

CHOSEN VISION, INC.
(A Michigan Non-Profit Organization)

GRAND LEDGE, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chosen Vision, Inc.
Grand Ledge, MI 48837

We have audited the accompanying financial statements of Chosen Vision, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Chosen Vision, Inc. as of December 31, 2018 and 2017, and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully,

Lally Group, PC

Jackson, Michigan

December 8, 2019

CHOSEN VISION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	12/31/2018	12/31/2017
CURRENT ASSETS:		
Cash	\$ 500,301	\$ 519,101
Investments	251,464	0
Accounts Receivable	18,402	20,847
Prepaid Residence Allowance	1,292	799
Prepaid Expense	6,845	13,923
TOTAL CURRENT ASSETS	778,304	554,670
PROPERTY AND EQUIPMENT:		
Land	142,998	106,163
Chosen Vision Homes and Improvements	1,965,720	1,460,936
Construction in Progress	0	587,535
Equipment	17,659	15,906
Vehicles	67,616	48,889
Furniture	54,431	45,624
Less: Accumulated Depreciation	(490,055)	(417,004)
NET PROPERTY AND EQUIPMENT	1,758,369	1,848,049
TOTAL ASSETS	\$ 2,536,673	\$ 2,402,719

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 13,476	\$ 9,529
Accrued Payroll and Related Expenses	23,642	22,148
Not found		
TOTAL CURRENT LIABILITIES	37,118	31,677
NET ASSETS:		
Net assets without donor restrictions	2,499,555	2,339,639
Net assets with donor restrictions	0	31,403
TOTAL NET ASSETS	2,499,555	2,371,042
TOTAL LIABILITIES AND NET ASSETS	\$ 2,536,673	\$ 2,402,719

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

CHOSEN VISION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	12/31/2018			12/31/2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES:						
Donations	\$ 430,249	\$ 0	\$ 430,249	\$ 411,483	\$ 0	\$ 411,483
Joshua's Place Donations	0	17,577	17,577	0	618,938	618,938
Resident Income	527,580	0	527,580	431,273	0	431,273
Annual Banquet	75,816	0	75,816	40,455	0	40,455
Grants	0	0	0	0	0	0
Schloarships	38,000	0	38,000	0	0	0
Gain/(Loss) on sale of property	(40,167)	0	(40,167)	0	0	0
Miscellaneous	500	0	500	0	0	0
Investment Income	3,225	0	3,225	806	0	806
TOTAL REVENUES	1,035,203	17,577	1,052,780	884,017	618,938	1,502,955
EXPENSES:						
Program Services	803,089	0	803,089	648,102	0	648,102
Management and General	77,260	0	77,260	63,595	0	63,595
Fund Raising	43,918	0	43,918	24,222	0	24,222
TOTAL EXPENSES	924,267	0	924,267	735,919	0	735,920
NET ASSETS RELEASED FROM RESTRICTIONS	48,980	(48,980)	0	587,535	(587,535)	0
CHANGE IN NET ASSETS	159,916	(31,403)	128,513	735,633	31,403	767,036
NET ASSETS - BEGINNING	2,339,639	31,403	2,371,042	1,604,006	0	1,604,006
NET ASSETS - ENDING	\$ 2,499,555	\$ 0	\$ 2,499,555	\$ 2,339,639	\$ 31,403	\$ 2,371,042

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

CHOSEN VISION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>12/31/2018</u>	<u>12/31/2017</u>
OPERATING ACTIVITIES:		
Change in net position	\$ 128,513	\$ 767,036
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization expense	73,050	59,039
Loss on sale of land	40,167	0
(Increase) Decrease in assets:		
Accounts receivable	2,445	33,921
Prepaid residence allowance	(493)	(471)
Prepaid expense	7,078	(13,923)
Increase (Decrease) in liabilities:		
Accounts payable	3,947	2,381
Accrued payroll and related expenses	1,494	5,710
	<u>256,201</u>	<u>853,693</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
INVESTING ACTIVITIES:		
Purchase of property and equipment	(66,572)	(617,443)
Proceeds from sale of property	43,035	0
	<u>(23,537)</u>	<u>(617,443)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
FINANCING ACTIVITIES:		
Investment in CDs	(251,464)	0
	<u>(251,464)</u>	<u>0</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
INCREASED (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,800)	236,250
CASH AND CASH EQUIVALENTS - BEGINNING BALANCE	<u>519,101</u>	<u>282,851</u>
CASH AND CASH EQUIVALENTS - ENDING BALANCE	<u>\$ 500,301</u>	<u>\$ 519,101</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 0	\$ 0
Income taxes paid	\$ 0	\$ 0

