CHRISTIAN OPPORTUNITY CENTER

Financial Statements

Years Ended August 31, 2023 and 2022

FORGE

FINANCIAL & MANAGEMENT CONSULTING

CHRISTIAN OPPORTUNITY CENTER

Contents

Independent Auditors' Report

To the Board of Directors of
Christian Opportunity Center
Pella, Iowa

Opinion

We have audited the accompanying financial statements of Christian Opportunity Center, a nonprofit organization, as of and for the years ended August 31, 2023 and 2022, which comprise the financial statements as listed in the table of contents, 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 Christian Opportunity Center as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in conformity 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 Christian Opportunity 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 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 Christian Opportunity Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Christian Opportunity Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Opportunity 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.

Forge Financial and Management Consulting, Inc.

West Des Moines, Iowa
January 19, 2024

CHRISTIAN OPPORTUNITY CENTER
Statements of Financial Position
August 31, 2023 And 2022

Assets

		2023	2022
Cash	$	1,355,377	1,747,831
Accounts Receivable, net allowance of $10,000 and $20,000 for August 2023 and 2022		1,146,574	1,311,000
Deposits receivable		1,000	1,000
Accrued interest receivable		46,334	9,693
Pledges receivable		16,193	11,973
Prepaid expenses		35,834	37,513
Investments		11,083,334	6,748,568
Right-of-use asset, operating		280,895	-
Property and equipment, net		4,263,518	4,094,853
Total assets	$	18,229,059	13,962,431

Liabilities and Net Assets

		2023	2022
Liabilities:			
Accounts payable	$	88,726	183,281
Accrued payroll payable		253,440	219,826
Payroll taxes payable		19,389	16,817
Intermediate care facility taxes payable		12,783	30,000
Accrued retirement payable		183,264	181,715
Accrued benefits payable		241,422	241,422
Other accrued liabilities		239,067	275,645
Deferred compensation payable		85,740	80,657
Lease liability, operating		280,895	-
Notes payable		633,948	771,479
Bond payable		375,004	427,215
Total liabilities		2,413,678	2,428,057
Net assets:			
Net assets without donor restrictions		15,255,350	10,978,939
Net assets with donor restrictions		560,031	555,435
Total net assets		15,815,381	11,534,374
Total liabilities and net assets	$	18,229,059	13,962,431

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statements of Activities
For the Years Ended August 31, 2023 And 2022

	2023			2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, gains, and other support:						
Vocational	$ 516,113	-	516,113	527,498	-	527,498
Residential	11,146,596	-	11,146,596	12,042,347	-	12,042,347
Contributions	248,636	4,980	253,616	175,717	11,178	186,895
Government grants	543,236	-	543,236	436,040	-	436,040
Employee Retention Credit	4,485,831	-	4,485,831	-	-	-
Investment income	184,082	7,135	191,217	129,540	5,079	134,619
Gain (loss) on investments	332,413	-	332,413	(982,256)	-	(982,256)
Gain on sale of assets	281,355	-	281,355	193,039	-	193,039
Net assets released from restrictions	7,519	(7,519)	-	15,139	(15,139)	-
Total revenue, gains, and other support	17,745,781	4,596	17,750,377	12,537,064	1,118	12,538,182
Expenses:						
Program services:						
Vocational	531,699	-	531,699	600,960	-	600,960
Residential	9,300,247	-	9,300,247	10,020,155	-	10,020,155
Foundation fund	273,474	-	273,474	208,159	-	208,159
Supporting services						
General and administrative	3,344,084	-	3,344,084	2,070,529	-	2,070,529
Fundraising	19,866	-	19,866	17,662	-	17,662
Total expenses	13,469,370	-	13,469,370	12,917,465	-	12,917,465
Increase (decrease) in net assets	4,276,411	4,596	4,281,007	(380,401)	1,118	(379,283)
Net assets, beginning of year	10,978,939	555,435	11,534,374	11,359,340	554,317	11,913,657
Net assets end of year	$ 15,255,350	560,031	15,815,381	10,978,939	555,435	11,534,374

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statement of Functional Expenses
For the Year Ended August 31, 2023

