

**Drop-In Self-Help Center, Inc.
dba/SHARE Center**

**Financial Statements
Year Ended September 30, 2019**

Drop-In Self-Help Center, Inc. dba/SHARE Center

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Independent Auditors' Report

To the Board of Directors
Drop-In Self-Help Center, Inc. dba/SHARE Center

We have audited the accompanying financial statements of Drop-In Self-Help Center, Inc. dba/SHARE Center (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statement of activities of functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drop-In Self-Help Center, Inc. dba/SHARE Center as of September 30, 2019, and the change in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Fisher Spiegel Kunkle & Gerber, P.L.L.C.

FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan
December 18, 2020

Drop-In Self-Help Center, Inc. dba/SHARE Center

Statements of Financial Position

September 30,	2019
ASSETS	
Current assets	
Cash	\$ 150,806
Accounts receivable	114,904
Prepaid expenses and other assets	7,922
Total current assets	273,632
Fixed assets	
Land	27,500
Buildings and improvements	351,679
Equipment and furnishings	63,546
Computers and technology	16,869
Capital lease	16,462
	476,056
Less accumulated depreciation	(282,612)
Less accumulated amortization	(13,994)
Fixed assets, net	179,450
Total assets	\$ 453,082
LIABILITIES AND NET ASSETS	
Liabilities	
Current liabilities	
Accounts payable	\$ 6,678
Current portion of long-term lease obligation	2,468
Accrued wages	8,131
Payroll liabilities	3,412
Total current liabilities	20,689
Long-term lease obligation	0
Net assets	
With donor restrictions	81,742
Without donor restrictions	
Operations	173,669
Capital assets, net of accumulated depreciation, debt	176,982
Total net assets	432,393
Total liabilities and net assets	\$ 453,082

Drop-In Self-Help Center, Inc. dba/SHARE Center

Statement of Activities Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and operating revenue:			
Contract income - Summit Pointe	\$ 288,000	\$ 0	\$ 288,000
Grant income - United Way	20,053	69,657	89,710
Grant income - Other	14,292	10,308	24,600
Contributions	2,355	450	2,805
Rental income	13,119	0	13,119
Other income	163	0	163
Net assets reclassified from restrictions: satisfaction of program restrictions	69,713	(69,713)	0
Total support, revenue and reclassifications	407,695	10,702	418,397
Expenses:			
Drop-In Center	258,932	0	258,932
Community meals	97,186	0	97,186
Management and general	59,620	0	59,620
Total expenses	415,738	0	415,738
Changes in net assets	(8,043)	10,702	2,659
Net assets, beginning of year	358,694	71,040	429,734
Net assets, end of year	\$ 350,651	\$ 81,742	\$ 432,393

Drop-In Self-Help Center, Inc. dba/SHARE Center

Statement of Functional Expenses Year Ended September 30, 2019

	Program Expenses			Total
	Drop-In Center	Community Meals	Management and General	
Staff related expenses				
Salaries and wages	\$ 151,537	\$ 39,980	\$ 7,976	\$ 199,493
Payroll taxes	17,352	4,814	913	23,079
Insurance - health	10,391	5,977	547	16,915
Insurance - employment	1,370	374	72	1,816
Employee procurement	1,164	0	61	1,225
Staff appreciation	245	0	13	258
Program related expenses				
Activities	99	10,749	0	10,848
Contracted services	0	0	0	0
Consumer needs	2,986	0	0	2,986
Supplies	5,626	0	0	5,626
Technology expense	1,802	0	0	1,802
Travel, meetings and training	870	10	0	880
Facility related expenses				
Equipment lease	4,163	0	0	4,163
Insurance	4,706	3,070	212	7,988
Janitorial services	2,550	1,944	134	4,628
License & fees	392	660	0	1,052
Maintenance	17,109	8,020	900	26,029
Security	2,667	2,033	140	4,840
Telephone	2,904	764	153	3,821
Utilities	14,061	12,323	740	27,124
Operational expenses				
Advertising and marketing	214	0	0	214
Credit card fees and bank charges	0	0	671	671
Dues and subscriptions	667	50	0	717
Office supplies	3,298	0	0	3,298
Professional fees	0	0	46,480	46,480
Other expenses				
Amortization	3,128	0	165	3,293
Depreciation	8,420	6,418	443	15,281
Fundraisers	0	0	0	0
Miscellaneous	435	0	0	435
Interest	776	0	0	776
Penalties	0	0	0	0
Total	\$ 258,932	\$ 97,186	\$ 59,620	\$ 415,738

