

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

GRAND LEDGE, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chosen Vision, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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.

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 Chosen Vision, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Chosen Vision, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks or 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 Chosen Vision, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chosen Vision, 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.

Respectfully submitted,

Lally Group, PC

Jackson, Michigan

May 15, 2024

CHOSEN VISION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash	\$ 695,876	\$ 646,666
Accounts Receivable	137,619	42,747
Certificates of Deposit	105,878	105,140
Investments	901,359	796,880
Prepaid Residence Allowance	1,211	0
Prepaid Expense	18,724	24,676
	<u>1,860,667</u>	<u>1,616,109</u>
PROPERTY AND EQUIPMENT:		
Land	142,998	142,998
Chosen Vision Homes and Improvements	2,407,028	1,982,389
Equipment	17,659	17,659
Vehicles	91,616	91,616
Furniture	62,361	56,361
Less: Accumulated Depreciation	(812,128)	(731,859)
	<u>1,909,534</u>	<u>1,559,164</u>
NET PROPERTY AND EQUIPMENT	<u>1,909,534</u>	<u>1,559,164</u>
TOTAL ASSETS	<u>\$ 3,770,201</u>	<u>\$ 3,175,273</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 16,147	\$ 11,451
Accrued Payroll and Related Expenses	41,473	32,124
Deferred Revenue	4,137	3,137
	<u>61,757</u>	<u>46,712</u>
TOTAL CURRENT LIABILITIES	<u>61,757</u>	<u>46,712</u>
NET ASSETS:		
Net assets without donor restrictions	<u>3,708,444</u>	<u>3,128,561</u>
TOTAL NET ASSETS	<u>3,708,444</u>	<u>3,128,561</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,770,201</u>	<u>\$ 3,175,273</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES:		
Donations	\$ 734,275	\$ 368,916
Resident Income	1,157,799	929,609
Golf Marathon	111,094	106,646
Annual Banquet	93,277	0
	<u>2,096,445</u>	<u>1,405,171</u>
TOTAL REVENUES		
EXPENSES:		
Program Services	1,244,683	1,099,784
Management and General	100,582	109,548
Fund Raising	34,444	10,711
	<u>1,379,709</u>	<u>1,220,043</u>
TOTAL EXPENSES		
CHANGE IN NET ASSETS FROM OPERATIONS	716,736	185,128
OTHER INCOME (EXPENSES):		
Miscellaneous	0	2,000
Investment Income	17,722	15,598
Gain (loss) on investments	(154,575)	12,733
	<u>(136,853)</u>	<u>30,331</u>
TOTAL OTHER INCOME (EXPENSES)		
CHANGE IN NET ASSETS	579,883	215,459
NET ASSETS - BEGINNING	<u>3,128,561</u>	<u>2,913,102</u>
NET ASSETS - ENDING	<u>\$ 3,708,444</u>	<u>\$ 3,128,561</u>

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

CHOSEN VISION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES:		
Change in net position	\$ 579,883	\$ 215,459
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization expense	80,270	77,588
Noncash contributions	(392,400)	0
(Gain) loss on investments	154,575	(12,235)
(Increase) Decrease in assets:		
Accounts receivable	(94,872)	(2,522)
Prepaid residence allowance	(1,211)	116
Prepaid expense	5,952	(11,119)
Increase (Decrease) in liabilities:		
Accounts payable	4,696	(7,248)
Accrued payroll and related expenses	9,349	(3,262)
Deferred revenue	1,000	(13,517)
	347,242	243,260
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
INVESTING ACTIVITIES:		
Purchase of property and equipment	(38,239)	(5,672)
Redemption (Purchase) of certificates of deposit	(738)	(1,844)
Purchase of investments - net	(259,055)	(259,350)
	(298,032)	(266,866)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
INCREASED (DECREASE) IN CASH AND CASH EQUIVALENTS	49,210	(23,606)
CASH AND CASH EQUIVALENTS - BEGINNING BALANCE	646,666	670,272
CASH AND CASH EQUIVALENTS - ENDING BALANCE	\$ 695,876	\$ 646,666
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, 2022 AND 2021

	2022				2021			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL EXPENSES
Advertising	\$ 0	\$ 0	\$ 14,607	\$ 14,607	\$ 0	\$ 0	\$ 9,204	\$ 9,204
Agency Van	13,723	0	0	13,723	14,928	0	0	14,928
Bank and Investment Fees	0	6,789	0	6,789	0	4,615	0	4,615
Depreciation and Amortization	76,257	4,013	0	80,270	73,709	3,879	0	77,588
Food and Groceries	139,409	0	0	139,409	93,420	0	0	93,420
Fundraising Banquet and Auction	0	0	18,505	18,505	0	0	0	0
Insurance	23,651	25,549	0	49,200	20,738	24,451	0	45,189
License Fees	130	0	0	130	280	0	0	280
Memberships	444	0	0	444	379	0	0	379
Office Supplies	635	3,176	424	4,235	458	2,290	305	3,053
Payroll Taxes	65,660	3,456	0	69,116	56,576	2,978	0	59,554
Postage and Printing	3,178	454	908	4,540	4,206	601	1,202	6,009
Professional Services	0	8,920	0	8,920	0	20,267	0	20,267
Program Supplies	2,033	0	0	2,033	710	0	0	710
Repairs and Maintenance	62,389	0	0	62,389	39,091	0	0	39,091
Resident Personal Allowances	14,135	0	0	14,135	13,156	0	0	13,156
Salaries and Wages	776,830	40,886	0	817,716	725,852	38,203	0	764,055
Special Outings and Trips	8,058	0	0	8,058	5,189	0	0	5,189
Staff Development and Recognition	2,956	4,434	0	7,390	6,619	9,929	0	16,548
Property Taxes	714	38	0	752	766	40	0	806
Travel	11,400	600	0	12,000	97	0	0	97
Utilities	43,081	2,267	0	45,348	43,610	2,295	0	45,905
	<u>\$ 1,244,683</u>	<u>\$ 100,582</u>	<u>\$ 34,444</u>	<u>\$ 1,379,709</u>	<u>\$ 1,099,784</u>	<u>\$ 109,548</u>	<u>\$ 10,711</u>	<u>\$ 1,220,043</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. An additional facility, Joshua's Place, located in DeWitt opened in 2018 and Austin's House, located in Westphalia, was donated to the Organization in 2022.

