

Communities Overcoming Violent Encounters, Inc.

Financial Statements

For the Years Ended September 30, 2023 and 2022

Communities Overcoming Violent Encounters, Inc.

FINANCIAL STATEMENTS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 20



COMPANIES

CPA'S & BUSINESS ADVISORS

hscompanies.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Communities Overcoming Violent Encounters, Inc.
Ludington, Michigan

Opinion

We have audited the financial statements of Communities Overcoming Violent Encounters, Inc. (a Michigan nonprofit corporation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Communities Overcoming Violent Encounters, Inc. as of September 30, 2023 and 2022, 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 (GAAS). 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 Communities Overcoming Violent Encounters, 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 audit opinion.

Change in Accounting Principle

As discussed in Note H to the financial statements, in 2023, the entity adopted new accounting guidance regarding lease accounting in Accounting Standards Update No. 2016-02 (*Topic 842*). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities Overcoming Violent Encounters, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Communities Overcoming Violent Encounters, 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 Communities Overcoming Violent Encounters, 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.

H&S Companies, P.C.

H&S Companies, P.C.
Certified Public Accountants
Reed City, Michigan

February 14, 2024

Communities Overcoming Violent Encounters, Inc.
Statements of Financial Position
September 30,

Assets

	2023	2022
Current Assets		
Cash	\$ 137,466	\$ 206,168
Grants receivable	77,407	72,571
Prepaid expenses	19,903	5,862
Total current assets	234,776	284,601
Noncurrent Assets		
Land, building and equipment, net	1,520,072	1,594,600
Right-of-Use Assets, Finance	5,375	7,329
Beneficial interests in assets held by others	8,253	7,299
Total noncurrent assets	1,533,700	1,609,228
Total Assets	\$ 1,768,476	\$ 1,893,829

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 4,121	\$ 10,971
Accrued liabilities	30,410	18,942
Finance Lease Obligations	5,631	7,492
Deposits held for others	370	370
Total current liabilities	40,532	37,775
Net Assets		
Without donor restrictions	1,725,444	1,853,554
With donor restrictions	2,500	2,500
Total net assets	1,727,944	1,856,054
Total Liabilities and Net Assets	\$ 1,768,476	\$ 1,893,829

The accompanying notes are an integral part of these financial statements.

Communities Overcoming Violent Encounters, Inc.
Statements of Activities
For the Years Ended September 30,

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public Support and other revenues:						
Public support:						
Grants and awards:						
Federal Grants	\$ 701,065	\$ -	\$ 701,065	\$ 637,049	\$ -	\$ 637,049
State Grants	12,592	-	12,592	15,101	-	15,101
Local Grants	-	15,068	15,068	-	10,659	10,659
In-Kind Donations	1,850	-	1,850	1,400	-	1,400
Pledges and Contributions	251,274	-	251,274	218,830	-	218,830
Special events	77,657	-	77,657	43,484	-	43,484
Interest income	-	-	-	158	-	158
Miscellaneous	9,524	-	9,524	7,478	-	7,478
Total Public Support	<u>1,053,962</u>	<u>15,068</u>	<u>1,069,030</u>	<u>923,500</u>	<u>10,659</u>	<u>934,159</u>
Nonoperating revenues:						
Gain (Loss) from beneficial interest in assets	954	-	954	(1,810)	-	(1,810)
Net assets released from restrictions:						
Expiration of purpose restrictions	<u>15,068</u>	<u>(15,068)</u>	<u>-</u>	<u>13,621</u>	<u>(13,621)</u>	<u>-</u>
Total other revenue	<u>16,022</u>	<u>(15,068)</u>	<u>954</u>	<u>11,811</u>	<u>(13,621)</u>	<u>(1,810)</u>
Total public support and other revenues	<u>1,069,984</u>	<u>-</u>	<u>1,069,984</u>	<u>935,311</u>	<u>(2,962)</u>	<u>932,349</u>
Expenses:						
Program Services:						
Domestic Violence	803,772	-	803,772	743,448	-	743,448
Sexual Assault	166,270	-	166,270	60,095	-	60,095
Supporting Services:						
Management and General	212,715	-	212,715	222,915	-	222,915
Fundraising	15,337	-	15,337	12,326	-	12,326
Total Expenses	<u>1,198,094</u>	<u>-</u>	<u>1,198,094</u>	<u>1,038,784</u>	<u>-</u>	<u>1,038,784</u>
Net Increase (Decrease) in Net Assets	(128,110)	-	(128,110)	(103,473)	(2,962)	(106,435)
NET ASSETS - BEGINNING OF YEAR	<u>1,853,554</u>	<u>2,500</u>	<u>1,856,054</u>	<u>1,957,027</u>	<u>5,462</u>	<u>1,962,489</u>
NET ASSETS - END OF YEAR	<u>\$ 1,725,444</u>	<u>\$ 2,500</u>	<u>\$ 1,727,944</u>	<u>\$ 1,853,554</u>	<u>\$ 2,500</u>	<u>\$ 1,856,054</u>

