PEACE NEIGHBORHOOD CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Peace Neighborhood Center
Ann Arbor, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Peace Neighborhood Center (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peace Neighborhood Center as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Peace Neighborhood Center 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Peace Neighborhood 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 consolidated 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 consolidated 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 consolidated 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 Peace Neighborhood 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Peace Neighborhood 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.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
June 20, 2022

	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,039,451	$ 535,438
Prepaid expenses	19,105	17,886
Grants receivable	94,381	98,582
Promises to give	234,827	140,619
Cash designated for longer-term purposes	867,020	317,790
Cash restricted for capital improvements	4,993	4,990
Property and equipment, net of accumulated depreciation	1,354,339	1,316,258
TOTAL ASSETS	$ 3,614,116	$ 2,431,563
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 20,161	$ 25,140
Accrued liabilities	34,386	37,717
TOTAL LIABILITIES	54,547	62,857
NET ASSETS		
Without donor restrictions		
Undesignated	2,444,052	1,887,061
Board designated	867,020	321,726
	3,311,072	2,208,787
With donor restrictions	248,497	159,919
TOTAL NET ASSETS	3,559,569	2,368,706
TOTAL LIABILITIES AND NET ASSETS	$ 3,614,116	$ 2,431,563

PEACE NEIGHBORHOOD CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31,

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS, AND OTHER SUPPORT		
Grants	$ 340,350	$ 340,597
Contributions	1,447,149	917,867
Special events, net of expenses of $7,033 and $6,151, respectively	49,593	50,248
Interest and dividends	549	384
Other revenues, gains, and support	14,374	3,653
	1,852,015	1,312,749
Net assets released from restrictions	317,930	133,807
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,169,945	1,446,556
EXPENSES AND LOSSES		
Program Services	880,948	804,001
Supporting Services		
Management and general	71,595	68,701
Fundraising	115,117	88,186
Total Supporting Services	186,712	156,887
TOTAL EXPENSES AND LOSSES	1,067,660	960,888
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,102,285	485,668
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	406,508	253,393
Net assets released from restrictions	(317,930)	(133,807)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	88,578	119,586
CHANGE IN NET ASSETS	1,190,863	605,254
NET ASSETS AT BEGINNING OF YEAR	2,368,706	1,763,452
NET ASSETS AT END OF YEAR	$ 3,559,569	$ 2,368,706

PEACE NEIGHBORHOOD CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021 with comparable totals for 2020

		Supporting Services			
	Program Services	Management and General	Fund-Raising	2021 Total	2020 Total
Specific assistance to individuals	$ 28,613	$ -	$ -	$ 28,613	$ 16,551
Employee Compensation					
Salaries and wages	513,306	22,087	83,174	618,567	565,478
Retirement plan contribution	9,549	644	536	10,729	5,283
Other employee benefits	52,280	1,669	1,669	55,618	59,605
Payroll taxes	41,450	1,784	6,716	49,950	42,766
	616,585	26,184	92,095	734,864	673,132
Other Expenses					
Accounting fees	-	13,538	-	13,538	12,335
Supplies	42,248	4,507	1,844	48,599	58,845
Communications	3,574	416	166	4,156	17,243
Postage and shipping	776	76	1,627	2,479	1,793
Occupancy					
Utilities	24,075	1,337	1,337	26,749	24,271
Repairs and maintenance	39,717	3,148	2,256	45,121	24,435
Printing and publications	8,062	960	10,173	19,195	10,902
Travel	4,841	213	266	5,320	4,085
Depreciation and amortization	69,944	3,886	3,886	77,716	68,244
Consultants	-	6,551	-	6,551	4,857
Insurance	28,464	1,503	735	30,702	30,153
Advertising	-	-	-	-	125
Bank and finance charges	554	7,906	31	8,491	6,650
All other	13,495	1,370	7,734	22,599	13,418
	880,948	71,595	122,150	1,074,693	967,039
Less expenses included with revenues on statement of activities	-	-	(7,033)	(7,033)	(6,151)
	$ 880,948	$ 71,595	$ 115,117	$ 1,067,660	$ 960,888