	Program Services				Supporting Services		
	Vocational	Residential	Foundation Fund	Total	General / Admin	Fundraising	Total
Staff salaries and wages	$ 328,854	6,581,362	-	6,910,216	1,246,308	-	8,156,524
Group health and life insurance	66,220	722,641	-	788,861	170,062	-	958,923
Retirement plan	8,387	159,716	-	168,103	24,591	-	192,694
Other staff benefits	468	11,357	-	11,825	2,496	-	14,321
Payroll taxes	23,926	458,875	-	482,801	95,612	-	578,413
Workers compensation insurance	5,808	110,604	-	116,412	17,029	-	133,441
Audit and accounting	1,016	47,851	-	48,867	1,097,962	-	1,146,829
Attorney	-	-	-	-	646	-	646
Other therapy and consulting services	203	31,359	-	31,562	8,225	-	39,787
Office supplies	4,722	34,439	-	39,161	59,387	-	98,548
Computer services	92	704	-	796	70,560	-	71,356
Medical supplies	-	40,691	-	40,691	905	-	41,596
Recreation and activities	32	18,169	-	18,201	-	-	18,201
Food	366	122,928	-	123,294	4,093	-	127,387
Production supplies	27	-	-	27	-	-	27
Telephone	2,713	22,751	-	25,464	41,080	-	66,544
Facility and equipment rent	17,493	111,936	-	129,429	27,319	-	156,748
Building and grounds maintenance	4,665	203,054	-	207,719	75,605	-	283,324
Utilities	7,464	103,667	-	111,131	32,363	-	143,494
Insurance	1,982	35,899	-	37,881	51,894	-	89,775
Advertising and printing	360	42,847	-	43,207	73,083	-	116,290
Vehicle and travel expenses	52,639	132,862	-	185,501	53,391	-	238,892
Staff development and training	1,988	4,832	-	6,820	41,766	-	48,586
Dues and subscriptions	-	40	-	40	14,031	-	14,071
Furnishings expense	-	57,713	-	57,713	2,499	-	60,212
Miscellaneous	98	13,740	5,636	19,474	11,364	-	30,838
Bad debt expense	-	-	-	-	78,000	-	78,000
Depreciation	2,176	192,933	-	195,109	43,813	-	238,922
Interest	-	37,277	-	37,277	-	-	37,277
Staff enhancement	-	-	220,286	220,286	-	-	220,286
Special education	-	-	28,972	28,972	-	-	28,972
Spiritual nurture	-	-	13,558	13,558	-	-	13,558
Special events	-	-	5,022	5,022	-	19,866	24,888
	$ 531,699	9,300,247	273,474	10,105,420	3,344,084	19,866	13,469,370

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statement of Functional Expenses
For the Year Ended August 31, 2022

	Program Services				Supporting Services		
	Vocational	Residential	Foundation Fund	Total	General / Admin	Fundraising	Total
Staff salaries and wages	$ 359,442	7,028,697	-	7,388,139	1,147,261	-	8,535,400
Group health and life insurance	75,681	734,112	-	809,793	169,300	-	979,093
Retirement plan	8,415	191,945	-	200,360	5,434	-	205,794
Other staff benefits	1,149	9,096	-	10,245	2,482	-	12,727
Payroll taxes	24,974	487,177	-	512,151	90,635	-	602,786
Workers compensation insurance	6,417	146,370	-	152,787	-	-	152,787
Audit and accounting	2,295	52,345	-	54,640	5,200	-	59,840
Attorney	-	-	-	-	725	-	725
Other therapy and consulting services	185	96,737	-	96,922	7,796	-	104,718
Office supplies	4,036	37,753	-	41,789	47,192	-	88,981
Computer services	79	289	-	368	93,473	-	93,841
Medical supplies	558	78,527	-	79,085	25,468	-	104,553
Recreation and activities	47	15,003	-	15,050	-	-	15,050
Food	118	196,499	-	196,617	1,018	-	197,635
Production supplies	32	273	-	305	-	-	305
Telephone	2,599	34,753	-	37,352	50,893	-	88,245
Facility and equipment rent	14,941	132,015	-	146,956	15,875	-	162,831
Building and grounds maintenance	9,765	205,051	-	214,816	65,870	-	280,686
Utilities	8,614	118,887	-	127,501	33,959	-	161,460
Insurance	1,608	32,238	-	33,846	38,902	-	72,748
Advertising and printing	116	11,474	-	11,590	98,015	-	109,605
Vehicle and travel expenses	76,725	115,815	-	192,540	38,646	-	231,186
Staff development and training	837	11,168	-	12,005	48,023	-	60,028
Dues and subscriptions	-	483	-	483	17,121	-	17,604
Furnishings expense	-	48,522	-	48,522	521	-	49,043
Miscellaneous	154	10,355	5,136	15,645	7,238	-	22,883
Bad debt expense	-	-	-	-	20,000	-	20,000
Depreciation	2,173	185,058	-	187,231	39,482	-	226,713
Interest	-	39,513	-	39,513	-	-	39,513
Staff enhancement	-	-	159,081	159,081	-	-	159,081
Special education	-	-	25,023	25,023	-	-	25,023
Spiritual nurture	-	-	11,896	11,896	-	-	11,896
Special events	-	-	7,023	7,023	-	17,662	24,685
	$ 600,960	10,020,155	208,159	10,829,274	2,070,529	17,662	12,917,465

