

ADVOCACY AND PROTECTIVE SERVICES, INC.  
Columbus, Ohio

Financial Statements  
and  
Supplementary Information  
For the years ended June 30, 2023 and 2022  
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR’S REPORT

Board of Trustees  
Advocacy and Protective Services, Inc.  
Columbus, Ohio

**Opinion**

We have audited the accompanying financial statements of Advocacy and Protective Services, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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 the Organization’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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Organization'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 the Organization'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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
August 29, 2023

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ADVOCACY AND PROTECTIVE SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,517,753	\$ 1,803,609
Certificates of deposit	954,168	1,990,300
Accounts receivable	196,140	183,420
Prepaid expenses and other assets	<u>52,501</u>	<u>79,269</u>
Total Current Assets	3,720,562	4,056,598
OPERATING LEASE RIGHT-OF-USE ASSETS	43,362	-
FINANCE LEASE RIGHT-OF-USE-ASSETS	19,055	-
PROPERTY AND EQUIPMENT, NET	<u>688,292</u>	<u>706,144</u>
	<u>\$ 4,471,271</u>	<u>\$ 4,762,742</u>

	June 30	
	<u>2023</u>	<u>2022</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 12,944	\$ 15,776
Accrued liabilities	723,356	696,877
Current portion of operating lease obligations	28,108	-
Current portion of finance lease obligation	15,413	-
Current portion of capital lease obligations	<u>-</u>	<u>15,509</u>
Total Current Liabilities	779,821	728,162
OPERATING LEASE OBLIGATIONS, net of current portion	12,698	-
FINANCE LEASE OBLIGATIONS, net of current portion	4,330	-
CAPITAL LEASE OBLIGATIONS, net of current portion	<u>-</u>	<u>20,359</u>
Total Liabilities	796,849	748,521
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>3,674,422</u>	<u>4,014,221</u>
	<u>\$ 4,471,271</u>	<u>\$ 4,762,742</u>

See accompanying notes to the financial statements.

ADVOCACY AND PROTECTIVE SERVICES, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES AND OTHER SUPPORT		
State of Ohio General Revenue Fund	\$ 6,653,595	\$ 6,503,595
Title XX	734,000	709,000
Donated facilities	169,848	165,708
County contracted services	85,000	85,000
Donations	43,560	52,153
	<hr/>	<hr/>
Total Revenues And Other Support	7,686,003	7,515,456
EXPENSES		
Protective services	7,258,130	6,519,964
Management and general	862,645	664,628
	<hr/>	<hr/>
Total Expenses	8,120,775	7,184,592
	<hr/>	<hr/>
Change In Net Assets From Operations	(434,772)	330,864
OTHER INCOME (EXPENSE)		
Interest income	78,449	1,430
Other income (expense)	16,524	(5,829)
	<hr/>	<hr/>
	94,973	(4,399)
	<hr/>	<hr/>
Change In Net Assets	(339,799)	326,465
NET ASSETS		
Beginning of year	4,014,221	3,687,756
	<hr/>	<hr/>
End of year	\$ 3,674,422	\$ 4,014,221
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See accompanying notes to the financial statements.



