

St. Vincent and Sarah Fisher Center

**Financial Statements
December 31, 2024**

**With Comparative Totals
For the Year Ended December 31, 2023**

St. Vincent and Sarah Fisher Center
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December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
St. Vincent and Sarah Fisher Center
Detroit, MI

Opinion

We have audited the accompanying financial statements of St. Vincent and Sarah Fisher Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vincent and Sarah Fisher Center as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 St. Vincent and Sarah Fisher Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 St. Vincent and Sarah Fisher Center'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 St. Vincent and Sarah Fisher Center'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 St. Vincent and Sarah Fisher Center'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.

Report on Summarized Comparative Information

We have previously audited St. Vincent and Sarah Fisher Center's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cole, Newton & Duran

Cole, Newton & Duran CPAs
Livonia, Michigan
December 11, 2025

St. Vincent and Sarah Fisher Center
Statement of Financial Position
December 31, 2024
With Comparative Totals for December 31, 2023

ASSETS		
	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 181,136	\$ 219,970
Interest receivable	827	761
Accounts receivable	139,856	83,988
Prepaid expenses and other current assets	54,589	34,723
Total current assets	376,408	339,442
 PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		
	2,513,077	2,553,172
 OTHER ASSETS		
Investments	3,616,963	4,320,337
Right-of-use assets	21,044	27,462
	3,638,007	4,347,799
TOTAL ASSETS	\$ 6,527,492	\$ 7,240,413
 LIABILITIES AND NET ASSETS		
 CURRENT LIABILITIES		
Accounts payable	\$ 65,049	\$ 35,697
Operating lease liability, current portion	6,708	6,418
Accrued expenses	140,880	148,576
Deferred revenue	11,000	-
Line of credit	615,000	315,000
Total current liabilities	838,637	505,691
 LONG-TERM LIABILITIES		
Operating lease liability, long-term portion	14,336	21,044
Total liabilities	852,973	526,735
 NET ASSETS		
Without donor restrictions	5,673,543	6,712,702
With donor restrictions	976	976
Total net assets	5,674,519	6,713,678
TOTAL LIABILITIES AND NET ASSETS	\$ 6,527,492	\$ 7,240,413

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Totals	Summarized Totals
SUPPORT AND REVENUE				
Contributions	\$ 285,062	\$ -	\$ 285,062	\$ 318,698
Grants and contracts	873,686	-	873,686	692,552
In-kind donations	31,734	-	31,734	16,114
Other income	4,647	-	4,647	-
Total Support and Revenue	1,195,129	-	1,195,129	1,027,364
FUNCTIONAL EXPENSES				
Program	2,148,911	-	2,148,911	2,064,332
Management and general	120,761	-	120,761	126,954
Fundraising	382,569	-	382,569	315,756
Total Expenses	2,652,241	-	2,652,241	2,507,042
Changes in Net Assets from Operations	(1,457,112)	-	(1,457,112)	(1,479,678)
Investment income	417,953	-	417,953	646,061
Increase (Decrease) in Net Assets	(1,039,159)	-	(1,039,159)	(833,617)
Net Assets at Beginning of Year	6,712,702	976	6,713,678	7,547,295
Net Assets at End of Year	\$ 5,673,543	\$ 976	\$ 5,674,519	\$ 6,713,678

