

Communities Overcoming Violent Encounters, Inc.
Financial Statements

For the Years Ended September 30, 2024 and 2023

Communities Overcoming Violent Encounters, Inc.

FINANCIAL STATEMENTS

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 described in Note 1 to the financial statements, effective October 1, 2023, Communities Overcoming Violent Encounters, Inc. adopted Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*. Our opinion conclusion 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

April 8, 2025

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

ASSETS

	2024	2023
Current Assets		
Cash and Cash Equivalents	\$ 96,190	\$ 137,466
Grants Receivable	58,888	77,407
Prepaid Expenses	15,718	19,903
Total Current Assets	170,796	234,776
Noncurrent Assets		
Right-To-Use Asset	3,420	5,375
Property and Equipment, Net	1,436,061	1,520,072
Beneficial Interests in Assets Held by Others	8,253	8,253
Total Noncurrent Assets	1,447,734	1,533,700
Total Assets	\$ 1,618,530	\$ 1,768,476

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	\$ 5,800	\$ 4,121
Accrued Liabilities	32,470	30,410
Finance Lease Liability	3,675	5,631
Deposits Held for Others	-	370
Total Liabilities	41,945	40,532
Net Assets		
Without Donor Restrictions	1,558,979	1,725,444
With Donor Restrictions	17,606	2,500
Total Net Assets	1,576,585	1,727,944
Total Liabilities and Net Assets	\$ 1,618,530	\$ 1,768,476

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,

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue, Support, and Gains						
Contributions of Cash and Other Financial Assets	\$ 226,519	\$ -	\$ 226,519	\$ 251,274	\$ -	\$ 251,274
Grants and Awards						
Federal Grants	543,116	-	543,116	701,065	-	701,065
State Grants	163,852	-	163,852	12,592	-	12,592
Local Grants	-	44,156	44,156	-	15,068	15,068
Contributions of Nonfinancial Assets	1,938	-	1,938	1,850	-	1,850
Special Events Revenue	63,967	-	63,967	77,657	-	77,657
Interest Income	2,358	-	2,358	-	-	-
Other Miscellaneous Revenue	11,320	-	11,320	9,524	-	9,524
Gain (Loss) from Beneficial Interest in Assets	-	-	-	954	-	954
Net Assets Released From Restrictions	29,050	(29,050)	-	15,068	(15,068)	-
Total Revenue, Support, and Gains	<u>1,042,120</u>	<u>15,106</u>	<u>1,057,226</u>	<u>1,069,984</u>	<u>-</u>	<u>1,069,984</u>
Expenses						
Program Services						
Domestic Violence	685,750	-	685,750	803,772	-	803,772
Sexual Assault	177,606	-	177,606	166,270	-	166,270
Supporting Services						
Management and General	314,733	-	314,733	212,715	-	212,715
Fundraising	30,496	-	30,496	15,337	-	15,337
Total Supporting Services	<u>345,229</u>	<u>-</u>	<u>345,229</u>	<u>228,052</u>	<u>-</u>	<u>228,052</u>
Total Expenses	<u>1,208,585</u>	<u>-</u>	<u>1,208,585</u>	<u>1,198,094</u>	<u>-</u>	<u>1,198,094</u>
Change in Net Assets	(166,465)	15,106	(151,359)	(128,110)	-	(128,110)
Net Assets - Beginning 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>
Net Assets - End of Year	<u>\$ 1,558,979</u>	<u>\$ 17,606</u>	<u>\$ 1,576,585</u>	<u>\$ 1,725,444</u>	<u>\$ 2,500</u>	<u>\$ 1,727,944</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, 2024