The accompanying notes are an integral part of these financial statements.

Communities Overcoming Violent Encounters, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2023

	PROGRAM SERVICES		SUPPORTING SERVICES		Total
	Domestic Violence	Sexual Assault	Management and General	Fundraising	
Salaries and wages	\$ 471,063	\$ 99,010	\$ 151,538	\$ -	\$ 721,611
Fringe benefits:					
Payroll Taxes	37,167	7,920	11,985	-	57,072
Group and workers' compensation insurance	39,107	18,271	15,253	-	72,631
IRA Contributions	6,200	2,548	2,326	-	11,074
Total salaries and wages and fringe benefits	553,537	127,749	181,102	-	862,388
Advertising	882	-	-	-	882
Conferences and travel	6,557	-	178	-	6,735
Contracted services and professional fees	17,492	23,080	-	-	40,572
Depreciation and amortization	62,262	6,053	18,160	-	86,475
Dues and subscriptions	2,263	679	1,663	-	4,605
Equipment:					
Equipment Rent	538	52	157	-	747
Equipment Repairs and Maintenance	37,754	377	-	-	38,131
Equipment Small Purchases	2,458	187	-	-	2,645
Occupancy:					
Rent	10,874	526	-	-	11,400
Insurance	15,120	-	1,198	-	16,318
Telephone	16,481	260	980	-	17,721
Utilities	19,821	1,927	5,781	-	27,529
Office Expense	2,766	175	775	-	3,716
Other	9,500	75	251	15,337	25,163
Professional liability insurance	-	4,026	-	-	4,026
Specific assistance	25,204	445	-	-	25,649
Supplies	20,140	500	2,470	-	23,110
Transportation	123	159	-	-	282
Total	\$ 803,772	\$ 166,270	\$ 212,715	\$ 15,337	\$ 1,198,094

The accompanying notes are an integral part of these financial statements

Communities Overcoming Violent Encounters, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2022

