIABILITIES AND NET ASSETS

<b>Current Liabilities</b>		
Accounts payable	\$ 38,560	\$ 37,009
Accrued payroll and related expenses	147,098	122,732
Other current liabilities	1,385	2,563
Deferred revenue	88,605	132,778
Current portion of notes payable	18,900	17,500
<b>Total Current Liabilities</b>	294,548	312,582
<b>Notes Payable, net of current portion</b>	22,192	41,060
<b>Total Liabilities</b>	316,740	353,642
<b>Net Assets</b>		
Without donor restrictions	1,586,927	1,451,354
With donor restrictions		
Time restrictions	17,637	35,106
Endowment fund	316,498	272,578
<b>Total Net Assets</b>	1,921,062	1,759,038
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,237,802</b>	<b>\$ 2,112,680</b>

## STATEMENTS OF ACTIVITIES

REACH FOR RECOVERY, INC.  
For the year ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Program services:			
Government funds	\$ 1,224,667	\$ -	\$ 1,224,667
Government funds, recovery coach	157,864	-	157,864
Commercial funds	723,617	-	723,617
Patient	944,756	-	944,756
Public support:			
Cash contributions	104,004	-	104,004
In-kind contributions	1,176	-	1,176
United Way	11,435	-	11,435
Interest and investment income	7,017	-	7,017
Change in beneficial interest in endowment	-	43,920	43,920
Grants and bequests	109,048	-	109,048
Rental income	21,309	-	21,309
Miscellaneous	14,502	-	14,502
Other COVID-19 related grants	73,200	-	73,200
Net assets released from restrictions	17,469	(17,469)	-
<b>Total Revenue, Gains and Other Support</b>	<b>3,410,064</b>	<b>26,451</b>	<b>3,436,515</b>
<b>Expenses</b>			
Program services	2,733,816	-	2,733,816
Management and general	513,376	-	513,376
Fundraising expenses	27,299	-	27,299
<b>Total Expenses</b>	<b>3,274,491</b>	<b>-</b>	<b>3,274,491</b>
<b>Change in Net Assets</b>	<b>135,573</b>	<b>26,451</b>	<b>162,024</b>
<b>Net Assets - beginning of year</b>	<b>1,451,354</b>	<b>307,684</b>	<b>1,759,038</b>
<b>Net Assets - end of year</b>	<b>\$ 1,586,927</b>	<b>\$ 334,135</b>	<b>\$ 1,921,062</b>

## STATEMENTS OF ACTIVITIES (Continued)

REACH FOR RECOVERY, INC.

For the year ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
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 (loss)	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)	-
<b>Total Revenue, Gains and Other Support</b>	<b>2,982,928</b>	<b>(12,606)</b>	<b>2,970,322</b>
<b>Expenses</b>			
Program services	2,550,551	-	2,550,551
Management and general	416,107	-	416,107
Fundraising expenses	35,401	-	35,401
<b>Total Expenses</b>	<b>3,002,059</b>	<b>-</b>	<b>3,002,059</b>
<b>Change in Net Assets</b>	<b>(19,131)</b>	<b>(12,606)</b>	<b>(31,737)</b>
<b>Net Assets - beginning of year (restated)</b>	<b>1,470,485</b>	<b>320,290</b>	<b>1,790,775</b>
<b>Net Assets - end of year</b>	<b>\$ 1,451,354</b>	<b>\$ 307,684</b>	<b>\$ 1,759,038</b>

## STATEMENTS OF FUNCTIONAL EXPENSES

REACH FOR RECOVERY, INC.

For the year ended September 30, 2024

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Wages	\$ 1,839,721	\$ 303,142	\$ 21,645	\$ 2,164,508
Payroll taxes	131,685	20,153	1,534	153,372
Employee benefits	198,717	30,411	2,314	231,442
<b>Total Employee Costs</b>	<b>2,170,123</b>	<b>353,706</b>	<b>25,493</b>	<b>2,549,322</b>
Advertising and promotion	-	-	1,358	1,358
Contractual and supplementary services	112,794	104,817	-	217,611
Facilities and insurance	138,054	19,843	-	157,897
Interest	-	3,975	-	3,975
Subscriptions and memberships	38,252	7,916	281	46,449
Supplies, materials, and repairs	129,843	5,128	-	134,971
Telephone	26,627	4,699	-	31,326
Travel and education	15,572	1,049	167	16,788
Vehicle expense	12,769	-	-	12,769
<b>Total Expenses Before Depreciation and Amortization</b>	<b>2,644,034</b>	<b>501,133</b>	<b>27,299</b>	<b>3,172,466</b>
Depreciation and amortization	89,782	12,243	-	102,025
<b>Total Functional Expenses</b>	<b>\$ 2,733,816</b>	<b>\$ 513,376</b>	<b>\$ 27,299</b>	<b>\$ 3,274,491</b>