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Statement of Functional Expenses
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	2024						2023
	Child Services	Adult Services	Total Program Services	Management and General	Fundraising	Total Expenses	Summarized Total Expenses
Salaries and wages	\$ 332,921	\$ 895,420	\$ 1,228,341	\$ 56,334	\$ 150,934	\$ 1,435,609	\$ 1,378,551
Employee health benefits	55,877	102,976	158,853	8,957	5,656	173,466	145,591
Employee retirement benefits	15,484	43,545	59,029	3,009	6,523	68,561	64,722
Payroll taxes and workers' compensation	25,430	70,307	95,737	4,390	11,877	112,004	105,288
Total salaries and related expenses	429,712	1,112,248	1,541,960	72,690	174,990	1,789,640	1,694,152
Advertising and public relations	3,803	7,633	11,436	550	49,633	61,619	31,470
Bonds and insurance	19,502	42,387	61,889	3,308	5,068	70,265	72,132
Conferences, conventions and meetings	848	1,042	1,890	82	499	2,471	1,869
Contract services	6,814	11,828	18,642	168	31,541	50,351	47,973
Depreciation	26,883	44,538	71,421	6,908	6,811	85,140	80,469
Interest expense	9,064	12,797	21,861	2,666	2,133	26,660	2,998
Lease expense	3,798	8,299	12,097	753	1,470	14,320	10,035
Membership fees	258	1,755	2,013	73	819	2,905	1,450
Miscellaneous	12,612	5,603	18,215	2,734	30,325	51,274	61,159
Occupancy	104,049	110,219	214,268	22,626	16,334	253,228	256,155
Outside printing	-	-	-	-	11,088	11,088	18,637
Postage and shipping	32	88	120	11	6,969	7,100	2,108
Professional fees	9,540	32,009	41,549	3,034	6,963	51,546	63,516
Specific assistance to individuals	2,847	324	3,171	-	-	3,171	8,164
Subscriptions and publications	183	101	284	197	1,599	2,080	2,166
Supplies	24,195	22,641	46,836	673	645	48,154	25,402
Telephone and technology	22,126	48,505	70,631	4,288	35,620	110,539	107,954
Travel	5,559	5,069	10,628	-	62	10,690	19,232
Total expenses	\$ 681,825	\$ 1,467,086	\$ 2,148,911	\$ 120,761	\$ 382,569	\$ 2,652,241	\$ 2,507,041

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Statement of Cash Flows
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,039,159)	\$ (833,617)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	85,140	80,469
Unrealized (gain) loss on investments	687,164	(408,716)
(Increase) decrease in assets:		
Interest receivable	(66)	10,025
Accounts receivable	(55,868)	53,402
Prepaid expenses and other current assets	(19,866)	82,066
Increase (decrease) in liabilities:		
Accounts payable	29,352	(97,313)
Accrued expenses	(7,696)	27,231
Deferred revenue	11,000	-
Net cash (used in) provided by operating activities	(309,999)	(1,086,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(45,045)	(224,262)
Purchase of investments	5,694,611	(2,741,978)
Proceeds from sale of investments	(5,678,401)	3,630,048
Net cash provided by (used in) investing activities	(28,835)	663,808
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	300,000	315,000
Net cash provided by (used in) financing activities	300,000	315,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,834)	(107,645)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	219,970	327,615
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 181,136	\$ 219,970
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 26,660	\$ 2,998
Cash paid for income taxes	\$ -	\$ -

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 1 – Nature of Activities

The St. Vincent and Sarah Fisher Center (the Center) is a nonprofit entity whose mission is to provide education and skill development opportunities for at-risk children and families in Metropolitan Detroit. The Center derives its revenue primarily from contributions, grants, contracts, and investment income.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly, reflect all significant receivables, payables, and other liabilities.

Comparative Financial Information

The financial information presented for comparative purposes for the year ended December 31, 2023 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2023 financial statements of the Center from which the summarized information was derived.

Basis of presentation

Financial statement presentation follows the requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Center is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions consist of resources that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions consist of resources of which the use by the Center is limited by donor-imposed stipulations.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 support and expenses during the period. Actual results could differ from those estimates.

Fair value of financial instruments

FASB guidance on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, receivables, prepaids, accounts payable, and accrued liabilities, approximate fair value due to the short-term maturity of these instruments.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks, plus short-term investments with original maturities of three months or less. However, short-term investments with maturities at the date of purchase of three months or less, which are subject to investment management direction, are treated as investments rather than cash.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

Accounts receivable

The Center currently provides all services free of charge. The Center occasionally records receivables from grants, contracts, or other activities. Management is of the opinion that all receivables will be collected and as a result, there is no allowance for credit losses.

Property and equipment

All property and equipment expenditures over \$1,000 are capitalized at cost, if purchased, or at the approximate fair value on the date of the donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture and equipment purchased with donor restricted funds are released from restriction as depreciation is recognized over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are charged to expense as incurred.

Investments

Investments are reported at their fair values in the statement of financial position in accordance with Not-for-Profit Entities Topic of the FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investment income, including unrealized gains and losses, are included in the statement of activities and changes in net assets as investment income without donor restrictions, unless the income is restricted by donor stipulations.

Compensated absences

Full-time employees receive paid time off (PTO) based upon length of employment. Maximum PTO accruals are based upon length of employment. At the end of a fiscal year, PTO is determined and recorded as a liability for that fiscal year. The liability is included in accrued expenses on the statement of financial position. Unused PTO at the end of a fiscal year accumulates and is carried over to the following year. Payments are made for unused PTO if an employee with one or more years of continuous service resigns or is laid off before the end of the fiscal year.