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.

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.

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, 2022 and 2021.

Revenue Recognition

The Organization recognizes revenue from fundraising activities at the time of payment. The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

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.

Restricted and Unrestricted Revenue

Contributions are reported as increases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions on the Statement of Activities.

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.

Investments

US GAAP addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows:

Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as investment securities and reported at amortized cost.

Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

Fair Value Measurements

US GAAP establishes a fair value measurement framework, including a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under US GAAP are distinguished by inputs to the valuation methodology summarized as follows:

Fair Value Measurements (Continued)

Level 1 (highest priority) – Quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instrument in inactive markets; and model-driven valuations in which all significant inputs or significant value drivers are observable in active markets.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Level 3 (lowest priority) – Management’s best estimate of what market participants would use in pricing the instrument at the measurement date and model-driven valuations which are unobservable and significant to the fair value measurement.

The assessed level is based on the lowest level of any input that is significant to the fair value measurement. There were no changes in the methodologies used as of December 31, 2022 and 2021.

The following is a description of the valuation methodologies used for amounts measured at fair value:

Level 1 inputs – Descriptions of the valuation methodologies used for assets measured at fair value are as follows: common stocks, corporate bonds, and U.S. government securities valued at the closing price reported on the active market on which the individual securities are traded.

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.

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.

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:

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through May 15, 2024, 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 - INVESTMENTS:

Marketable Securities -

Marketable securities accounted for using the fair value method, record income (losses) based on the change in fair value of the investment. The unrealized gain (loss) on securities for the years ended December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Charles Schwab	\$ (154,575)	\$ 12,235

Amortized and approximate market value of marketable securities are:

	<u>2022</u>	<u>2021</u>
Amortized cost	\$ 1,002,694	\$761,215
Unrealized gains (loss)	<u>(101,335)</u>	<u>35,665</u>
Market value	<u>\$ 901,359</u>	<u>\$796,880</u>

Fair Value of Investments -

The fair value of the Company's investments is classified as follows, according to the Company's policy described in Note 2:

Assets at Fair Value as of December 31, 2022

Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks/bonds	\$901,359	\$0	\$ 0	\$ 901,359

Assets at Fair Value as of December 31, 2021

Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks/bonds	\$ 796,880	\$0	\$ 0	\$ 796,880

Change in Level 1 Value -

The following table represents the change in the Level 1 fair value hierarchy as disclosed in the above tables.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS - CONTINUED:

Change in Level 1 Value (Continued) -

	<u>2022</u>	<u>2021</u>
Beginning Level 1 value	\$ 796,880	\$ 525,294
Purchase of investments	403,758	473,170
Sale of investments	(140,952)	(212,353)
Realized investment income reinvested	1,544	2,175
Investment fees	(5,296)	(3,641)
Change in market value/investment	<u>(154,575)</u>	<u>12,235</u>
Ending Level 1 value	<u>\$ 901,359</u>	<u>\$ 796,880</u>

These methods may produce a fair value measurement that may not be indicative of net realizable value of future fair values. Management believes its valuation methods are appropriate, but the use of different methodologies or assumptions could result in a different fair value measurement at the measurement date.

NOTE 4 - PROPERTY AND EQUIPMENT:

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

	USEFUL LIFE	<u>2022</u>	<u>2021</u>
Chosen Vision Home and Improvements	30 years	\$ 549,778	\$ 519,345
Land-Waverly Road Parcel	N/A	22,963	22,963
Land-Joshua's Place	N/A	60,035	60,035
Joshua's Place Buildings	30 years	564,784	564,784
Land-Dewitt	N/A	60,000	60,000
Dewitt Buildings	30 years	898,260	898,260
Austin's House	30 years	394,206	0
Equipment	5 years	17,659	17,659
Vehicles	4 years	91,616	91,616
Furniture	8 years	<u>62,361</u>	<u>56,361</u>
		2,721,662	2,291,023
Less accumulated depreciation		<u>(812,128)</u>	<u>(731,859)</u>
Net property and equipment		<u>\$ 1,909,534</u>	<u>\$ 1,559,164</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$80,270 and \$77,588, respectively.

NOTE 5 – 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.

CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – 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, 2022 and 2021, uninsured cash balances totaled \$544,658 and \$382,305, 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	\$1,840,732
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>250,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,590,732</u>

NOTE 8 – REVENUE FROM CONTRACTS WITH CUSTOMERS:

According to ASC 606, contracts with similar circumstances should be treated consistently. The Organization has identified contracts with similar circumstances in order to use the portfolio approach. The portfolio chosen by this Organization is resident income. Contract revenue from this portfolio was \$1,157,799 and \$929,609 for 2022 and 2021, respectively.

The timing of revenue recognition from resident income results in accounts receivable. Resident income included in receivables on the Statement of Financial Position was \$0 and \$0 for 2022 and 2021, respectively.

The Organization has evaluated the costs associated with the contracts and has, as a practical expedient, elected not to amortize these costs over the life of the contract as it does not have a material effect on the financial statements.