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

CHOSEN VISION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	12/31/2018				12/31/2017			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL EXPENSES
Advertising	\$ 0	\$ 0	\$20,188	\$ 20,188	\$ 0	\$ 42	\$ 8,274	\$ 8,316
Agency Van	11,742	0	0	11,742	7,498	0	0	7,498
Bank and Investment Fees	0	822	0	822	0	1,538	0	1,538
Depreciation and Amortization	69,398	3,652	0	73,050	56,087	2,952	0	59,039
Food and Groceries	91,745	0	0	91,745	59,124	0	0	59,124
Fundraising Banquet and Auction	0	0	22,622	22,622	0	0	14,932	14,932
Insurance	19,702	24,525	0	44,227	13,447	16,763	0	30,210
Interest Expense	0	0	0	0	0	0	0	0
License Fees	70	0	0	70	70	0	0	70
Memberships	410	0	0	410	290	0	0	290
Office Supplies	419	2,096	279	2,794	242	1,209	161	1,612
Payroll Taxes	46,931	2,470	0	49,401	36,651	1,929	0	38,580
Postage and Printing	2,900	416	829	4,145	2,990	428	855	4,273
Professional Services	0	10,287	0	10,287	0	9,953	0	9,953
Program Supplies	1,337	0	0	1,337	863	0	0	863
Repairs and Maintenance	19,133	247	0	19,380	17,013	247	0	17,260
Resident Personal Allowances	13,178	0	0	13,178	9,608	0	0	9,608
Salaries and Wages	481,040	25,318	0	506,358	403,744	21,250	0	424,994
Special Outings and Trips	8,061	0	0	8,061	6,707	0	0	6,707
Staff Development and Recognition	3,784	5,678	0	9,462	3,803	5,707	0	9,510
Property Taxes	588	31	0	619	2,176	114	0	2,290
Utilities	32,651	1,718	0	34,369	27,789	1,463	0	29,252
	<u>\$ 803,089</u>	<u>\$ 77,260</u>	<u>\$43,918</u>	<u>\$ 924,267</u>	<u>\$ 648,102</u>	<u>\$ 63,595</u>	<u>\$24,222</u>	<u>\$ 735,919</u>

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

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES:

Chosen Vision, Inc. (the Organization) is a not-for-profit organization incorporated in 1991. Its stated purpose is to provide housing, care, and related services for persons with disabilities. The founders of the Organization were interested in establishing a group home for developmentally disabled adults that would meet their social and emotional needs and be distinctively Christian. The original Chosen Vision Home was opened in 2002, and is a barrier-free, multi-bed home located northeast of Grand Ledge for young women. The organization opened two additional facilities in DeWitt, a second facility for young women in 2013 and a facility for young men in 2015. In 2017, the Organization began construction on Joshua's Place, a new facility located in DeWitt, which opened in 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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.

Contributions

The Organization accounts for contributions with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Investments

The Organization follows SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or decreases in expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Donated Services

Numerous volunteers have donated significant amounts of time to the Organization in connection with the Annual Dinner, Silent Auction, facility maintenance and other programs. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

Accounts Receivable

Accounts receivable are stated at the amounts the Organization expects to collect from outstanding balances. The Organization does not charge interest or require collateral for its receivables. Management's determination of whether or not an amount is past due depends on the payment terms of the agency owing the Organization. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The allowance amount was \$0 for the years ended December 31, 2018 and 2017.

Property and Equipment

Property and equipment are carried at cost. Depreciation of equipment is provided using the straight-line method for financial reporting purposes over the estimated useful lives of the respective assets using the straight-line method. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Income Tax Status

Chosen Vision, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). It is not classified as a private foundation by the Internal Revenue Service. There are no known federal or state tax contingencies.

The statute of limitations is generally three years for federal returns.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of the Organization's programs and supporting services have been reported on a functional basis. Certain costs have been allocated among the various programs and supporting services based on estimates made by management.

Advertising

Advertising costs are expensed as incurred.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through December 8, 2019, the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT:

Major classes of property and equipment as of December 31 as follows:

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT – CONTINUED:

	USEFUL LIFE	2018	2017
Chosen Vision Home and Improvements	30 years	\$ 502,676	\$ 502,676
Land-Audrey Lane Parcel	N/A	0	83,200
Land-Waverly Road Parcel	N/A	22,963	22,963
Land -Joshua's Place	N/A	60,035	0
Joshua's Place Buildings	30 years	564,784	0
Land-Dewitt	N/A	60,000	60,000
Dewitt Buildings	30 years	898,260	898,260
Equipment	5 years	17,659	15,906
Vehicles	4 years	67,616	48,889
Furniture	8 years	54,431	45,624
Construction in Progress	N/A	0	587,535
		<u>2,248,424</u>	<u>2,265,053</u>
Less accumulated depreciation		<u>(490,055)</u>	<u>(417,004)</u>
Net property and equipment		\$ <u>1,758,369</u>	\$ <u>1,848,049</u>

Depreciation expense for the years ended December 31, 2018 and 2017, was \$73,050 and \$59,039, respectively.

NOTE 4 – COMMITMENTS AND CONTINGENCIES:

The Organization receives a substantial amount of its support from independent funding sources. A significant reduction in the level of this support, if this were to occur, could have an effect on the Organization's ability to continue its programs.

NOTE 5 – CASH AND CASH EQUIVALENTS:

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. At various times during the year, the Organization's cash balances may have exceeded the federally insured limit. At December 31, 2018 and 2017, uninsured cash balances totaled \$490,051 and \$233,243, respectively.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS:

In 2017, the Organization began building the Joshua's Place facility located in Dewitt. Funds contributed for the purpose of constructing the facility are to be designated as temporarily restricted until used towards the cost of construction, or until the facility has been opened. The Organization received \$17,577 and \$618,938 in contributions towards Joshua's place in 2018 and 2017, respectively. The Organization released \$48,980 and \$587,535 during 2018 and 2017, respectively, from restriction as the funds were utilized or construction. As of December 31, 2018, and 2017, the Organization's temporarily restricted net assets to be used towards Joshua's place is \$0 and \$31,403, respectively.

NOTE 7 – LIQUIDITY AND AVAILABILITY:

Chosen Vision, Inc. is primarily funded by contributions from donors and income from residents that do not contain restrictions. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also invests its cash in excess of its daily needs in short-term investments. The Board occasionally designates amounts to its liquidity reserve and its endowment fund (used primarily for long-term investing) that could be utilized in the event of an unanticipated liquidity need.

The table below reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. However, amounts already appropriated from either the donor-restricted endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets, at year end	\$778,304
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	0
Board designations:	
Endowment fund primarily for long-term investing	<u>100,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$678,304</u>