See accompanying notes to financial statements.

CHRISTIAN OPPORTUNITY CENTER
Statements of Cash Flows
For the Years Ended August 31, 2023 And 2022

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	4,281,007	(379,283)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation		238,922	226,713
Reduction in right-of-use assets - operating		190,910	-
(Gain) loss on sale of assets		(281,355)	(193,039)
(Gain) loss on investments		(332,413)	982,256
Reinvested investment income		(144,096)	(126,630)
(Increase) decrease in:			
Accounts receivable		164,426	55,577
Other receivables		(40,861)	(2,119)
Prepaid expenses		1,679	(834)
Increase (decrease) in:			
Accounts payable		(94,555)	39,530
Accrued payroll payable		33,614	436
Payroll taxes payable		2,572	(33)
Intermediate care facility taxes payable		(17,217)	(19,060)
Accrued retirement payable		1,549	(1,208)
Operaing lease liability		(190,910)	-
Other accrued liabilities		(36,578)	59,621
Deferred compensation payable		5,083	22,412
Net cash provided (used) by operating activities		3,781,777	664,339
Cash flows from investing activities:			
Proceeds from sale of property and equipment		459,182	436,744
Purchases of property and equipment		(585,414)	(581,518)
Proceeds from sale of investments		331,630	536,662
Purchase of investments		(4,189,887)	(536,662)
Net cash provided (used) by investing activities		(3,984,489)	(144,774)
Cash flows from financing activities:			
Principal advances on long term notes and bond payable		-	204,000
Principal payments on long term notes and bond payable		(189,742)	(179,127)
Net cash provided (used) by financing activities		(189,742)	24,873
Net increase (decrease) in cash		(392,454)	544,438
Cash, beginning of year		1,747,831	1,203,393
Cash, end of year	$	1,355,377	1,747,831
Supplementary disclosures:			
Cash paid during the year for interest	$	37,277	39,513
Noncash activity:			
Property and equipment acquired with long term notes	$	-	203,250
Additions of right-of-use assets, operating	$	277,188	-
Additions of right-of-use assets, operating, Implementation of ASU 2016-02	$	194,617	-

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The summary of significant accounting policies of Christian Opportunity Center (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization - The Organization is a not-for-profit organization incorporated in 1969 in the State of Iowa. It is organized to provide spiritual nurturing, education, training, habilitation, and care of persons with disabilities. The Organization serves primarily persons with mental disabilities but also serves persons with other types of developmental disabilities as well as some persons with chronic mental illness. The Organization supports more than 250 persons with disabilities in a four-county area.

The Organization's primary program revenues and expenses are classified as:

> *Vocational* - Revenues and expenses incurred by locations and/or facilities for community employment programs and job training of persons with disabilities. Work contracts with area businesses provide various packaging, assembly, microfilming, and mail processing jobs as vocational services.
>
> *Residential* - Revenues and expenses incurred by sheltered villages or small group homes integrated into the community for housing and residential training, including teaching of daily living skills, of persons with disabilities.
>
> *Foundation Fund* - Revenues and expenses incurred by the organization for staff enhancement, spiritual services, and special education.

Tax Status - The Organization is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is exempt from Federal income taxes. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction for donors.

The Organization is required to comply with Internal Revenue Service reporting requirements and files Form 990, *Return of Organization Exempt from Income Tax*, each year. The Organization is subject to routine audits by taxing jurisdictions; however, there currently are no audits for any periods in progress.