Drop-In Self-Help Center, Inc. dba/SHARE Center

Statements of Cash Flows

Years Ended September 30,	2019
Cash flows from operating activities	
Change in net assets	\$ 2,659
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	15,281
Amortization	3,293
Loss on disposal	61
(Increase) decrease in:	
Accounts receivable	8,105
Prepaid expenses	(5,141)
Increase (decrease) in:	
Accounts payable	(8,739)
Accrued wages	(1,491)
Payroll liabilities	2,206
Net cash provided by operating activities	16,234
Cash flows from investing activities	
Proceeds from sale of fixed assets	450
Net cash provided by investing activities	450
Cash flows from financing activities	
Principal payments on long-term lease	(3,292)
Net cash used in financing activities	(3,292)
Net increase in cash and cash equivalents	13,392
Cash and cash equivalents, at beginning of year	137,414
Cash and cash equivalents, at end of year	\$ 150,806

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies

Nature of business - Drop-In Self-Help Center, Inc. dba/SHARE Center, ("the Center") is a non-profit organization formed to provide a support network and counseling services through group interaction for the people of the Battle Creek, Michigan area. The Center's mission is to promote and facilitate optimal lifestyle changes through self-help principles by:

- Providing a self-help, mutual support group,
- Operating a resource, information, and referral center,
- Advocating for the civil and legal rights of people with problems associated with mental and emotional afflictions, and
- Acting as a vehicle to aid in acquiring self-advocacy skills.

The Center receives its funding primarily from the Calhoun County Community Mental Health Board (also known as Summit Pointe), and donations from the public. Meals are funded by United Way of Battle Creek/Kalamazoo.

Reporting entity - In accordance with accounting principles generally accepted in the United States of America these financial statements present all of the Center's funds and activities. The criteria established for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of accounting - The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are accrued.

Financial Statement Presentation - For presentation of financial statements, net assets and revenue, gains, expenses, and losses are classified as without donor restrictions and with donor restrictions, based upon the following criteria:

Net assets without donor restrictions

Net assets that represent expendable funds available for operations which are not otherwise limited by donor restrictions.

Net assets with donor restrictions

Net assets that consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the organization may spend the funds.

Cash and cash equivalents - Cash and cash equivalents include cash on hand, cash in banks, and certificates of deposit.

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

1. **Nature of Entity and Significant Accounting Policies - Continued**

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions - Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the absence or existence and nature of any donor restrictions.

Cost allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis.

Prepaid expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Inventories - The Center does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of supplies are expensed when purchased.

Capital assets - Capital assets, which include land, buildings, building improvements, equipment and furnishings, computer and technology and capital leases are reported in the financial statements. Capital assets are defined by the Center as individual assets with an initial cost equal to or more than \$500 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Some of the capital assets were donated to the Center. Donated capital assets consist mainly of used office equipment that does not have significant value and accordingly is not recorded on the books of the Center.

Capital assets of the Center are depreciated using the straight-line and double declining method over the following estimated useful lives:

Assets	Years
Land	Not depreciated
Buildings and improvements	15-39 straight line
Equipment and furnishings	5-12 double declining
Computers and technology	5 double declining
Capital lease	5 straight line

Contributed services - During the current fiscal year the value fo contributed services meeting the requirements of FASB Accounting Standards Codification (ASC 958-605) for recognition in the financial statements was not material and has not been recorded.

Grants and contracts - Support received under grants and contracts with other non-profit organizations is recorded as public support when the direct costs are incurred. Reimbursement of indirect costs relating to such grants and contracts is recorded as public support. Grant and contract receivables represent amounts due from other non-profit organizations for expenditures incurred but not yet reimbursed.

Income taxes - The Center is a not-for-profit organization and is exempt from tax under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. All tax returns review statutorily open for examination.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