	Program Services		Supporting Services		Total
	Domestic Violence	Sexual Assault	Management and General	Fundraising	
Salaries and Wages	\$ 388,182	\$ 88,470	\$ 215,370	\$ -	\$ 692,022
Fringe Benefits					
Payroll Taxes	32,618	7,350	17,300	-	57,268
Group and Workers' Compensation Insurance	43,650	19,429	28,410	-	91,489
IRA Contributions	4,701	2,377	4,407	-	11,485
Total Salaries and Wages and Fringe Benefits	469,151	117,626	\$ 265,487	-	852,264
Advertising	508	127	-	-	635
Printing and Copying	2,040	193	70	-	2,303
Postage	768	131	44	-	943
Conferences and Travel	5,041	3,826	1,136	-	10,003
Contracted Services and Professional Fees	4,185	19,779	1,045	-	25,009
Audit Fee	9,045	1,890	2,565	-	13,500
Depreciation and Amortization	44,734	12,390	28,842	-	85,966
Dues and Subscriptions	4,444	138	3,441	737	8,760
Equipment					
Equipment Repairs and Maintenance	29,114	492	90	-	29,696
Equipment Small Purchases	2,564	-	-	-	2,564
Occupancy					
Rent	8,628	1,122	-	-	9,750
Insurance	8,116	5,784	7,095	-	20,995
Telephone	13,526	1,317	225	-	15,068
Utilities	24,421	2,652	379	-	27,452
Office Expense	564	-	-	-	564
Other	5,526	7,043	2,377	-	14,946
Fundraising Expenses	-	-	-	29,757	29,757
Specific Assistance	27,596	779	-	-	28,375
Supplies	22,937	942	139	-	24,018
Transportation	2,799	1,375	395	-	4,569
Service Charges	43	-	1,403	2	1,448
Total Expenses by Function	\$ 685,750	\$ 177,606	\$ 314,733	\$ 30,496	\$ 1,208,585

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	538.00	52.00	157	-	747
Equipment Repairs and Maintenance	37,754	377	-	-	38,131
Equipment Small Purchases	2,458	187.00	-	-	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 Expenses by Function	\$ 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.
Statements of Cash Flows
For the Years Ended September 30,

	2024	2023
Reconciliation of Change in Net Assets to Net Cash		
Provided by (Used for) Operating Activities		
Change in Net Assets	\$ (151,359)	\$ (128,110)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Amortization	85,966	86,475
Loss (Gain) from Beneficial Interest in Assets	-	(954)
Changes in Operating Activities and Liabilities		
Grants Receivable	18,519	(4,836)
Prepaid Expense	4,185	(14,041)
Accounts Payable	1,679	(6,850)
Accrued Liabilities	2,060	11,468
Finance Lease Liability	(1,956)	(1,861)
Deposits Held for Others	(370)	-
	(41,276)	(58,709)
Net Cash Provided by (Used in) Operating Activities		
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	-	(9,993)
	(41,276)	(68,702)
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning of year	137,466	206,168
Cash and Cash Equivalents - Beginning of year	\$ 96,190	\$ 137,466
Supplemental disclosure of cash flow information:		
Interest paid and expensed on capital lease	\$ 427	\$ 685

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, 2024 and 2023

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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 is 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, 2024 and 2023

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 aged 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 groups. 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, childcare, 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.

Basis of Presentation

The financial statements of COVE have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports 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. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

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.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2024 and 2023

The following table provides a reconciliation of cash and cash equivalents, reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Checking Accounts	<u>\$ 96,190</u>	<u>\$ 137,466</u>

Accounts Receivables and Allowance for Credit Losses

Receivables include trade balances accrued and are stated at the amount management expects to collect from outstanding balances. Management estimates an allowance for expected credit losses based on its assessment of the current status of individual accounts, current market conditions, and forecasted economic and business environments. Amounts that are deemed uncollectible after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At September 30, 2024 and 2023, the COVE did not have any accounts receivables. Management has evaluated credit risk related to these notes and has determined an allowance is not necessary due to no receivables that qualify for analysis.

Grant 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. Grant receivables are stated as 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. Grant 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 grant receivables when management determines the grant receivable will not be collected.

Property and Equipment

COVE follows the practice of capitalizing, at cost, all expenditures of property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5-30 years
Vehicles and equipment	3-15 years
Software	3 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

COVE reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2024 and 2023.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2024 and 2023

Right to Use Leased Assets and Liabilities

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the right to use an underlying asset and lease obligation for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

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 available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor 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. COVE reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue and Revenue Recognition

COVE recognizes revenue from various cost-reimbursable contracts with state agencies with various terms. State grants are not recorded until expended for the purpose of the grants, since they have been evaluated as conditional promises to give and are not recorded until the condition has been met in accordance with Accounting Standards Update (ASU) 2018-08. Amounts received are recognized as revenue when COVE has incurred expenditures in compliance with specific contract or grant provision.