Basis of Accounting - The Organization's policy is to prepare its financial statements on the accrual basis of accounting in compliance with accounting principles generally accepted in the United States of America. Under the accrual method of accounting, revenues are recognized in the period when amounts are earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized in the period in which the corresponding liability is incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation - Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions may be met by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature where the donor stipulates those resources be maintained in perpetuity.

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 Statement of Activities. All donor-restricted contributions where the funds are received, and the purpose of the restriction is accomplished in the same fiscal period are recorded as net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents - For purposes of reporting cash flows, in addition to unrestricted currency and demand deposits with banks or other financial institutions, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable is reported at the estimated realizable amounts due from residents, third-party payers, and others for services rendered. The balance includes amounts for services rendered generally for the past two months.

On a periodic basis, management evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections. Management has estimated the allowance for bad debts to be $10,000 and $20,000 as of August 31, 2023 and 2022, respectively.

Pledges Receivable - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue on the statement of activities. All pledges receivable at August 31, 2023 and 2022 are expected to be collected within one year.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior collection history, types of contributions, and management's analysis of specific pledges made. Management believes all pledges receivable are collectible at August 31, 2023 and 2022, accordingly, no allowance for uncollectible pledges has been recorded.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position with gains and losses included in the statement of activities. The fair values of marketable securities are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Organization will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year.

Investments in certificates of deposit are recorded at historical cost plus accrued interest income.

Property and Equipment - Property and equipment is reported at historical cost for purchased assets or estimated fair value at the date of gift for donated assets, less accumulated depreciation. Generally, property and equipment purchases in excess of $5,000 are capitalized. The cost of major renewals or betterments that extend the useful life of an asset are also capitalized and depreciated over their estimated useful lives. Minor items and repairs are expensed in the year the cost is incurred.

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation of property is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Office equipment	4-20 years
Workshop equipment	2-20 years
CBE equipment	3-10 years
Residential furnishings	3-25 years
Non-residential furnishings	3-25 years
Transportation	3-10 years
Land improvements	5-25 years
Other assets	3-20 years

Investment Income - Income and gains or losses on investments are reported in the statement of activities as follows:

> Increases in Net Assets with Donor Restrictions if the terms of the gift that gave rise to the investment or applicable law require income or gains to be added to the principal of a permanent endowment, or if the terms of the gift or applicable law impose restrictions on the use of the income.
>
> Increases in Net Assets without Donor Restrictions in all other cases.

Interest earned on interest-bearing accounts is accounted for as income in the program group in which the cash was reported.

Advertising Costs - The Organization expenses non-direct response advertising as incurred. Advertising and related printing expense was $116,920 and $109,605 for the years ended August 31, 2023 and 2022, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been reported on a functional basis in the statement of activities. The allocation of expenses was made first by direct allocation to program areas on the basis of supporting documentation. The remaining balances have been allocated among programs and supporting services on the basis of time records and estimates made by the Organization's management. Accordingly, certain costs, such as depreciation and interest, have been allocated among the programs and activities directly benefited.

Revenue Recognition – The Organization's revenue is derived from services provided to patients and the terms of agreement with their healthcare provider. Revenue is recognized based on the completion of care through individual performance obligations (units of service) for each patient based on transaction prices agreed-upon with Managed Care Organizations (MCOs). Revenue for each performance obligation is recognized upon completion of each unit of service (a unit of service does not exceed one day).

Additional revenue is derived from workshop contracts. Revenue is recognized based on the redemption of cans as well as the completion of the services through individual performance obligations under contracts with outside entities. Revenue for each performance obligation is recognized upon completion of each performance obligation.

Compensated Absences - The Organization pays accrued vacation hours to the extent of 120 hours maximum to employees meeting certain requirements upon termination of employment. The accrued benefits payable represents these accumulated hours at current rates of pay.

Donated Services - During the years ended August 31, 2023 and 2022, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Date of Management's Review - Management has evaluated events through January 19, 2024, the date when the financial statements were available to be issued.