	PROGRAM SERVICES		SUPPORTING SERVICES		Total
	Domestic Violence	Sexual Assault	Management and General	Fundraising	
Salaries and wages	\$ 510,975	\$ 16,614	\$ 42,546	\$ -	\$ 570,135
Fringe benefits:					
Payroll Taxes	43,318	162	2,267	-	45,747
Group and workers' compensation insurance	52,349	9,917	21,314	-	83,580
IRA Contributions	6,100	640	2,532	-	9,272
Total salaries and wages and fringe benefits	612,742	27,333	68,659	-	708,734
Advertising	1,510	-	-	43	1,553
Conferences and travel	3,270	-	3,350	33	6,653
Contracted services and professional fees	8	17,299	14,850	-	32,157
Depreciation and amortization	807	-	85,786	-	86,593
Dues and subscriptions	420	193	2,101	100	2,814
Equipment:					
Equipment Rent	-	-	2,533	-	2,533
Equipment Repairs and Maintenance	8,463	1,278	4,529	-	14,270
Equipment Small Purchases	-	-	921	-	921
Occupancy:					
Rent	5,248	527	5,624	-	11,399
Insurance	-	6,103	13,710	-	19,813
Telephone	16,554	864	2,419	-	19,837
Utilities	21,887	1,818	7,336	-	31,041
Office Expense	1,958	433	494	3,203	6,088
Other	15,150	639	870	3,305	19,964
Professional liability insurance	-	-	2,317	-	2,317
Specific assistance	22,991	1,211	2,016	-	26,218
Supplies	30,928	2,397	5,400	5,642	44,367
Transportation	1,512	-	-	-	1,512
Total	<u>\$ 743,448</u>	<u>\$ 60,095</u>	<u>\$ 222,915</u>	<u>\$ 12,326</u>	<u>\$ 1,038,784</u>

The accompanying notes are an integral part of these financial statements

Communities Overcoming Violent Encounters, Inc.
Statements of Cash Flows
For the Years Ended September 30,

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (128,110)	\$ (106,435)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	86,475	86,593
Loss (Gain) from beneficial interest in assets	(954)	1,810
(Increase) decrease in:		
Grants receivable	(4,836)	20,120
Prepaid expense	(14,041)	2,453
Increase (decrease) in:		
Accounts payable	(6,850)	(22,092)
Accrued liabilities	11,468	1,869
Finance Lease Obligations	(1,861)	(1,869)
Total Adjustments	69,401	88,884
Net cash provided by (used in) operating activities	(58,709)	(17,551)
Cash flows used in investing activities		
Payments for purchase of equipment	(9,993)	(5,938)
Net cash used by investing activities	(9,993)	(5,938)
Net increase (decrease) in cash available for operations	(68,702)	(23,489)
Cash - Beginning of year	206,168	229,657
Cash - End of year	\$ 137,466	\$ 206,168
Supplemental disclosure of cash flow information:		
Interest paid and expensed on capital lease	\$ 685	\$ 93

The accompanying notes are an integral part of these financial statements

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

NOTE A - NATURE OF BUSINESS

Communities Overcoming Violent Encounters, Inc. (COVE) is a Michigan nonprofit corporation serving victims of domestic violence and sexual assault. It began in 1978 as a grass-roots volunteer program in Hart, Michigan. Today it operates out of a state-of-the-art multipurpose facility headquartered in Ludington, Michigan with satellite offices in Lake and Oceana counties. It is responsible to the Michigan Department of Health and Human Services Victims Services Division.

COVE's mission is to provide shelter, protection and advocacy to victims of domestic violence and sexual assault as well as to educate the community on the root causes of violence. Services are provided in Mason, Lake and Oceana counties to all individuals who are victims of domestic violence and/or sexual assault.

COVE is more than a building to provide emergency shelter. It's a safe place where violence and control are not present. The goal is to encourage, listen and provide advocacy and resources to both residential and non-residential clients helping them build their knowledge, courage and ability to make changes in their lives that will assist them in removing themselves and their children from violence they have experienced. COVE addresses emergency crisis, potentially life threatening situations, as well as tries to stop the cycle of violence in future generations by educating our communities. All services are free, confidential and available for victims of domestic violence and/or sexual assault 24 hours a day, 365 days a year.

COVE's primary services include:

Domestic Violence – These programs comprised of crisis line, emergency shelter and advocacy services. COVE operates a 24 hour, 365 days a year crisis line devoted to support victims of domestic violence and sexual assault victim's emergency needs. The crisis line offers safety planning, emotional support, options for victims of domestic violence and/or sexual assault and referrals and information. The crisis line is manned by trained staff and volunteers and is typically the point of entry for other services. COVE provides a state-of-the-art emergency shelter for victims of domestic violence and sexual assault, which is open 24 hours, 365 days a year. It is the first of its kind in Michigan combining its offices and shelter set up to resemble transitional housing units. Residents have semi-private individual living quarters as opposed to traditional shelter communal living. Additionally, COVE provides legal, medical and personal Advocacy for victims of domestic violence and sexual assault for both shelter residents and non-residential clients and their children. Advocates accompany people to court, assist with housing needs, meet clients at the hospital, transport clients when needed, assist with completing Victims Compensation Forms, share knowledge about the legal process and assist in navigating the legal system. COVE Advocates provide information, knowledge, resources and options to help ensure clients can make informed decisions.

