POVERTY AND SOCIAL REFORM INSTITUTE, INC.
d/b/a LEAPS AND BOUNDS FAMILY SERVICES

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022

POVERTY AND SOCIAL REFORM INSTITUTE, INC.
d/b/a LEAPS AND BOUNDS FAMILY SERVICES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Poverty and Social Reform Institute, Inc.
d/b/a Leaps and Bounds Family Services
Warren, Michigan

Opinion

We have audited the accompanying financial statements of Poverty and Social Reform Institute, Inc., d/b/a Leaps and Bounds Family Services (the "Institute") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poverty and Social Reform Institute, Inc., d/b/a Leaps and Bounds Family Services, as of September 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 misstatements, 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 the Institute'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 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 of material misstatements 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 the Institute'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 the Institute'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.

UHY LLP

Port Huron, Michigan
February 15, 2024

POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A
LEAPS AND BOUNDS FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 969,768	$ 891,896
Receivables	343,509	391,854
Prepaid expenses	31,887	23,149
Right-to-use asset (net)	11,828	-
Property and Equipment (net)	780	3,082
Total Assets	$ 1,357,772	$ 1,309,981
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 31,616	$ 61,197
Accrued liabilities	77,161	77,109
Lease liability	11,828	-
Deferred revenue	27,071	-
Total Liabilities	147,676	138,306
Net Assets:		
Without donor restrictions	1,210,096	1,171,675
Total Liabilities and Net Assets	$ 1,357,772	$ 1,309,981

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

POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A
LEAPS AND BOUNDS FAMILY SERVICES

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Revenues, Gains, and Other Support:		
Grants and contracts -		
United Way	$ 545,866	$ 377,257
Wayne RESA	61,198	73,514
Macomb ISD	15,050	15,000
Everybody Ready	55,000	55,000
United Way-ACCESS	1,420,470	1,403,899
Detroit at Work	32,500	-
Other grants	34,929	20,000
Contributions	21,408	17,959
Special events revenue	20,881	21,058
Fees	22,257	16,251
Interest	2,532	223
Total Revenues, Gains, and Other Support	2,232,091	2,000,161
Expenses:		
Program services	2,084,887	1,894,287
Supporting services -		
Management and general	101,214	84,797
Fundraising	7,569	7,257
Total Expenses	2,193,670	1,986,341
Change in Net Assets	38,421	13,820
Net Assets at beginning of year	1,171,675	1,157,855
Net Assets at end of year	$ 1,210,096	$ 1,171,675

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

POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A
LEAPS AND BOUNDS FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Services	Supporting Services		
	Early Childhood Development	Management & General	Fundraising	Total
Salaries	$ 965,923	$ 16,065	$ -	$ 981,988
Payroll taxes	86,383	1,343	-	87,726
Employee benefits	255,401	4,279	-	259,680
	1,307,707	21,687	-	1,329,394
Program contracts	271,777	-	-	271,777
Contracted services	278,277	75,400	-	353,677
Rent	5,872	-	-	5,872
Supplies	36,102	69	-	36,171
Equipment/maintenance	30,127	401	-	30,528
Postage and printing	20,509	-	-	20,509
Telephone	10,465	272	-	10,737
Travel and transportation	28,808	93	-	28,901
Insurance	7,454	-	-	7,454
Staff development	18,792	-	-	18,792
Special events	-	-	7,569	7,569
Miscellaneous	28,408	990	-	29,398
	736,591	77,225	7,569	821,385
Depreciation and amortization	40,589	2,302	-	42,891
Total Functional Expenses	$ 2,084,887	$ 101,214	$ 7,569	$ 2,193,670

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

POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A
LEAPS AND BOUNDS FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Supporting Services		
	Early Childhood Development	Management & General	Fundraising	Total
Salaries	$ 996,075	$ 14,131	$ -	$ 1,010,206
Payroll taxes	88,307	1,180	-	89,487
Employee benefits	211,106	2,642	-	213,748
	1,295,488	17,953	-	1,313,441
Program contracts	163,856	-	-	163,856
Contracted services	265,855	60,800	-	326,655
Rent	50,923	1,629	-	52,552
Supplies	48,881	441	-	49,322
Equipment/maintenance	7,108	54	-	7,162
Postage and printing	6,971	9	-	6,980
Telephone	10,463	42	-	10,505
Travel and transportation	18,901	167	-	19,068
Insurance	7,841	219	-	8,060
Staff development	9,169	-	-	9,169
Special events	-	-	7,257	7,257
Miscellaneous	8,831	863	-	9,694
	598,799	64,224	7,257	670,280
Depreciation	-	2,620	-	2,620
Total Functional Expenses	$ 1,894,287	$ 84,797	$ 7,257	$ 1,986,341