Leases - The Organization has several noncancellable operating leases for equipment and vehicles. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing arrangement are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable; if the rate is not readily determinable, the Organization uses its incremental borrowing rate. The implicit rate is not readily determinable and accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date of each lease. The Organization's incremental borrowing rate is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement - In February 2016, FASB issued ASU 2016-02 - *Leases (Topic 842)* which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard requires a lessee to recognize a right-of-use (ROU) asset and a lease liability on the balance sheet for all leases greater than 12 months. Leases will be classified as finance or operating. In July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements,* which provides entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization adopted these lease accounting standards effective September 1, 2022, and utilized the modified retrospective transition method with no adjustments to comparative periods presented. The Organization has elected to carry forward historical lease classification, to not reassess prior conclusions related to initial direct costs, and to not reassess whether any expired or existing contracts are or contain leases.

The Organization's adoption of ASU 2016-02 resulted in the recognition of operating lease liabilities of $194,617 and ROU assets of $194,617 for its operating leases based on the remaining present value of the minimum lease payments as of September 1, 2022.

The Organization has elected for all asset classes to account for each separate lease component of a contract and its associated non-lease components as a single lease component. The Organization recognizes operating lease expense for actual rent paid, generally plus or minus a straight-line adjustment for estimated rate increases, if applicable. The ROU asset is generally reduced each period by an amount equal to the difference between the operating lease expense and the amount of expense on the lease liability utilizing the effective-interest method. The Organization recognizes operating lease expense consisting of the reduction of the ROU asset on a straight-line basis over the remaining lease term plus an amount of expense on the lease liability using the effective interest method.

Note 2 – Availability and Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following represents Christian Opportunity Center's financial assets at August 31, 2023 and 2022.

		2023	2022
Financial assets at year-end:			
Cash	$	1,355,377	1,747,831
Accounts receivable		1,146,574	1,311,000
Deposits receivable		1,000	1,000
Accrued interest receivable		46,334	9,693
Investments		11,083,334	6,748,568
Pledges receivable		16,193	11,973
Total financial assets		13,648,812	9,830,065
Less amounts not available to be used within one year:			
Net assets with donor restrictions		560,031	555,435
Non-current maturities of CD's		1,540,000	536,380
Deposits receivable		1,000	1,000
		2,101,031	1,092,815
Financial assets available to meet general expenditures Over the next twelve months	$	11,547,781	8,737,250

Note 3 - Investments

Investments at August 31, 2023 and 2022 consist of the following:

		2023	2022
Certificates of deposit	$	4,394,637	536,380
Mutual funds		6,652,876	6,176,353
Annuities		35,821	35,835
Total	$	11,083,334	6,748,568

Investment income (loss) for the year ended August 31, 2023 and 2022 is as follows:

		2023	2022
Interest	$	7,135	7,989
Dividends and capital gains		184,082	126,630
Gain (loss) on investments, net		332,413	(982,256)
Total	$	523,630	(847,637)

Note 4 - Fair Value Measurement

The Organization values its assets at fair value. Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents by level, within the fair value hierarchy, the assets at fair value as of August 31, 2023. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Description		August 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$	6,652,876	6,652,876	-	-

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended August 31, 2023.

Note 4 - Fair Value Measurement (Continued)

The following table presents by level, within the fair value hierarchy, the assets at fair value as of August 31, 2022. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Description		August 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$	6,176,353	6,176,353	-	-

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended August 31, 2023.

Note 5 - Property and Equipment

Property and equipment are stated at net book values as of August 31, 2023 and 2022. The original cost, accumulated depreciation and resulting net book value, by asset group, are as follows for the year ended August 31, 2023:

Asset Group		Original Cost	Accumulated Depreciation	Net Book Value
Land	$	579,505	-	579,505
Buildings and improvements		9,630,761	6,138,832	3,491,929
Office equipment		1,100,773	1,093,472	7,301
Workshop equipment		218,878	218,876	2
CBE equipment		1,112	1,112	-
Residential furnishings		419,179	419,179	-
Non-residential furnishings		148,017	148,017	-
Transportation		753,503	616,468	137,035
Land improvements		311,922	269,858	42,064
Other assets		125,626	119,944	5,682
Total	$	13,289,276	9,025,758	4,263,518

Total depreciation expense for the year ended August 31, 2023 was $238,922.