ADVOCACY AND PROTECTIVE SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Protective Services	Management & General	Total	Protective Services	Management & General	Total
Salaries	\$ 4,526,687	\$ 547,200	\$ 5,073,887	\$ 4,055,101	\$ 426,940	\$ 4,482,041
Payroll taxes and benefits	1,414,259	154,348	1,568,607	1,344,159	108,832	1,452,991
Professional fees	305,090	53,652	358,742	317,257	48,841	366,098
Auto and travel	256,813	3,870	260,683	103,372	2,508	105,880
Office expenses	214,906	28,524	243,430	183,834	14,543	198,377
Utilities and maintenance	189,921	35,124	225,045	182,045	26,102	208,147
Facility rent, in-kind	169,848	-	169,848	165,708	-	165,708
Training and education	9,932	6,077	16,009	2,796	1,100	3,896
Insurance	45,277	4,035	49,312	41,683	3,537	45,220
Facility rent	33,087	-	33,087	31,589	-	31,589
Other	20,365	7,035	27,400	13,668	16,770	30,438
Recruiting and subscriptions	5,839	13,505	19,344	7,315	6,081	13,396
Interest	-	681	681	-	1,066	1,066
Subtotal	7,192,024	854,051	8,046,075	6,448,527	656,320	7,104,847
Depreciation and amortization	66,106	8,594	74,700	71,437	8,308	79,745
Total Expenses	<u>\$ 7,258,130</u>	<u>\$ 862,645</u>	<u>\$ 8,120,775</u>	<u>\$ 6,519,964</u>	<u>\$ 664,628</u>	<u>\$ 7,184,592</u>

See accompanying notes to the financial statements.

ADVOCACY AND PROTECTIVE SERVICES, INC.

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

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (339,799)	\$ 326,465
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	59,138	79,745
Amortization of finance leases	15,562	-
Amortization of operating lease right-of-use assets	25,914	-
Unrealized (gain) loss on certificates of deposit	(11,267)	9,700
Other	(1,952)	
Changes in assets and liabilities:		
Accounts receivable	(12,720)	(24,490)
Prepaid expenses and other assets	26,768	(22,609)
Accounts payable	(2,832)	(18,674)
Accrued liabilities	26,479	129,557
Operating lease obligations	(26,518)	-
	(241,227)	479,694
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of certificates of deposit	1,988,733	-
Purchases of certificates of deposit	(941,334)	(2,000,000)
Purchase of property and equipment	(75,903)	(10,446)
	971,496	(2,010,446)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on finance lease obligations	(16,125)	-
Principal payments on capital lease obligations	-	(15,743)
	(16,125)	(15,743)
	714,144	(1,546,495)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,803,609	3,350,104
End of year	\$ 2,517,753	\$ 1,803,609
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 681	\$ 1,066

**SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES**

On July 1, 2022, the Organization adopted ASU No. 2016-2, Leases (Topic 842) and recorded operating lease right-of-use assets and lease obligations of approximately \$48,000 and \$46,000, respectively, and finance lease right-of-use assets and liabilities of approximately \$35,000 and \$36,000, respectively. During the year ended June 30, 2023, the Organization obtained operating lease right-of-use assets in exchange for liabilities of approximately \$21,000.

See accompanying notes to the financial statements.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION

Advocacy and Protective Services, Inc. (the Organization) is an Ohio nonprofit corporation that provides protective services to individual persons with developmental disabilities. The Organization provides the following types of protective services: guardianship, trusteeship, protectorship, conservatorship and technical assistance.

The Organization is appointed by the probate courts throughout Ohio to provide these services. The Ohio Department of Developmental Disabilities provides funding to the Organization to provide these protective services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

**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 the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Organization maintains cash, in financial institutions, that may exceed federally insured amounts at times. The Organization believes that it has placed these accounts with high-credit-quality financial institutions and does not believe it is exposed to any significant credit risk on its cash. The Organization considers all investments with an original maturity of three months or less to be cash equivalents.

**Certificates of Deposit** - The Organization has invested certain funds in certificates of deposit. Certificates maturing within 12 months are considered current on the statement of financial position. The carrying value of these investments approximates fair market value. Management intends to hold all certificates of deposit to maturity.

**Accounts Receivable** - Receivables are stated at their net realizable value. Provisions are made for estimated uncollectible receivables. The Organization's estimate of the allowance is based on historical collection experience, a review of current status of trade receivables and judgment. Accounts receivable are generally due 30 days after billing and are determined to be past due or delinquent when collection is not received by the due date. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. No allowance was deemed necessary as of June 30, 2023 and 2022.