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

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, 2024 and 2023, 100% and 100%, respectively, of COVE's grants receivable balance is from the State of Michigan. For the years ended September 30, 2024 and 2023, COVE's percentage of revenues directly or flow through from the State of Michigan was 66.9% and 66.7%, respectively.

Communities Overcoming Violent Encounters, Inc.
Notes to the Financial Statements
For the Years Ended September 30, 2024 and 2023

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.

Donated Services and In-Kind Contributions

Contributed nonfinancial assets include donated food, clothing, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. COVE does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute 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. No significant contributions of such goods or services were received during the years ended September 30, 2024 and 2023, respectively. These services were valued at \$1,938 and \$1,850 for the years ended September 30, 2024 and 2023, respectively.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$635 and \$882 during the years ended September 30, 2024 and 2023.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management's estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of COVE. 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, 2024 and 2023, respectively, funding sources allowed for \$59,255 and \$62,055 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, 2024 and 2023

Income Taxes

COVE is organized as a Michigan nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under the Internal Revenue Code Section 501(a) as an organization described in IRS Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. COVE is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, if it is subject to income tax on net income that is derived from business activities that are unrelated to COVE's exempt purposes. COVE has determined that COVE is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. COVE's tax returns remain subject to audit by the IRS for three years after filing. At September 30, 2024, the returns for 2021, 2022, and 2023 remain open for examination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us 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 expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

COVE manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of September 30, 2024 and 2023, COVE had no amounts in excess of FDIC insurance limits. To date, COVE has not experienced losses in any of these accounts.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, in June 2016. The standard replaced the incurred loss impairment methodology with a new methodology that reflects current expected credit losses ("CECL") on financial assets, including receivables, available-for-sale securities, and certain off balance sheet commitments. The new methodology requires the measurement of all expected credit losses based on historical experience, current economic conditions, and reasonable and supportable forecasts. The standard also expands the required quantitative and qualitative disclosures for expected credit losses. On October 1, 2023, COVE adopted the standard using a modified retrospective method. The adoption of this standard did not have a material impact on the combined financial statements and disclosures.

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NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following as of September 30, 2024 and 2023:

	2024	2023
Cash and Cash Equivalents	\$ 96,190	\$ 137,466
Grants Receivable	58,888	77,407
Total	\$ 155,078	\$ 214,873

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 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

COVE reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset 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, 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 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 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 that the Organization can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset 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. 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.

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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.

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 is 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, 2024 and 2023, respectively.

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.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2024 and 2023:

	2024	2023
Land	\$ 126,734	\$ 126,734
Building and Building Improvements	1,843,539	1,843,539
Vehicles and Equipment	250,080	250,080
Software	5,459	5,459
Total Property and Equipment	2,225,812	2,225,812
Less Accumulated Depreciation and Amortization	(789,751)	(705,740)
Total Net Property and Equipment	1,436,061	\$ 1,520,072

Depreciation/amortization expense for the years ended September 30, 2024 and 2023 was \$85,966 and \$86,475, respectively, and is included in depreciation and amortization in the accompanying financial statements.

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NOTE 5 – LEASES

COVE leases certain equipment (a multi-purpose printer/copier from Xerox Financial Services requiring monthly payments of \$198) under a long-term non-cancelable finance lease agreement. The lease expires in 2026. COVE includes in the determination of the right-to-use asset and lease liability any renewal options when the options are reasonably certain to be exercised. COVE’s finance lease provides for increases in future minimum annual rental payments. The weighted-average discount rate is based on the discount rate implicit in the lease. COVE has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. COVE has applied the risk-free rate option to the equipment class of assets.

COVE has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. COVE elected the practical expedient to not separate lease and non-lease components for equipment leases.

Total lease costs for the year ended September 30, 2024 and 2023 was \$2,383 and \$2,383, respectively.