Sexual Assault – Began over 40 years ago as a result of the lack of sexual assault (SA) services available, SA services are provided to survivors in Manistee, Mason, Oceana and Lake Counties. In order to support survivors in their healing process, COVE provides comprehensive SA services including:

24 Hour Crisis Hotline: During calls, staff listens to survivors and provide emotional support, resources, referrals and options for sexual assault survivors.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

Emergency Crisis Response: COVE offers its own in-house SANE (Sexual Assault Nurse Examiners) unit. The self-funded SANE unit offers forensic medical exams and evidence collection within 120 hours of a sexual assault by forensically trained nurses. As the same time, a Sexual Assault Advocate walks alongside the survivor providing during forensic exams explaining the legal and medical process and coordination with police if the survivor chooses to move forward with legal reporting. SANE exams are provided free, to any survivor age 12 and above.

Supportive Counseling: Professional licensed counseling is offered to survivors in both individual and support group formats. Group counseling consists of non-traditional Healing Arts activities such as painting, meditation, yoga and mindfulness. Traditional individual counseling is provided to survivors as well. Survivors gain ideas, tools and coping skills for their emotions through both individual counseling and healing arts group. The counselor safety plans weekly and addresses physical and mental health needs.

Advocacy and Supportive Services: Advocacy is a key component to COVE's SA services. SA Advocates offers legal, medical and personal advocacy to survivors. Advocacy may include emotional support, financial assistance, safety planning, mental health safety planning, child care, court support and coordination with external sources.

COVE has its corporate office in Ludington, Michigan, and is supported primarily through federal and state governmental grants and local contributions. A significant amount of grants and contract revenues were provided by a few major sources. It is always considered possible that projects, grantors or contributions might be lost in the near term.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of COVE have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

USE OF 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. Actual results could differ from those estimates.

MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to COVE's ongoing services to victims of domestic violence and sexual assault. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

FAIR VALUE MEASUREMENTS

COVE follows FASB ASC Topic 820-20 on “*Fair Value Measurements*,” which provides a framework for measuring the fair value of financial instruments under U.S. GAAP. This standard applies to all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial Interests in Assets Held by Others: The assets are valued based upon COVE’s allocable share of the Community Foundation of Muskegon County’s (Community Foundation) pooled investment portfolio, held on behalf of the Community Foundations for Mason and Oceana Counties.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

The beneficial interests in assets held by others are valued monthly by the Community Foundation and are allocated based upon each organization's calculated share of the Community Foundation's pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawal from the investment (via grants), and the investment returns allocated via a unitization process. The Community Foundation calculated the fair value of COVE's beneficial interest in the pooled investment assets which it holds based on the estimated fair value of the underlying assets. The Community Foundation controls the investments and makes all management and investment decisions.

COVE's beneficial interest in assets held by others are carried at fair value based on inputs other than quoted market prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date (level 1 measurements). COVE had no assets classified as level 2 or level 3 at September 30, 2023 and 2022, respectively.

CASH

COVE considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The organization does not have any cash equivalents as of and for the years ended September 30, 2023 and 2022, respectively.

RECEIVABLES

COVE provides many services to individuals that do not have the ability to pay for the services received. COVE has contracts with governmental and quasi-governmental agencies to provide payment for these services rendered, along with other performance-related objectives achieved, up to a maximum contractual dollar amount. Receivables are stated at unpaid balances, less an allowance for doubtful accounts, if applicable. There was no allowance recorded in the current or prior period. The allowance is based on experience, contract terms and other circumstances which may affect the ability of grantors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is COVE's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

PROPERTY AND EQUIPMENT

COVE capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the respective assets.