**Property and Equipment** - Property and equipment are capitalized and recorded at cost if purchased or at fair value if contributed. Depreciation is provided on the straight-line method over estimated useful lives of the assets. Depreciation expense approximated \$59,000 and \$80,000 for the years ended June 30, 2023 and 2022, respectively.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the amount of the assets might not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. No impairment of long-lived assets was recognized for the years ended June 30, 2023 and 2022.

Leases - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This ASU modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating and finance leases and disclosing key information about leasing arrangements. The Organization adopted this standard on July 1, 2022 and has elected to utilize the optional transition method, as defined in Note 7.

Leases are recognized under Topic 842. The Organization determines whether a contract contains a lease at contract inception and classifies it as either finance or operating. A contract contains a lease if there is an identified asset and the Organization has the right to control the asset.

Finance leases are generally those that allow the Organization to substantially utilize or pay for the entire asset over its estimated useful life. Finance lease right-of-use assets are recorded net of amortization, and finance lease liabilities within current and long-term finance lease obligations on the statements of financial position. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term, with the interest component for lease liabilities included in interest expense and recognized using the effective interest method over the lease term.

Operating lease right-of-use assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating leases are recorded in operating lease right-of-use assets and within current and long-term operating lease obligations on the statements of financial position. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Topic 842 allows lessees an option to not recognize right-of-use assets and lease liabilities arising from short-term leases. A short-term lease is defined as a lease with an initial term of 12 months or less. The Organization elected to not recognize short-term leases as right-of-use assets and lease liabilities on the statements of financial position. All short-term leases that are not included on the Organization's statement of financial position will be recognized within lease expense. Leases that have an initial term of 12 months or less with an option for renewal will need to be assessed in order to determine if the lease qualifies for the short-term lease exception. If the option is reasonably certain to be exercised, the lease does not qualify as a short-term lease.

Finance and operating lease right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization's lease liabilities are recognized based on the present value of the remaining fixed lease payments, over the lease term, using a discount rate. For the purpose of lease liability measurement, the Organization considers only payments that are fixed and determinable at the time of commencement. Some leasing arrangements require variable payments that are dependent upon usage or output, or may vary for other reasons, such as insurance or tax payments. Any variable payments are expensed as incurred.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization uses the risk-free rate at the commencement date in determining the present value of the lease payments for all asset classes, unless the implicit rate is readily determinable. The Organization's lease terms may include options to extend or terminate the lease and are recognized when it is reasonably certain that the Organization will exercise that option. The Organization has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all classes of leased assets for which the Organization is the lessee. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. See Note 7 for additional information.

Classification of Net Assets - Resources are classified into two net asset categories according to donor-imposed restrictions. A description of these categories follows:

Net Assets Without Donor Restrictions - Net assets that are free of donor-imposed restriction; all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions. As of June 30, 2023 and 2022, all net assets were without donor restriction.

Net Assets With Donor Restrictions - Net assets whose use is limited by the donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization. Donor-imposed stipulations that will be met in the same period in which the revenue is received are recognized immediately as net assets without donor restrictions in the statements of activities and change in net assets.

Revenue Recognition - The Organization receives primarily all of its revenue from the State of Ohio's Department of Developmental Disabilities, which includes the Title XX program. Revenue is recognized when services are performed by the Organization under service contracts, which generally cover a one- to two-year period. Title XX unit rates are set by contract. A significant reduction in this revenue source could adversely affect the operations of the Organization.

Contributions - Contributions are recognized as revenue when the donors' unconditional promises to give are received. Conditional contributions are recognized as revenue when both a barrier and a right of return or a right of release have been overcome. At June 30, 2023, the Organization had outstanding conditional contributions of approximately \$14,576,000. The receipt and recognition of remaining funding is contingent upon the Organization satisfying barriers included in the funding agreements.