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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
<b>Total Employee Costs</b>	<b>1,967,485</b>	<b>303,309</b>	<b>22,431</b>	<b>2,293,225</b>
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
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
<b>Total Expenses Before Depreciation and Amortization</b>	<b>2,466,796</b>	<b>404,686</b>	<b>35,401</b>	<b>2,906,883</b>
Depreciation and amortization	83,755	11,421	-	95,176
<b>Total Functional Expenses</b>	<b>\$ 2,550,551</b>	<b>\$ 416,107</b>	<b>\$ 35,401</b>	<b>\$ 3,002,059</b>

## STATEMENTS OF CASH FLOWS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 162,024	\$ (31,737)
Noncash items included in change in net assets:		
Depreciation	84,189	77,340
Amortization	17,836	17,836
Revaluation of beneficial interest in endowment	(43,920)	(24,490)
Loss on sale of asset	-	432
Changes in operating assets and liabilities:		
Decrease in receivables and other assets	37,386	94,153
Increase (decrease) in payables and other liabilities	(19,434)	146,254
<b>Net Cash Provided by Operating Activities</b>	<b>238,081</b>	<b>279,788</b>
<b>Cash Flows from Investing Activities</b>		
Withdrawal from beneficial interest in assets held by others	-	20,939
Purchase of property and equipment	(45,193)	(119,000)
<b>Net Cash Used for Investing Activities</b>	<b>(45,193)</b>	<b>(98,061)</b>
<b>Cash Flows from Financing Activities</b>		
Repayments, long-term debt	(17,469)	(16,155)
<b>Net Increase in Cash</b>	<b>175,419</b>	<b>165,572</b>
<b>Beginning Cash, Cash Equivalents, and Restricted Cash Balance</b>	<b>511,213</b>	<b>345,641</b>
<b>Ending Cash, Cash Equivalents, and Restricted Cash Balance</b>	<b><u>\$ 686,632</u></b>	<b><u>\$ 511,213</u></b>
<b>Supplemental disclosure of cash flow information</b>		
Cash and cash equivalents	\$ 598,027	\$ 378,435
Cash restricted for ARPA	88,605	132,778
Total cash and cash equivalents and restricted cash	<b><u>\$ 686,632</u></b>	<b><u>\$ 511,213</u></b>
Cash paid during the year for interest	\$ 3,975	\$ 5,289

## NOTES TO FINANCIAL STATEMENTS

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**REACH FOR RECOVERY, INC.**

For the years ended September 30, 2024 and 2023

### ***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

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REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *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, 2024 and 2023 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. Management did not deem an allowance for doubtful accounts was necessary as of September 30, 2024 and 2023 respectively.

## NOTES TO FINANCIAL STATEMENTS

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REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *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, 2024 and 2023.

#### **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 \$2,500 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 \$84,189 and \$77,340 for the years ended September 30, 2024 and 2023, respectively. Amortization expense was \$17,836 and \$17,836 for the years ended September 30, 2024 and 2023, 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 \$88,605 and \$132,778 for the years ended September 30, 2024 and 2023, 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

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REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *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

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REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *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 \$1,358 and \$12,772 for the years ended September 30, 2024 and 2023, 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

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REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *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.

The Organization acquired a building in January 2025 with the intention of making it part of its main campus by moving select programs into this building.

#### **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**

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from the incurred loss model to the expected loss model. The standard's required disclosures are intended to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB 326 were trade receivables.

The Organization adopted the standard effective July 1, 2023 utilizing the modified retrospective transition method. The impact of the adoption was not material to the financial statements and primarily resulted in new/enhanced disclosures only.

## NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *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, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
<b>Financial Assets</b>		
Cash	\$ 686,632	\$ 511,213
Accounts receivable	280,174	327,399
Beneficial interest in assets held by others	316,498	272,578
	<hr/>	<hr/>
<b>Total Financial Assets</b>	1,283,304	1,111,190
Less restricted cash	(88,605)	(132,778)
Less financial assets held to meet donor-imposed restrictions:		
Time-restricted net assets	(17,637)	(35,106)
Perpetual in nature restricted net assets	(316,498)	(272,578)
	<hr/>	<hr/>
<b>Total available for general expenditure within one year</b>	<u><u>\$ 860,564</u></u>	<u><u>\$ 670,728</u></u>

The above table reflects the Organization's financial assets as of September 30, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
October 1	\$ 327,399	\$ 415,135
September 30	280,174	327,399

## NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### *Note E – Property and Equipment*

The capitalized value of property and equipment, and related accumulated depreciation, at September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 331,378	\$ 331,378
Buildings and improvements	1,760,368	1,755,368
Furniture, fixtures and equipment	127,701	127,701
Computer software and office equipment	91,500	91,500
Vehicles	87,380	47,186
	<u>2,398,327</u>	<u>2,353,133</u>
Accumulated depreciation	1,417,686	1,333,497
Accumulated amortization	55,490	37,654
	<u>1,473,176</u>	<u>1,371,151</u>
<b>Property and equipment, net</b>	<b><u>\$ 925,151</u></b>	<b><u>\$ 981,982</u></b>

### *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, 2024 and 2023 and is being held at the Community Foundation of the Holland/Zeeland Area in the Founding Fund:

	<u>2024</u>	<u>2023</u>
Donor restricted endowment	\$ 316,498	\$ 272,578

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, 2024 and 2023

### 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, 2024 and 2023.

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		
<b>September 30, 2024</b>			
Community Foundation of the Holland/Zeeland Area - Founding Fund	\$ 316,498	\$ -	\$ 316,498
<b>September 30, 2023</b>			
Community Foundation of the Holland/Zeeland Area - Founding Fund	\$ 272,578	\$ -	\$ 272,578

## NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### **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:

	<b>2024</b>	<b>2023</b>
Fair Value, October 1	\$ 272,578	\$ 269,029
Withdrawals	-	-
Ordinary income (loss)	4,615	3,201
Investment income (loss)		
Realized gain	11,317	3,811
Unrealized gain (loss)	30,942	20,296
Administrative fees	(2,954)	(2,818)
Distributions	-	(20,941)
Fair Value September 30	<b>\$ 316,498</b>	<b>\$ 272,578</b>

### **Note H – Endowment Funds**

The Organization has an endowment fund held with the Community Foundation of the Holland/Zeeland Area. See Note F for more detail.

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 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 \$25,883 and \$20,496 as of September 30, 2024 and 2023, 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

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REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### ***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, 2024 and 2023, 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, 2024 and 2023 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 \$77,910 and \$67,642 as of September 30, 2024 and 2023, 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, 2024 and 2023.

### ***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, 2024 and 2023. The line expires on November 15, 2025.

## NOTES TO FINANCIAL STATEMENTS

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**REACH FOR RECOVERY, INC.**

For the years ended September 30, 2024 and 2023

### ***Note K – Note 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, 2024 and 2023 was \$41,092 and \$58,560, respectively.

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

2025	\$	18,900
2026		20,416
2027		1,776

### ***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 \$29,063 and \$27,511 for the years ended September 30, 2024 and 2023, respectively.

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

2025	\$	14,400
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## NOTES TO FINANCIAL STATEMENTS

REACH FOR RECOVERY, INC.

For the years ended September 30, 2024 and 2023

### **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, 2024. 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 \$19,309 and \$26,205 for the years ended September 30, 2024 and 2023, respectively.

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

2025	\$	27,300
2026		27,300
2027		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 \$35,093 and \$49,088 were made for the years ended September 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Time Restrictions	\$ 17,637	\$ 35,106

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

	<u>2024</u>	<u>2023</u>
Endowment Fund - Investments	\$ 316,498	\$ 272,578

## NOTES TO FINANCIAL STATEMENTS

**REACH FOR RECOVERY, INC.**

For the years ended September 30, 2024 and 2023

### **Note O – Concentration**

Approximately 44% of the Organization’s September 30, 2024 revenue is provided by Ottawa Community Mental Health and 22% 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, 2024 and 2023 included:

Category	2024	2023
Program materials	\$ 1,176	\$ 1,176
Donations	-	2,979
	\$ 1,176	\$ 4,155

	2024 Revenue Recognized	2023 Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Program materials (groceries)	\$ 1,176	\$ 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.