Buildings	Up to 35 years
Equipment	Up to 15 years

Property and equipment includes assets purchased with grants when it is probable that COVE will retain title to the asset when the grants terminate. The use of such equipment is restricted to the specific grant program. Depreciation expense for the years ended September 30, 2023 and 2022 was \$86,475 and \$86,593, respectively, and is included in depreciation and amortization in the accompanying financial statements.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

INTANGIBLE ASSET

COVE's intangible asset consists of a software license and is stated at historical cost net of amortization which is recorded on a straight-line basis over the three year estimated useful life of the software. Amortization expense for the years ended September 30, 2023 and 2022 was \$0 and \$455, respectively, and is included in depreciation and amortization in the accompanying financial statements.

NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of COVE's management and the board of directors.

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 organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

REVENUE RECOGNITION

Restricted and Unrestricted Revenue and Support

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 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 the 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 statement of activities as net assets released from restrictions.

Donated Property and Equipment

Donations of property and equipment in excess of \$1,000 are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Equipment purchased with grant funds are charged as an expense to the grant and recorded as temporarily restricted contributions when it is probable that COVE will retain title to the asset when the grant terminates.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

Absent donor stipulations regarding how long those donated assets must be maintained, COVE reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. COVE reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

The organization benefits from donated professional services from attorneys, nurses and counselors. These services were valued at \$1,850 and \$1,400 for the years ended September 30, 2023 and 2022, respectively, and have been reported as both in-kind contributions and as in-kind program services expense in the accompanying financial statements.

Matching Funds

Various grants and contracts are funded at less than 100% of the project's total forecasted expenditures, with the difference being COVE's responsibility. These additional funds, or matching funds, may be comprised of third-party contributions, valuation of donated services and goods or program income unique to that grant. Additionally, other COVE non-federal grants and projects may be used to fulfill the matching requirement, as approved by the original funding source. Other COVE non-federal program activities used for matching requirement are reported to federal funding source as revenues and expenditures. These financial statements include only externally generated matching funds.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been charged directly to program and supporting services whereas others have been allocated among the program and supporting services based on the ratio of hours worked on each program or supporting service in relation to the total of such hours worked.

During the years ended September 30, 2023 and 2022, respectively, funding sources allowed for \$62,055 and \$54,568 of indirect expenses. These interdepartmental expenses have been eliminated from the accompanying financial statements.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

INCOME TAXES

COVE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to COVE’s tax-exempt purpose is subject to taxation as unrelated business income, if applicable. In addition, COVE 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). COVE is also exempt from Michigan corporate income tax.

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 February 14, 2024, which is the date the financial statements were readily available to be issued.

NOTE C – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of statement of financial position date comprise the following:

	2023	2022
Cash	\$ 137,466	\$ 206,168
Grants receivable	77,407	72,571
Total	\$ 214,873	\$ 278,739

Any cash determined to be in excess of COVE’s current operating needs can be invested in accordance to the established investment policy. The investment objectives of COVE, in order of importance, are safety of principal, liquidity, and a competitive rate of return.

NOTE D – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject COVE to concentrations of credit risk consist principally of temporary cash investments and grants receivable. COVE manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit, as applicable, with financial institutions believed by management to be creditworthy. All of the organization’s cash consists of demand deposits with a financial institution and is insured by the Federal Deposit Insurance Corporation (FDIC) as of September 30, 2023 and 2022, respectively.