Contributions

All contributions are considered available for general use unless specifically restricted by the donor. All donations are recorded at fair value when received. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are reported as support without donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are classified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. The Center, on occasion, is the beneficiary under various wills, the amounts of which cannot be estimated. The Center's share of such bequests is recorded when the proceeds are determinable.

Grants and contracts

The Center receives funding under grants and contracts from local government and other public grantors, for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

Revenue from grants and contracts is recognized only when funds are utilized by the Center to carry out the activity stipulated in the grant or contract agreement.

Donated services

A substantial number of volunteers have donated significant amounts of time to the Center's program services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under the Not-for-Profit Entities Topic of the FASB ASC.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

In-kind donations

In-kind donations of materials are recorded as both contributions and expenditures at fair value when received. During the years ended December 31, 2024, and 2023 in-kind donations totaled \$31,734 and \$16,114, respectively. In-kind donations are reflected in the statement of activities and changes in net assets as in-kind donations. The value of the donation is based on the amount that the Center would be required to spend to purchase the same or similar item. It is the Center's policy to use all in-kind donations within their programs or special events unless they are unable to use the item. In that event, they would attempt to monetize the item or donate the item to another nonprofit.

Statement of functional expenses

The Center presents their expenses by functional classification, which shows the amount spent for program-related activities. Expenses that can be identified with a specific program are charged directly to that program. Program expenses that cannot be identified with a specific program require allocation on a reasonable basis that is consistently applied. Expenses that are allocated are salaries and benefits which are allocated on the basis of estimates of time and effort, occupancy and depreciation which are allocated based on square footage, as well as supplies which are allocated by headcounts of the students, volunteers, and staff that use them. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Center. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Leases

The Organization leases office equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liability, and operating lease liability long-term on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has elected to use the practical expedient related to the discount rate and uses the risk-free interest rate based on the three-month U.S. Treasury bill at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option.

Tax status

The Center is exempt from federal income taxes under §501(c)(3) of the U.S. Internal Revenue Code. The Internal Revenue Service has classified the Center as an organization that is not a private foundation. The Center is no longer subject to U.S. federal tax examinations by tax authorities for years before 2021. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain tax positions.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

Advertising

The costs of advertising are expensed as incurred. The Center incurred \$61,619 and \$31,470 in advertising and public relations costs during the years ended December 31, 2024 and 2023, respectively.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the date the financial statements were available to be issued.

NOTE 3 – Concentration of Credit Risk and Contingencies

Cash

The Center maintains its cash balances in a single financial institution located in southeastern Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. The Center had no uninsured balances for the years ended December 31, 2024 or 2023.

Investments

Funds held in brokerage accounts are not covered by the FDIC but are covered by the Securities Investor Protection Corporation (SIPC), which insures certain claims up to \$500,000, including a \$250,000 limit for cash. Uninsured balances in brokerage accounts at the years ended December 31, 2024, and 2023 were \$3,116,963 and \$3,820,337, respectively. The Center has not experienced any losses with respect to uninsured deposits.

Grants and contracts

The Center receives a portion of its revenues from certain government grants that may be subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to the government entity. Until the reported costs have been audited and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits. These grants accounted for approximately 73% and 67% of revenue for the years ended December 31, 2024, and 2023, respectively.

Contributions

For the year ended December 31, 2024, the Center received 60% of the total contribution revenue from four donors. For the year ended December 31, 2023, the Center received 52% of the total contribution revenue from three donors.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 76,600	\$ 76,600
Building	2,495,767	2,467,972
Furniture and office equipment	131,399	123,141
Artwork	8,992	-
	<u>2,712,758</u>	<u>2,667,713</u>
Less accumulated depreciation	<u>(199,681)</u>	<u>(114,541)</u>
Net property and equipment	<u>\$ 2,513,077</u>	<u>\$ 2,553,172</u>

Depreciation expense for the years ended December 31, 2024, and 2023 was \$85,140 and \$80,469, respectively.