Note 5 - Property and Equipment (Continued)

The original cost, accumulated depreciation and resulting net book value, by asset group, are as follows for the year ended August 31, 2022:

Asset Group		Original Cost	Accumulated Depreciation	Net Book Value
Land	$	475,204	-	475,204
Buildings and improvements		9,606,117	6,101,651	3,504,466
Office equipment		1,100,773	1,089,215	11,558
Workshop equipment		218,878	218,784	94
CBE equipment		1,112	1,112	-
Residential furnishings		419,179	419,179	-
Non-residential furnishings		148,017	148,017	-
Transportation		721,751	656,850	64,901
Land improvements		295,922	262,975	32,947
Other assets		125,626	119,943	5,683
Total	$	13,112,579	9,017,726	4,094,853

Total depreciation expense for the year ended August 31, 2022 was $226,713.

Note 6 - Retirement Plan

The Organization sponsors a defined contribution 401(k) profit sharing plan. Employees age 21 or older are eligible to participate after obtaining one year (1,000 or more hours) of service. Eligible participants may make elective deferrals from their payroll up to limits allowable by federal law. Participants are always 100 percent vested in their 401(k) elective deferral contributions.

The Organization may make a discretionary contribution each plan year. The Organization's contributions are accrued throughout the year. A one-time payment to the retirement account is made annually, subsequent to fiscal year end, upon approval of the contribution rate by the board of directors and the finalization of eligible wages. Contributions of 3 percent of eligible participant wages were approved by the board of directors and totaled $183,264 and $181,715 for the year ended August 31, 2023 and 2022.

Note 7 - Deferred Compensation

In December 2013, the Organization established an unfunded nonqualified deferred compensation plan for select management level employees. Under the plan, the Organization may declare an annual employer contribution up to legally prescribed maximums. Employer contributions represent an unsecured liability which must be funded at the time of distribution. In addition, participants may make contributions to the plan up to legally prescribed maximums. Through August 31, 2023, there have been no participant contributions.

At December 30 of each plan year, a participant's account will be credited with a 5% annual rate of return on the balance at that date. Upon separation of employment, a participant will receive a lump sum distribution unless a 10-year annuity option is selected.

The balance of the deferred compensation plan at August 31, 2023 and 2022 equaled $85,740 and $80,657, respectively.

Note 8 - Long-term Debt

Note payables as of August 31, 2023 and 2022 are as follows:

Note payable to Marion County Bank was obtained in July 2015 to finance the purchase of real estate in Pella, Iowa. Terms of the note require monthly payments of $1,467 including principal and interest at 4.125 percent per annum, with final maturity in July 2025. The note is secured by the property purchased with an approximate carrying value of $144,000. The balance of the note payable to Marion County Bank was $0 and $49,582 at August 31, 2023 and 2022, respectively.

Note payable to Marion County Bank was obtained in November 2015 to finance the purchase of real estate in Knoxville, Iowa. Terms of the note require monthly payments of $1,507 including principal and interest at 4.125 percent per annum, with final maturity in November 2025. The note is secured by the property purchased with an approximate carrying value of $148,000. The balance of the note payable to Marion County Bank was $41,129 and $57,234 at August 31, 2023 and 2022, respectively.

Note payable to Marion County Bank was obtained in July 2016 to finance the purchase of real estate in Johnston, Iowa. Terms of the note require monthly payments of $1,507 including principal and interest at 4.125 percent per annum, with final maturity in July 2026. The note is secured by the property purchased with an approximate carrying value of $148,000. The balance of the note payable to Marion County Bank was $49,643 and $65,330 at August 31, 2023 and 2022, respectively.

Note payable to Marion County Bank was obtained in June 2018 to finance the purchase of real estate in Oskaloosa, Iowa. Terms of the note require monthly payments of $798 including principal and interest at 4.625 percent per annum, with final maturity in June 2038. The note is secured by the property purchased with an approximate carrying value of $154,000. The balance of the note payable to Marion County Bank was $102,595 and $107,270 at August 31, 2023 and 2022, respectively.

Note payable to Marion County Bank was obtained in August 2019 to finance the purchase of real estate in Knoxville, Iowa. Terms of the note require monthly payments of $709 including principal and interest at 4.125 percent per annum, with final maturity in August 2029. The note is secured by the property purchased with an approximate carrying value of $87,000. The balance of the note payable to Marion County Bank was $45,148 and $51,647 at August 31, 2023 and 2022, respectively.