A substantial amount of COVE’s grants receivable and revenues are a result of funding directly with or flowing through the State of Michigan. At September 30, 2023 and 2022, 100% and 100%, respectively, of COVE’s grants receivable balance is from the State of Michigan. For the years ended September 30, 2023 and 2022, COVE’s percentage of revenues directly or flow through from the State of Michigan was 66.3% and 65.9%, respectively.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

NOTE E – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

THE FUNDS

COVE has one fund with the Community Foundation for Mason County and one fund with the Community Foundation for Oceana County. Both of these funds are administered by the Community Foundation for Muskegon County (Community Foundation).

Endowment Fund

The Friends of Women’s Fund was established in 2001 by COVE as an endowment fund to support operations and activities. In 2015, the agreement was amended, and the name of the fund was changed to the COVE Mason Endowment Fund. The agreement with the Community Foundation allows the use of the fund’s spendable income for COVE’s operations. The COVE Oceana Endowment Fund was established in 2015 to support operations and activities. The agreement with the Community Foundation allows the use of the fund’s spendable income for COVE’s operations.

The Community Foundation invests the majority of contributions to the endowment fund in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit. The majority of investments are uninsured and uncollateralized. The non-endowed funds are invested in money market funds.

REPORTING OF THE ASSETS OF THE FUND

The investments held at the Community Foundation in the COVE Mason and Oceana Endowment Funds which were contributed by COVE, are reported at fair value as net assets of COVE. The contributions to these funds made by third party donors directly to the Community Foundation have been excluded from the net assets of COVE.

This section intentionally left blank.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

Summary of Community Foundation Funds

A summary of revenues, expenses, and changes in the net assets at fair value of the funds for the years ended September 30, 2023 and 2022, respectively, follows:

	<u>2023</u>		<u>2022</u>	
	COVE Mason Endowment Fund	COVE Oceana Endowment Fund	COVE Mason Endowment Fund	COVE Oceana Endowment Fund
Revenues				
Contributions	\$ 400	\$ 101,350	\$ 2,556	\$ 10,650
Dividends and interest	2,713	2,051	1,450	1,577
Realized and unrealized gains (losses) on investments	<u>10,686</u>	<u>804</u>	<u>(26,097)</u>	<u>(15,488)</u>
	<u>13,799</u>	<u>104,205</u>	<u>(22,091)</u>	<u>(3,261)</u>
Expenses				
Transfers to COVE	-	-	-	4,394
Investment and management fees	<u>908</u>	<u>872</u>	<u>769</u>	<u>787</u>
	<u>908</u>	<u>872</u>	<u>769</u>	<u>5,181</u>
Changed in net assets	12,891	103,333	(22,860)	(8,442)
Net assets at beginning of year	<u>96,055</u>	<u>55,890</u>	<u>118,915</u>	<u>64,332</u>
Net assets at end of year	108,946	159,223	96,055	55,890
Less assets recorded as those of the Community Foundation	<u>(100,693)</u>	<u>(159,223)</u>	<u>(88,756)</u>	<u>(55,890)</u>
Assets reported on the Statement of Financial Position	<u>\$ 8,253</u>	<u>\$ -</u>	<u>\$ 7,299</u>	<u>\$ -</u>

The Board of Trustees of the Community Foundation have the power to modify any restriction or condition on the distribution of endowed funds for any specified charitable purpose or to a specified organization if, in the sole judgement of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as “variance power” and is legal standard imposed on all community foundations.

Risk and Uncertainties

Investments are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the fund’s balance and the amount reported in the financial statements.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

NOTE F – LAND, BUILDING AND EQUIPMENT

The following is a summary of land, building and equipment, at cost, and accumulated depreciation at September 30, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
<u>Non-depreciable</u>		
Land	\$ 126,734	\$ 126,734
<u>Depreciable</u>		
Building and Building Improvements	1,843,539	1,843,539
Vehicles and Equipment	250,080	240,088
	<u>2,220,353</u>	<u>2,210,361</u>
Less accumulated depreciation	(700,281)	(615,761)
Land, building, and equipment, net	<u>\$ 1,520,072</u>	<u>\$ 1,594,600</u>

NOTE G – COMPENSATED ABSENCES

Compensated absences represent COVE’s obligations to its employees for earned but unused vacation, personal, or sick time. Based on length of service, a maximum of 30 days can be earned annually. All staff are allowed to carry over to the subsequent year a maximum of 10 days of paid time off. Upon termination, the employee will be paid the amount they have accrued providing certain conditions are met. These obligations were valued at \$4,414 and \$4,836 as of September 30, 2023 and 2022, respectively. These balances are included in accrued liabilities on the Statements of Financial Position.