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1. **Nature of Entity and Significant Accounting Policies - Continued**
- Advertising - The Center expenses all advertising costs when the advertisement occurs. Advertising expenses for the year ended September 30, 2019 were \$214.
- Adoption of Accounting Pronouncement - In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which affects all nonprofit organizations. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The ASU is effective for fiscal years beginning after December 15, 2017. The ASU has been applied retrospectively to all periods presented.
- Subsequent events - Subsequent events have been evaluated through December 18, 2020, which is the date the financial statements were available to be issued.
- In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact Organization's our financial condition or results of operations is uncertain.
- In October 2020, the Center is providing day time staff to a new homeless shelter in Battle Creek for Battle Creek Homeless Shelter, Inc. Other non-profit entities will be also investing staff to this organization. The Center will be reimbursed for the staff provided.
2. **Cash and Cash Equivalents**
- The carrying amount of the Center's bank balance was \$153,819. Cash balances were fully insured by the FDIC at September 30, 2019.
3. **Compensated Absences**
- Vacation pay is earned at a rate of 5 days per year for the first 2 years (21 days for leadership staff) of employment, 10 days per year for employees with 2-4 years of employment (21 days for leadership staff), and 15 days per year for subsequent years (26 days per year for leadership staff). Vacation pay can be accumulated up to two times the annual vacation amount and is paid upon termination unless the employee has been employed less than six months. The vacation pay is paid at the employee's base rate at the time the vacation is taken.

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

3. Compensated Absences - Continued Payment of vacation pay is not expected to exceed a normal year's accumulation.

At September 30, 2019, a liability of \$3,447 was recorded and included in accrued payroll.

4. Compliance Audits All governmental grants are subject to a transactional and compliance audit by the grantors of their representatives. Therefore, an indeterminable contingency exists for expenditures that may be disallowed by the granting agencies.

5. Leases The Center leases certain equipment with future minimum rental payments under operating leases as follows:

Year ending September 30,	
2020	\$ 3,528
2021	3,528
2022	1,470

Total rental expense under all lease agreements was \$4,163 for the year ended September 30, 2019.

6. Capital Lease The Center has acquired equipment under a long-term lease during 2015, with a total cost of \$16,462, accumulated amortization of \$13,994. The future minimum lease payments under this capital lease at September 30, 2019 are as follows:

For the years ending September 30,	
2019	\$3,051
Total minimum lease payments	3,051
Less amount representing interest	(583)
Present value of net minimum obligations	2,468
Less current obligation under capital leases	(2,468)
Long term obligation under capital leases	\$0

The lease was paid off in fiscal 2020.

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

7. Net Assets With Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. 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. The net assets with donor restrictions are restricted as follows:

September 30,	2019
ID Fund	\$1,326
Women's Fund	450
Basic needs	59,658
Employment and benefits coordinator	10,000
Meal program	7,808
Street outreach	2,500
	<u>\$81,742</u>

8. Accounting Pronouncements

Accounting Pronouncement - The Financial Accounting Standards Board issued Topic 842 "Leases", a new accounting for leases that will be effective in 2021. A lessor should recognize in the statement of financial position a liability for the present value of leases and an right of use asset representing its right to use the asset over the lease term. The Center will implement the new standard in fiscal 2023.

ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments Effective fiscal 2020

The ASU addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows.

The amendments provide guidance on the following nine specific cash flow issues:

- Debt prepayment or debt extinguishment costs;
- Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing;
- Contingent consideration payments made after a business combination;
- Proceeds from the settlement of insurance claims;
- Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned;
- Life insurance policies;

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

8. Accounting Pronouncements - Continued

- Distributions received from equity method investees;
- Beneficial interests in securitization transactions; and
- Separately identifiable cash flows and application of the predominance principle.

The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period.

ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* *Effective fiscal 2020*

The amendments in Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows.

The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents.

For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments should be applied using a retrospective transition method to each period presented.

ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* *Effective fiscal 2020*

ASU No. 2018-08 clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises.

The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

8. Accounting Pronouncements - Continued

transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards.

It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition.

The new ASU does not apply to transfers of assets from governments to businesses.

9. Major Customers

The Organization received 71% of its revenue from Summit Pointe and 21% of its revenue from United Way of Greater Battle Creek/Kalamazoo for its related meal program. At September 30, 2019, the Summit Pointe receivable was \$48,000 and United Way of Battle Creek/Kalamazoo was \$59,658.

10. Liquidity and Availability of Financial Assets

The following reflects the Center's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

September 30,	2019
Financial assets at year-end	\$ 265,713
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to women's fund	(450)
Financial assets available to meet cash needs for general expenditure within one year	\$ 265,263

The Center has certain donor restricted net assets that are available for general expenditures within one year of September 30, 2019. Because the restrictions on the net assets are expected to be met by conducting the normal program activities in the upcoming year, they have been included in the total above for financial assets at year end.

Drop-In Self-Help Center, Inc. dba/SHARE Center

Notes to Financial Statements

**10. Liquidity and
Availability of
Financial Assets -
Continued**

The Center manages its liquidity and reserves in order to operate within a prudent range of financial soundness and stability and to fund near term and long-term needs utilizing budgets and monthly monitoring.