Note payable to Marion County Bank was obtained in December 2019 to finance the purchase of real estate in Clive, Iowa. Terms of the note require monthly payments of $1,752 including principal and interest at 4.125 percent per annum, with final maturity in December 2029. The note is secured by the property purchased with an approximate carrying value of $172,000. The balance of the note payable to Marion County Bank was $115,834 and $131,639 at August 31, 2023 and 2022, respectively.

Note payable to Marion County Bank was obtained in August 2020 to finance the purchase of real estate in Oskaloosa, Iowa. Terms of the note require monthly payments of $1,377 including principal and interest at 4.125 percent per annum, with final maturity in August 2030. The note is secured by the property purchased with an approximate carrying value of $135,200. The balance of the note payable to Marion County Bank was $100,318 and $112,432 at August 31, 2023 and 2022, respectively.

Note 8 – Long-term Debt (Continued)

Note payable to Marion County Bank was obtained in March 2022 to finance the purchase of real estate in Urbandale, Iowa. Terms of the note require monthly payments of $2,070 including principal and interest at 4.125 percent per annum, with final maturity in March 2032. The note is secured by the property purchased with an approximate carrying value of $271,000. The balance of the note payable to Marion County Bank was $179,281 and $196,345 at August 31, 2023 and 2022.

Bond payable as of August 31, 2023 and 2022 is as follows:

Development revenue bond issued by the Iowa Finance Authority who assigned its rights under a loan agreement to Marion County State Bank. Monthly payments of $5,314, including interest at 3.04 percent per annum through February 29, 2020. On March 1, 2020, the interest rate was adjusted to 1.90 percent per annum with monthly payments of $4,981. On March 1, 2025, the interest rate on the bond will be adjusted using a municipal market index. The bond matures February 1, 2030. The bond is secured by a mortgage on real property in Indianola and Pella, Iowa with an approximate carrying value of $815,000. The balance of the bond payable to Marion County Bank was $375,004 and $427,215 at August 31, 2023 and 2022, respectively.

Maturities of the notes and bond payable for the years following August 31, 2023 are as follows:

2024	$	144,742
2025		150,468
2026		143,435
2027		124,952
202		129,658
Thereafter		315,697
Total	$	1,008,952

Interest expense for the year ended August 31, 2023 and 2022 was $37,277 and $39,513, respectively.

Note 9 – Overpayments

During the years ended August 31, 2023 and 2022, the Organization received $220,152 and $257,009, respectively, in overpayments from Managed Care Organizations. Management believes these amounts will be repaid within one year. These overpayments are classified as other accrued liabilities on the Statement of Financial Position.

Note 10 – Bequests

The Organization has made a concentrated effort to work with parents of persons supported in their estate planning. As a result, the Organization has knowledge of being included as a beneficiary in several wills. In addition, as a member of the Barnabas Foundation, which assists people in their estate planning, the Organization has knowledge of being included as a beneficiary in several wills. No amounts have been recorded for these bequests as they are considered "intentions" to give which are not legally enforceable. Amounts will be recorded when the Organization has received legal notice that the deceased's will has been declared valid, and the bequest amount and estimated receipt date are known.

Note 10 – Bequests (Continued)

Management and various board members have had meetings with several benefactors who have stated their intention to make a donation. These donations have not been included in the financial statements as they do not meet the required criteria for recognition.

Note 11 - Operating Leases

The Organization has copier and vehicle leases under noncancelable operating lease agreements, with monthly payments ranging from $174 to $710 under maturities through July 2028. Certain leases provide for renewal options. Since the Organization is not reasonably certain to exercise the renewal option, the optional period is not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. In addition, the Organization has short term leases under month-to-month agreements with lessors. The Organization classifies these leases as operating leases.

Lease Cost	**Classification**		
Operating lease cost	Facility and equipment rent	$	120,003
Total lease cost		$	120,003

The following is a schedule by year of minimum lease payments required under the leases as of August 31, 2023:

Year Ended August 31,		
2024	$	153,032
2025		95,884
2026		42,255
2027		9,005
2028		6,808
Total lease payments		306,984
Less: Interest		26,089
Present value of lease liabilities	$	280,895

The following table presents the weighted average remaining lease term and discount rate as of August 31, 2023:

Weighted average remaining lease term (years)	2.23
Weighted average discount rate	4.25%

Pre-Implementation of ASU 2016-02 (ASC Topic 842)

Since the Organization has applied ASU 2016-02 for the year ended August 31, 2023, and has applied the practical expedient offered in ASU 2018-11 to not restate prior periods (see Note 1), the Organization provides the following comparative information as of and for the year ended August 31, 2022:

Operating lease expenses (pre-ASU 2016-02 implementation) for copiers and vehicles for the year ended August 31, 2022 were $156,455.