PEACE NEIGHBORHOOD CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	2020 Total
Specific assistance to individuals	$ 16,551	$ -	$ -	$ 16,551
Employee Compensation				
Salaries and wages	480,321	20,962	64,195	565,478
Retirement plan contribution	4,702	317	264	5,283
Other employee benefits	56,029	1,788	1,788	59,605
Payroll taxes	36,326	1,585	4,855	42,766
	577,378	24,652	71,102	673,132
Other Expenses				
Accounting fees	-	12,335	-	12,335
Supplies	48,463	7,967	2,415	58,845
Communications	14,829	1,724	690	17,243
Postage and shipping	735	72	986	1,793
Occupancy				
Utilities	21,843	1,214	1,214	24,271
Repairs and maintenance	21,627	1,586	1,222	24,435
Printing and publications	4,579	545	5,778	10,902
Travel	3,723	161	201	4,085
Depreciation and amortization	61,420	3,412	3,412	68,244
Consultants	-	4,857	-	4,857
Insurance	27,890	1,479	784	30,153
Advertising	-	-	125	125
Bank and finance charges	118	6,525	7	6,650
All other	4,845	2,172	6,401	13,418
	804,001	68,701	94,337	967,039
Less expenses included with revenues on statement of activities	-	-	(6,151)	(6,151)
	$ 804,001	$ 68,701	$ 88,186	$ 960,888

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,190,863	$ 605,254
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	77,716	68,244
Change in:		
Prepaid expenses	(1,219)	(6,043)
Grants receivable	4,201	(51,086)
Promises to give	(94,208)	(124,286)
Accounts payable	(4,979)	15,917
Accrued liabilities	(3,331)	(2,467)
Net cash from (used for) operating activities	1,169,043	505,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(115,797)	-
Net cash used for investing activities	(115,797)	-
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,053,246	505,533
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	858,218	352,685
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 1,911,464	$ 858,218

As presented on consolidated statements of financial position:		
Cash and cash equivalents	$ 1,039,451	$ 535,438
Cash designated for longer-term purposes	867,020	317,790
Cash restricted for capital improvements	4,993	4,990
	$ 1,911,464	$ 858,218

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Peace Neighborhood Center (the "Center") is a nonprofit organization established to address the problems of unemployment and juvenile delinquency by providing job and youth programs and general assistance to individuals and families in the Ann Arbor, Michigan area. Peace Neighborhood Center is primarily funded through public and private contributions and grants.

Peace Neighborhood Center – Maple Road Corridor was established to operate solely to support and benefit the mission and vision of Peace Neighborhood Center in the Maple Road Corridor in Ann Arbor. Peace Neighborhood Center – Maple Road Corridor is a wholly-owned nonprofit subsidiary of Peace Neighborhood Center. Peace Neighborhood Center is the sole member of Peace Neighborhood Center – Maple Road Corridor.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Peace Neighborhood Center and its controlled organization, Peace Neighborhood Center – Maple Road Corridor, for the years ended December 31, 2021 and 2020. All significant intercompany transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, revenues are recognized when earned and expenses are recognized as they are incurred.

Basis of Presentation

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-) imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make accounting estimates and assumptions that affect the reported amounts of assets, liabilities, and other amounts and disclosures included herein.

Cash Equivalents

The Center considers all investments with an original maturity of three months or less to be cash equivalents.

Receivables and Allowance for Doubtful Accounts

Promises to give are stated at the amount pledged by donors net of net present value discounts. The Center provides an allowance for doubtful pledges receivable, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent pledges receivable are written off based on the specific circumstances of the donor making the pledge.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchased is carried at cost. All donated equipment is carried at estimated fair market value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. It is the Center's policy to capitalize expenditures for property and equipment that have an original cost in excess of $1,000. Repairs are not capitalized unless they both increase the value of the asset and extend the useful life.

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services. The Center pays for most services requiring a specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Center with specific programs, fundraising, and administrative duties.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions Restricted to Purchase of Property and Equipment

Contributions that must be used to purchase property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Grants

Grants are primarily from governmental sources and are considered conditional contributions. Revenue is recognized as conditions are met, either through incurring related costs or providing services.

Income Taxes

The Internal Revenue Service has ruled that the Center qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to income tax under present laws and is not considered a private foundation.

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses 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 depreciation and insurance, which are allocated on a square-footage basis, as well as salaries, wages, and employee benefits, which are allocated on the basis of estimates of time and effort.