NOTE H – FINANCE LEASE

Effective October 01, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing capital lease as a finance lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the capital lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of September 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on October 01, 2021 (the beginning of the earliest period presented) a lease liability at the carrying amount of the capital lease obligation on September 30, 2022, of \$7,329 and a right-of-use asset at the carrying amount of the capital lease asset of \$7,329.

COVE leases a multi-purpose printer/copier from Xerox Financial Services requiring monthly payments of \$198 under a capital lease expiring in 2026.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

The future minimum payments required by the agreement is as follows:

<u>Year ending September 30</u>	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 2,383
2024	2,383	2,383
2025	2,383	2,383
2026	1,588	1,588
Total future minimum lease payments	6,354	8,737
Less Present Value Discount	(979)	(1,408)
Total Lease Liability	<u>\$ 5,375</u>	<u>\$ 7,329</u>

Other supplemental information as of and for the years ended September 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash Paid for Amount Included in Measurement of Lease Liability:		
Net Operating Cash Flows from:		
Finance Leases	\$ 2,383	\$ 2,383
Weighted Average Remaining Lease Term:		
Finance Leases	2.7	3.7
Weighted Average Discount Rate:		
Finance Leases	9%	9%

NOTE I – RESTRICTION ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Perpetual in nature:		
Endowment	<u>\$ 2,500</u>	<u>\$ 2,500</u>

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

NOTE J – ADVERTISING COSTS

It is COVE’s policy to expense all costs associated with advertising when incurred. Advertising costs totaled \$882 and \$1,553 for the years ended September 30, 2023 and 2022, respectively. These are shown on the Statements of Activities each year.

NOTE K – RETIREMENT

COVE maintains a SIMPLE IRA Plan (Plan). All employees receiving at least \$500 in compensation during any two prior years and who are reasonably expected to receive at least \$500 in compensation during the current year are eligible to participate in the Plan. Under the Plan, COVE will match employee contributions up to a limit of 3% of compensation. Total employer contributions were \$11,074 and \$9,272 for the years ended September 30, 2023 and 2022, respectively.

NOTE L – CONTINGENCIES

Grant Revenues

The operations of the Organization are primarily funded by grant contracts. Accordingly, the revenues received are restricted to the purpose provided in the contracts. In the event of a discontinuance of any such contracts, the accumulated surplus of operating such contracts, if any, including assets purchased with the restricted funds is to be returned to grantor.

Grant Program

COVE participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although COVE expects such amounts, if any, to be immaterial.

NOTE M – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization files its Form 990 annually in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Michigan. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2021.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2023 and 2022

NOTE N – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2023, the Organization implemented the following Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB) – FASB ASU No. 2016-02, *Leases (Topic 842)* and FASB ASU No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record certain leases and liabilities for leases that were previously classified as operating leases. The new guidance requires the recording of intangible right-of-use assets and corresponding lease liabilities on the statement of financial position. The guidance also requires additional disclosures to better inform financial statement users of the amount, timing, and uncertainty of cash flows, arising from leases.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques.

There was no material impact on the Organization's financial statements after the adoption of ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

See Note H for changes due to adoption of ASU No. 2016-02.

NOTE O – PRIOR PERIOD ADJUSTMENT

The Organization has elected to apply ASC 842 in the earliest period presented, which resulted in the recognition of a right-of-use asset and a lease liability of \$7,329 as of September 30, 2022. There was no impact to the lease expense, net income, or net assets for the year of transition.