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

POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A
LEAPS AND BOUNDS FAMILY SERVICES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	$ 38,421	$ 13,820
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities -		
Depreciation	2,302	2,620
Amortization of right-of-use assets	40,589	-
Change in assets and liabilities:		
Receivables	48,345	(253,512)
Prepaid expenses	(8,738)	(9,601)
Accounts payable	(29,581)	44,337
Accrued liabilities	52	30,611
Deferred revenue	27,071	-
Net Cash Provided by (Used for) Operating Activities	118,461	(171,725)
Cash Flows from Investing Activities:		
Sale of investments	-	100
Cash Flows from Financing Activities:		
Principal payments on lease liability	(40,589)	-
Net increase (decrease) in cash and cash equivalents	77,872	(171,625)
Cash and Cash Equivalents at beginning of year	891,896	1,063,521
Cash and Cash Equivalents at end of year	$ 969,768	$ 891,896

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

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF ORGANIZATION:

Poverty and Social Reform Institute, Inc. (the "Institute"), doing business as Leaps and Bounds Family Services, is a not-for-profit organization whose revenue is derived principally from grants (primarily from United Way) and private contributions. The primary purpose of the Institute is to advance an equitable society by supporting early childhood educators and parents who seek to provide the highest quality care for children.

SIGNIFICANT ACCOUNTING POLICIES:

The Institute's accounting policies conform to accounting principles generally accepted in the United States of America. The following is a summary of policies that are considered significant to this organization.

Basis of Accounting - The financial statements of the Institute are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Basis of Presentation - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Statement 958, *Financial Statements of Not-for-Profit Organizations*. In accordance with ASC 958, 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 restrictions and may be expended for any purpose in performing the primary objective of the Institute. These net assets may be used at the discretion of management.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donors. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents - Cash and cash equivalents consist primarily of checking and money market accounts and cash deposits. Cash equivalents are considered to have original maturities of ninety days or less.

Investments - The Institute reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investments were composed of cash held by the investment company and mutual funds carried at fair value.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Fair Value Measurements - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Institute accounts for certain investments at fair value.

Prepaid Expenses - Prepaid expenses consist of insurance and certain expenses paid for in advance and recorded as an asset before they are used or consumed.

Property and Equipment - Property and equipment consists of leasehold improvements, furniture and equipment, and computer equipment and are recorded at cost at the date of purchase or at estimated fair market value at the date of donation. Major additions are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Gains or losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Leasehold improvements	10 years
Furniture and equipment	5 years
Computer equipment	3-5 years

Leases - The Institute determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Institute has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the risk-free rate. The risk-free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term. The Institute's lease terms include options to renew or terminate the lease when it is reasonably certain that they will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on a straight-line basis over the lease term.

Variable lease expenses include payments related to the usage of the lease asset (utilities, insurance, and variable common area maintenance) are expensed as incurred. The Institute's lease agreements do not contain any material residual value guarantees or material restricted covenants.

Contributions - Contributions that are restricted by the donor are reported as increases in net assets without restrictions 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 net assets with restrictions. When a restriction expires, nets assets with restrictions are reclassified to net assets without restrictions and are reported in the statement of activities as net assets released from restrictions.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Revenue Recognition - Grants and contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Special event revenue is recognized upon completion of the event. Fees are recognized upon completion of the class to which the fee pertained. Other revenues are recognized when received.

Cost Allocation and Functional Expenses - Directly identifiable expenses are charged directly to program and/or supporting services. Expenses related to more than one function are charged to the program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

Income Taxes - The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates - In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through February 15, 2024, the date the financial statements were available to be issued.

Recently Adopted Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board issued new accounting standard (ASU) 2016-02, Leases (Topic 842). Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its statement of financial position and disclose key information about leasing arrangements.

The Institute adopted the new standard, effectively October 1, 2022, using the modified retrospective approach. This approach allows the Institute to initially apply the new accounting standards at the adoption date and recognize a cumulative adjustment of the opening balance of net assets in the period of adoption. The prior-year comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. The adoption of the new standard had no impact on net assets. On October 1, 2022, the Institute recorded operating lease right-of use assets and operating lease liabilities totaling $52,417.

The new standard provides a number of optional practical expedients at transition. The Institute elected certain practical expedients that must be elected as a package which permits the Institute to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification, and (3) initial direct costs. Additionally, the Institute elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e., leases with terms of 12 months or less), and a hindsight policy, which allows entities to include current considerations for existing leases when determining initial lease terms. The Institute has also elected to utilize a risk-free rate for all leases when calculating the lease liability if the implicit rate in the lease is not readily determinable.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditures (that is, without donor or other restrictions limiting their use) within one year of the financial position date is composed of the following:

	2023	2022
Cash and cash equivalents	$ 969,768	$ 891,896
Receivables	343,509	391,854
	$ 1,313,277	$ 1,283,750

NOTE 3 - RECEIVABLES:

Receivables consist of the following at September 30:

	2023	2022
ACCESS	$ 306,136	$ 342,621
United Way	-	22,653
Macomb Intermediate School District	1,375	5,775
Wayne Regional Educational Services Agency	-	20,630
Detroit at Work	32,500	-
Other	3,498	175
	$ 343,509	$ 391,854

NOTE 4 - CONCENTRATIONS:

Credit Risk -

The Institute is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Institute to concentrations of significant credit risk, consist principally of cash equivalents, and contributions, contracts, and grants receivable. The Institute's cash and cash equivalents are deposited with high-credit-quality financial institutions. The Institute had deposits with a bank balance of $1,018,176 and $934,724 at September 30, 2023 and 2022, respectively. As of September 30, 2023, $250,000 is insured by depository insurance with the remaining $768,176 uninsured and uncollateralized. At September 30, 2022, $250,000 was insured by depository insurance with the remaining $684,724 uninsured and uncollateralized.

Contracts and grant receivables consist principally of amounts due from ACCESS, the United Way, and governmental and nonprofit entities. These receivables are considered to be subject to minimal risk. All receivables are typically collected within one year.

Receivables -

At September 30, 2023, approximately 89% of the Institute's total receivable was due from ACCESS. At September 30, 2022, approximately 87% of the Institute's total receivable was due from the United Way.

NOTE 4 - CONCENTRATIONS - (cont'd):

Revenues -

During the fiscal years ended September 30, 2023 and 2022, approximately 88% and 89%, respectively, of the Institute's total revenue and support was received from ACCESS and the United Way, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT:

The components of property and equipment at September 30 are as follows:

	2023	2022
Furniture and equipment	$ 15,540	$ 15,540
Computer equipment	22,608	22,608
Leasehold improvements	12,295	12,295
	50,443	50,443
Less: accumulated depreciation	(49,663)	(47,361)
Net property and equipment	$ 780	$ 3,082

Depreciation expense for the years ended September 30, 2023 and 2022 was $2,302 and $2,620, respectively.

NOTE 6 - LEASES:

The Institute has operating leases with a third party for office space. The Institute's first lease commenced October 1, 2020 for three years through September 30, 2023. The second lease is for three years beginning October 1, 2021. As of September 30, 2023, the Institute had right-to-use assets of $11,828, which is being amortized on a straight-line basis over the life of the contract.

The component of lease costs for the year ended September 30, 2023 is attributable to operating lease expenses in the amount of $42,288.

The weighted average remaining lease term of the operating leases as of September 30, 2023 was 1 year. The weighted average discount rate of the operating leases as of September 30, 2023 was 5%.

As of September 30, 2023, the minimum future rental payments under the operating leases described above are as follows:

Year ending September 30, 2024	$ 12,151
Less: Present value adjustment	(323)
Total lease liability	$ 11,828

NOTE 7 - THE PAYCHECK PROTECTION PROGRAM (PPP) LOAN:

On May 4, 2020, the Institute entered into a U.S. Small Business Administration (SBA) PPP Loan in the principal amount of $117,482 payable to Credit Union ONE evidencing a PPP Loan from Credit Union ONE. The PPP Loan will bear interest at a rate of 1.0% per annum. No payments were due on the PPP Loan until December 4, 2020. The maturity date was May 4, 2022.

The principal amount of the PPP Loan was subject to forgiveness by Credit Union ONE through the SBA under the PPP upon the Institute's request to the extent that PPP Loan proceeds were used to pay expense permitted by the PPP, including payroll, rent, and utilities. Credit Union ONE has forgiven interest accrued on principal forgiven. During 2021, $38,434 of the loan and interest was forgiven, while $80,439 was paid in July 2021.

According to the rules of the SBA, the Institute is required to retain PPP Loan documentation for six years after the date the PPP Loan is forgiven or repaid in full and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Institute's judgements pertaining to satisfying PPP Loan eligibility or forgiveness conditions, the Institute may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 8 - RETIREMENT PLAN:

The Institute has a 401(k) Plan for the benefit of substantially all employees. The Institute will match 75% of employee contributions up to 6% of employee compensation. The Institute's contributions were $30,402 and $29,539 for the years ended September 30, 2023 and 2022, respectively.

NOTE 9 - CONTINGENT LIABILITY:

In the normal course of operation, the Institute participates in various federal, state, and/or local grant/contract programs from year to year. The grant/contract programs are often subject to additional audits by agents of the granting or contracting agency, the purpose of which is to ensure compliance with the specific conditions of the grant/contract programs. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although management believes that amount, if any, would not be material.

NOTE 10 - RELATED PARTY TRANSACTIONS:

For the year ended September 30, 2023 and 2022, the Institute contracted with a Board member's company for fundraising and grant consulting in the amount of $39,439 and $30,249, respectively. At September 30, 2023, $4,362 was payable for services provided during the year.