NOTE 5 – Investments

Investments consisted of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Cash and money market funds	\$ 664,454	\$ 103,067
Fixed income	980,001	1,317,264
Equities	1,972,508	2,900,006
	<u>\$ 3,616,963</u>	<u>\$ 4,320,337</u>

Investment income (loss) for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 129,408	\$ 77,385
Realized gains (losses)	989,969	184,500
Unrealized gains (losses)	(687,161)	408,716
Investment fees	<u>(14,263)</u>	<u>(24,540)</u>
	<u>\$ 417,953</u>	<u>\$ 646,061</u>

Investment risks – Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE 6 – Employee Benefit Plan

The Center maintains a Safe Harbor 401(k) (the Plan), which covers substantially all employees. The Center matches one half of employee contributions to the Plan, up to 5% of the employee's wages. The Center also contributes 3% of each participating employee's wages to the Plan. The total contributions charged to expense during the years ended December 31, 2024, and 2023 were \$68,561 and \$64,722, respectively.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 7 – Lease Commitments

The Center has an operating leases for office equipment. The lease currently extends through January 2028. The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31:

	<u>2024</u>	<u>2023</u>
Operating lease right of use asset	<u>\$ 21,044</u>	<u>\$ 27,462</u>
Operating lease liability, current portion	\$ 6,708	\$ 6,418
Operating lease liability, long-term portion	<u>14,336</u>	<u>21,044</u>
	<u>\$ 21,044</u>	<u>\$ 27,462</u>

The following summarizes the weighted average remaining lease term and weighted average discount rate as of December 31:

	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term	3 years	4 years
Weighted Average Discount Rate	4.42%	4.42%

<u>Years Ending December 31:</u>	<u>Amount</u>
2025	\$ 7,503
2026	7,503
2027	<u>7,503</u>
Total lease payments	22,509
Less: interest	<u>(1,465)</u>
Present value of lease liabilities	<u>\$ 21,044</u>

The following summarizes the line items in the statements of activities which include the components of operating lease expense for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Expense included in program services expenses	\$ 8,664	\$ 4,281
Expense included in management and general expenses	375	207
Expense included in fundraising expenses	<u>696</u>	<u>340</u>
	<u>\$ 9,735</u>	<u>\$ 4,828</u>

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 9,735</u>	<u>\$ 4,828</u>
Lease assets obtained in exchange for operating lease obligations	<u>\$ -</u>	<u>\$ 15,917</u>

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 8 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the Center to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date or published net asset value for alternative investments with characteristics similar to a mutual fund.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls, in its entirety, is based on the lowest level input that is significant to the fair value measurement. As of December 31, 2024 and 2023, management considers all investments of the Center to be Level 1 in the fair value hierarchy. During the years ended December 31, 2024, and 2023, there were no transfers between levels.

NOTE 9 – Line of Credit

The Center has a revolving line of credit with a local financial institution. The line of credit allows them to borrow up to \$750,000 and bears interest at the local financial institution's prime rate plus 0.50% (an effective rate of 8.00% as of December 31, 2024). The line of credit is due on demand and currently expires in December 2025. The balance as of December 31, 2024, and 2023 was \$615,000 and \$315,000, respectively. The agreement contains various nonfinancial covenants.

NOTE 10 – Donor Restrictions on Net Assets

Donor restricted net assets were restricted as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Other activities	<u>\$ 976</u>	<u>\$ 976</u>

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE 11 – Liquidity and Availability of Financial Assets

The following reflects the Center’s financial assets as of December 31 reduced by amounts not available for general use within one year:

	2024	2023
Total assets at year-end	\$ 6,527,492	\$ 7,240,413
Less those unavailable for general expenditures within one year:		
Donor restricted net assets	976	976
Net property and equipment	2,513,077	2,553,172
Right-of-use assets	21,044	27,462
	2,535,097	2,581,610
Financial assets available to meet cash needs for general expenditure, liabilities, and other obligations within one year	\$ 3,992,395	\$ 4,658,803

As part of the Center’s liquidity management, it invests cash in excess of daily requirements in equities, mutual funds, and cash equivalents.

NOTE 12 – Management’s Plans

The financial statements have been prepared on a going concern basis, which assumes that the Center will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The current economic environment is difficult due to funding constraints and many nonprofits seeking out the same governmental contract and foundation donor pools, and so, during the years ended December 31, 2024 and 2023, the Center has reported a decrease in net assets of \$1,039,159 and \$833,617, respectively. The Center has also reported negative cash flows from operating activities of \$309,999 and \$1,086,453, respectively. On a positive note, the Center has reported positive working capital of \$3,154,734 and \$4,154,088, as of December 31, 2024 and 2023, respectively. The positive working capital balance was mainly due to the investment balance of \$3,616,963 and \$4,320,337, respectively.