Subsequent Events

Subsequent events have been evaluated through June 20, 2022, the date the consolidated financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 1,039,451	$ 535,438
Grants receivable	94,381	98,582
Promises to give	234,827	140,619
Cash designated for longer-term purposes	867,020	317,790
Cash restricted for capital improvements	4,993	4,990
Total financial assets	2,240,672	1,097,419
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(13,670)	(24,542)
Less financial assets not available within one year:		
Promises to give	(118,424)	(100,377)
Less cash designated or restricted to longer-term purposes	(872,013)	(322,780)
Amount available for general expenditures within one year	$ 1,236,565	$ 649,720

As part of its liquidity management plan, the Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It invests cash in excess of daily requirements in savings and money market accounts.

NOTE C - PROMISES TO GIVE

All promises to give at year-end are collectible over the next five years. Promises to give consist of the following at:

	December 31,	
	2021	2020
Receivable in less than one year	$ 121,403	$ 45,242
Receivable in one to five years	122,987	106,000
Total promises to give	244,390	151,242
Less unamortized discount at 3%	(4,563)	(5,623)
Less allowance for uncollectible promises to give	(5,000)	(5,000)
	$ 234,827	$ 140,619

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	December 31,	
	2021	2020
Land	$ 80,000	$ 80,000
Buildings and improvements	2,150,769	2,136,416
Vehicles	156,852	164,102
Software	30,313	21,720
Furniture and equipment	169,442	155,771
	2,587,376	2,558,009
Less accumulated depreciation and amortization	(1,233,037)	(1,241,751)
	$ 1,354,339	$ 1,316,258

NOTE E - LINE OF CREDIT

The Center had a line of credit with a local banking institution that expired in 2020. The maximum line was $150,000 with interest at 1% over the bank's prime rate, with a minimum interest rate of 4.75%. The balance outstanding on the line of credit was $0 at December 31, 2021 and 2020. The line of credit was secured by the property located at 1111 Maple Road.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31,	
	2021	2020
Subject to expenditure for specified purpose:		
Capital Improvement Fund	$ 4,950	$ 4,950
Coordinated funding allocation	-	5,242
Transformation Road Trips	8,720	8,720
Van purchases	-	5,630
	13,670	24,542
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	234,827	135,377
	$ 248,497	$ 159,919

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 during the years ended December 31, 2021 and 2020:

	2021	2020
Expiration of time restrictions	$ 271,766	$ 10,500
Satisfaction of purpose restrictions		
Youth services	1,525	54,497
Advocacy and adult community programs	1,016	-
Coordinated funding allocation	22,882	27,833
Fundraising activities	105	11,777
COVID-19 safety precaution expenses	-	2,100
50th year celebration	-	20,000
Van purchases	5,630	4,700
General operating	15,006	2,400
	$ 317,930	$ 133,807

NOTE G - BOARD DESIGNATED NET ASSETS

Board designated net assets are designated for longer-term purposes including funding an endowment.

NOTE H - RETIREMENT PLAN

The Center has a defined contribution plan covering all employees working at least 20 hours per week, with at least one year of service who agree to make contributions to the plan. The plan conforms to the provisions set by Internal Revenue Code Section 403(b), Defined Contribution Retirement Plan. The Center makes an annual contribution to the plan based upon Board designation and the amount is fully vested when the contribution is made. Retirement plan expense for the years ended December 31, 2021 and 2020 was $10,729 and $5,283, respectively.

NOTE I - COMMUNITY FOUNDATION

Certain funds donated by outside donors for the benefit of the Center are held and managed by the Ann Arbor Area Community Foundation (the "Community Foundation"). The fair market value of these funds was approximately $231,464 and $143,219 at December 31, 2021 and 2020, respectively. These funds are not reflected in the financial statements. Earnings are available for distribution to the Center at the discretion of the Community Foundation, and therefore, are not reflected as revenue in the financial statements until received by the Center. Distributions of $0 and $4,927 were received in 2021 and 2020, respectively.

NOTE J - CONCENTRATIONS

Concentrations of Credit Risk in Financial Instruments

Financial instruments, which potentially subject the Center to significant concentrations of credit risk, include cash, receivables, and promises to give. Cash is maintained at one local bank, and one money market mutual fund. Cash on deposit with financial institutions exceeded the FDIC insured limit of $250,000 by approximately $775,000 at December 31, 2021, and the money market mutual fund balance of approximately $880,000 is not covered by federal insurance . Receivables and promises to give are due from several grantors and contributors. Promises to give are presented net of management's estimate of uncollectible accounts.

NOTE K - SUBSEQUENT EVENTS

In 2022, the Center transferred $200,000 to the Ann Arbor Area Community Foundation as a board-designated endowment fund.