The following table summarizes supplemental cash flow information for the year ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Cash Flows from Finance Leases	\$ 2,383	\$ 2,383

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2024</u>	<u>2023</u>
Weighted-average Remaining Lease Term In Years:		
Finance Leases	1.8	2.8
Weighted-average Discount Rate:		
Finance Leases	9%	9%

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The future minimum lease payments under noncancelable financing lease with terms greater than one year are listed below as of September 30, 2024 and 2023:

Years Ending September 30,	2024	2023
2024	\$ -	\$ 2,383
2025	2,383	2,383
2026	1,588	1,588
Total future minimum lease payments	3,971	6,354
Less Present Value Discount	(296)	(723)
Total Lease Liability	\$ 3,675	\$ 5,631

NOTE 6 – 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 \$7,213 and \$4,414 as of September 30, 2024 and 2023, respectively. These balances are included in accrued liabilities on the statements of financial position.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at September 30, 2024 and 2023:

	2024	2023
Subject to the Passage of Time	\$ -	\$ -
Subject to Expenditure for Specific Purpose		
Perpetual in Nature Endowment	-	2,500
Community Awareness	1,837	-
Gift from God	283	-
MCEDSV	1,551	-
Healing Arts	578	-
2024 Wish List	1,499	-
Pest Control	2,369	-
Shelter Needs	2,500	-
Podcast Supplies	403	-
Staff Self Care	11	-
Security Project	750	-
Heating and Cooling	4,525	-
Support Group	1,300	-
	\$ 17,606	\$ 2,500

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2024 and 2023:

	2024	2023
Subject to the Passage of Time	\$ 11,401	\$ 15,068
Subject to Expenditure for Specific Purpose		
Perpetual in Nature Endowment		
Community Awareness	1,163	-
Gift from God	1,027	-
MCEDSV	3,901	-
Healing Arts	390	-
2024 Wish List	501	-
Pest Control	2,631	-
Shelter Needs	-	-
Podcast Supplies	1,097	-
Staff Self Care	489	-
Security Project	6,250	-
Heating and Cooling	-	-
Support Group	200	-
	\$ 29,050	\$ 15,068

NOTE 8 – EMPLOYEE BENEFITS

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 \$11,485 and \$11,074 for the years ended September 30, 2024 and 2023, respectively.

NOTE 9 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

COVE has one fund with the Community Foundation for Mason County and one fund with the Community Foundation for Oceana County. Both 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.

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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.

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.

A summary of revenues, expenses, and changes in the net assets at fair value of the funds for the years ended September 30, 2024 and 2023, respectively, follows:

	<u>2024</u>		<u>2023</u>	
	COVE Mason Endowment Fund	COVE Oceana Endowment Fund	COVE Mason Endowment Fund	COVE Oceana Endowment Fund
Revenues				
Contributions	\$ 1,400	\$ 100	\$ 400	\$ 101,350
Dividends and Interest	3,230	3,883	2,713	2,051
Realized and Unrealized Gains (Losses) on Investments	<u>24,987</u>	<u>32,547</u>	<u>10,686</u>	<u>804</u>
	<u>29,617</u>	<u>36,530</u>	<u>13,799</u>	<u>104,205</u>
Expenses				
Transfers to COVE	-	5,112	-	-
Investment and Management Fees	<u>1,035</u>	<u>1,687</u>	<u>908</u>	<u>872</u>
	<u>1,035</u>	<u>6,799</u>	<u>908</u>	<u>872</u>
Changed in Net Assets	28,582	29,731	12,891	103,333
Net Assets at Beginning of Year	<u>108,946</u>	<u>159,223</u>	<u>96,055</u>	<u>55,890</u>
Net Assets at End of Year	137,528	188,954	108,946	159,223
Less Assets Recorded as Those of the Community Foundation	<u>(129,275)</u>	<u>(188,954)</u>	<u>(100,693)</u>	<u>(159,223)</u>
Assets Reported on the Statement of Financial Position	<u>\$ 8,253</u>	<u>\$ -</u>	<u>\$ 8,253</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 a legal standard imposed on all community foundations. 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.

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NOTE 10 – CONTINGENCIES

Grant Revenues

The operations of COVE 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 the 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 11 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2024, the most recent balance sheet presented herein, through April 8, 2025, the date the financial statements were available to be issued. In October 2024, COVE secured a \$25,000 line of credit with West Shore Bank, with an interest rate of 8.00%, maturing March 2026. Additionally, in October 2024, COVE received an oral promise-to-give, with the promise that COVE would receive \$2,500 per month. Currently, there is no written documentation for this promise-to-give; rather only an oral agreement exists. Neither of these transactions were recorded in the 2023-2024 year and therefore not reflected in these financial statements.