Note 11 - Operating Leases (Continued)

Future minimum payments (as of August 31, 2022) under these leases are as follows for the years ending August 31:

2023	$ 138,070
2024	95,200
2025	27,060
2026	1,393
Total	$ 261,723

Note 12 – Restrictions on Net Assets

At August 31, 2023 and 2022, net assets with donor restrictions were restricted for the following purposes:

Available for the purpose of:		2023	2022
Supplemental needs	$	8,252	7,876
Endowment – special education		536,380	536,380
Future operations		15,399	11,179
Net Assets with Donor Restrictions	$	560,031	555,435

During the year ended August 31, 2023 and 2022, net assets were released from donor restrictions by incurring expenses or by satisfying the purpose or time restrictions specified by the donors as follows:

Purpose restriction accomplished:		2023	2022
Special education	$	6,759	4,720
Operations		760	10,419
Total restrictions released	$	7,519	15,139

Note 13 – Endowment Fund

The Financial Accounting Standards Board (FASB) provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not an organization is subject to UPMIFA.

The State of Iowa enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date.

The Organization's endowment consists of one donor-restricted fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13 – Endowment Fund (Continued)

Management has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

As stated above, the Organization's endowment consists of one donor-restricted fund. The donor restrictions include the principal be invested in guaranteed investments that the Organization has interpreted to mean certificates of deposit. The Organization's spending policy for this endowment fund is a percentage of its average rate of all the Organization's certificates of deposit at the end of the year, which was 1.26 percent and 0.88 percent for August 31, 2023 and 2022, respectively.

Endowment net asset composition by type of fund at August 31, 2023 is as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment fund	$ -	536,380	536,380

Changes in endowment net assets for the year ended August 31, 2023 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	536,380	536,380
Investment income	-	6,758	6,758
Amounts appropriated for expenditure	-	(6,758)	(6,758)
Endowment net assets, end of year	$ -	536,380	536,380

Note 13 – Endowment Fund (Continued)

Endowment net asset composition by type of fund at August 31, 2022 is as follows:

		Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment fund	$	-	536,380	536,380

Changes in endowment net assets for the year ended August 31, 2022 are as follows:

		Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$	-	536,380	536,380
Investment income		-	4,720	4,720
Amounts appropriated for expenditure		-	(4,720)	(4,720)
Endowment net assets, end of year	$	-	536,380	536,380

Note 14 - Concentration of Credit Risk

Cash - The Organization maintains its cash in bank demand deposit accounts at multiple financial institutions. Frequently, the balances of these cash deposits have exceeded the Federal Deposit Insurance Corporation's (FDIC) insured limit of $250,000. The Organization has not experienced any losses in such accounts. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

Accounts Receivable - In the normal course of operations, the Organization's revenue and receivables are primarily derived from third-party payors. Consequently, the Organization's ability to collect the amounts due may be affected by payment timelines and claim reviews by those payors. At August 31, 2023 and 2022, the largest two customers represented 79% and 75% of the total accounts receivable.

Major Customers - The Organization provides residential and vocational services on a monthly basis under agreements with state and county agencies in the State of Iowa, and private companies. Approximately 61% and 95% of residential and vocational revenue for the year ended August 31, 2023 and 2022, was generated from Title XIX Medicaid and HCBS Medicaid. Management believes the concentration of credit risk is minimal due to the nature of the services and the relationship histories of these providers.

Note 15 – Employee Retention Credit

During the year ended August 31, 2023, the Organization received government assistance under the CARES Act in the form of an Employee Retention Credit (ERC). The ERC was designed to encourage entities to keep employees on their payroll despite experiencing economic hardship due to the COVID-19 pandemic. The Organization received a net amount for the ERC of $4,485,831 for the year ended August 31, 2023. These amounts are reflected on the Statements of Activities as revenue, gains, and other support.

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the employee retention credit, and it is not possible to determine the impact this would have on the Organization.

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