Over the past three years, the Center has experienced many unexpected budget fluctuations and significant unprecedented financial challenges that have affected the Center’s overall financial position and have required the Center to draw from our reserve investment portfolio.

Historical Context for Financial Challenges and Actions Implemented

Fiscal Year 2022:

- The Center purchased a new building to serve as its main campus and paid for the acquisition outright, avoiding a mortgage.
- In preparation for the acquisition, funding had been secured to significantly renovate the building. However, a substantial portion of that funding depended on a HUD allocation.
- Shortly after renovations began, the anticipated HUD funding was frozen pending a review of the contracting processes for all recipients. This caused delays in the renovation process which resulted in financial strain as the Center funded both the renovations as well as some "double occupancy" costs.
- The “Great Resignation” significantly increased market salaries for executive-level positions, and the Center incurred higher-than-anticipated costs as it filled two critical C-Suite roles.

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NOTE 12 – Management's Plans (continued)

Fiscal Year 2023:

- After more than a year, HUD announced that it would be changing the parameters of the previously awarded funds, notifying the Center of the revised requirements. This overhaul affected all recipients and was not specific to the Center. However, because the Center had already completed its renovation in 2022, it no longer qualified for the funds under these revised requirements.
- To address this impact, the Center procured several new contracts, expanding its 2023 budget to accommodate both the loss of the previously anticipated HUD renovation funds and the overall operational growth associated with its new facility. Several new programs were launched, and existing services were expanded, which increased payroll and benefits expenses.
- The Center acknowledged that existing reserves could no longer sustain operations at historical levels, and the Center determined that replacement funding would be required. Thus fundraising efforts were adjusted and expanded which further increased payroll and benefits expenses.

Fiscal Year 2024:

- The Center continues to focus on fundraising efforts.
- In the third quarter, the Center was notified that three multi-year federal contracts, administered through the City of Detroit, were ending earlier than expected, through no fault of the Center. Each contract involved multiple partner organizations. The other partners had exhausted their allocated funds, which triggered the early termination of the contracts.
- As a result, one of the contracts concluded in the fourth quarter of 2024, while the remaining two were scheduled to end in 2025. The sudden loss of these long term contracts, combined with the limited advance notice, required the Center to anticipate significant draws upon its reserve funds to maintain operations.
- In response, the Center initiated emergency planning to prepare for anticipated financial challenges in 2025, which included making a commitment to the board that withdrawals from the investment fund for operations would not exceed an approved amount.

Subsequent Activity (fiscal year 2025) and Future Plans

The Center recognizes the need to continually adjust its financial planning in response to several ongoing challenges:

- Addressing past committed expenses that had been carried into current budget years
- Managing the loss of contracts from 2024 and 2025
- Preparing contingency plans for potential additional losses under the new federal administration.

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NOTE 12 – Management's Plans (continued)

The Center is optimistic that they will overcome their current financial difficulties based on their success in the following actions already taken as well as future plans:

- The Center met its commitment to the Board to withdraw a limited amount for operations from the investment portfolio, with total withdrawals estimated to be 10% below the authorized budget of \$1,000,000.
- The Center secured several new contracts amounting to \$252,000, which based on the current commitments are expected to provide revenue in 2025 of \$252,000 and 2026 of \$172,000. Each of the contracts is expected to renew in the future.
- The Center has initiated rental of their Community Room for special events. Rental revenue is expected to be \$1,000 in 2025 and \$5,000 in 2026.
- In 2025, the Center implemented cost-cutting measures that reduced the operating budget by more than \$400,000. These savings will also carryforward into the 2026 budget.
- The Center conducted a detailed expense analysis and engaged in substantial renegotiations of vendor contracts which is resulting in reduced expenses of \$52,000 annually beginning in 2026.
- In order to limit interest expense, the Board approved for the Center to pay down the balance on the revolving line of credit described in Note 9, leaving the Center debt-free as of date of the auditor's report.
- The Center has significantly increased the involvements in corporate partnerships and collaborations to provide specific services to these partners both on site and off site throughout Metropolitan Detroit. This has continued to open new funding channels. These are expected to provide revenue in 2025 of \$71,500 and 2026 of \$120,000.
- The Board approved the 2026 budget in which the Center is committed to reducing the budgeted withdrawals from the investment portfolio by 50% from 2025 down to \$500,000.