In-Kind Contributions - The Ohio Department of Developmental Disabilities donated the use of facilities approximating \$170,000 and \$166,000 for the years ended June 30, 2023 and 2022, respectively. There were no donor restrictions associated with the donated facilities. The facilities were used to provide program services. This donation meets the requirements of accounting standards for not-for-profit entities' revenue recognition and is recorded at the fair market value of the facilities. The fair market value of the facilities was determined using lease rates for similar properties. The donated use of facilities is reported as donated facilities in the statements of activities and change in net assets and facility rent, in-kind in the statements of functional expenses.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statements of activities and change in net assets for the years ended June 30, 2023 and 2022 related to uncertain tax positions. The statutory tax years remain open to examination for years after 2019.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through August 29, 2023, which is the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use, if any, because of contractual or donor-imposed restriction within one year of the statement of financial position date.

The following represents the Organization's financial assets at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,517,753	\$ 1,803,609
Certificates of deposit	954,168	1,990,300
Accounts receivable	<u>196,140</u>	<u>183,420</u>
 Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	 <u>\$ 3,668,061</u>	 <u>\$ 3,977,329</u>

In addition to these available assets, a significant portion of the Organization's annual expenditures will be funded with operating revenues received pursuant to agreements with the State of Ohio.

The Organization's policy for investing excess cash is to invest in fully liquid investments that protect the principal of the investments, including money market accounts and certificates of deposit. Cash and cash equivalents in excess of three months of anticipated expenses and capital expenditures may be invested in certificates of deposit or other similar investments with maturities up to 18 months.

In addition to cash and cash equivalents, the Organization maintains a \$200,000 line of credit with a financial institution. The Organization has not drawn on the line of credit in either of the fiscal years ended June 30, 2023 or 2022; however, the credit facility is available for general expenditure should the need arise.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Building and building improvements	\$ 1,295,138	\$ 1,239,907
Furniture, fixtures and equipment	204,652	183,980
Equipment under capital lease	-	76,168
	<u>1,499,790</u>	<u>1,500,055</u>
Less: Accumulated depreciation	<u>(900,748)</u>	<u>(883,161)</u>
	599,042	616,894
Land	<u>89,250</u>	<u>89,250</u>
	<u>\$ 688,292</u>	<u>\$ 706,144</u>

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Accrued payroll	\$ 383,409	\$ 378,843
Accrued vacation	294,522	290,044
Accrued expenses - other	<u>45,425</u>	<u>27,990</u>
	<u>\$ 723,356</u>	<u>\$ 696,877</u>

NOTE 6 - LINE OF CREDIT

The Organization has a revolving line-of-credit agreement with a financial institution, bearing interest at the prime rate (8.25% at June 30, 2023) less 0.85%, under which it can borrow up to a maximum of \$200,000. There were no amounts outstanding under the agreement as of June 30, 2023 and 2022. Outstanding borrowings, if any, are collateralized by the Organization's assets. The line-of-credit agreement automatically renews on an annual basis.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 7 - LEASES

On July 1, 2022, the Organization adopted Topic 842 using the “comparatives under 840 option” as amended by ASU 2018-11. The reported results for the year ended June 30, 2023 reflect the application of Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with historical accounting under Topic 840.

The Organization elected the practical expedient package permitted under the transition approach. As such, the Organization did not reassess whether any expired or existing contracts are or contain leases, did not reassess historical lease classification, and did not reassess initial direct costs for any leases that existed prior to July 1, 2022.

As of the date of adoption, the Organization recognized operating lease right-of-use assets and liabilities of approximately \$48,000 and \$46,000 and finance lease right-of-use assets and liabilities of approximately \$35,000 and \$36,000 on the statement of financial position, respectively.

The Organization leases facilities and equipment from unrelated third parties under various lease agreements.

The statement of financial position components of the leases at June 30, 2023 were as follows:

OPERATING LEASES	
Operating lease right-of-use assets	\$ <u>43,362</u>
Current portion of operating lease liabilities	\$ 28,108
Operating lease liabilities, net of current portion	<u>12,698</u>
Total Operating Lease Liabilities	\$ <u><u>40,806</u></u>
FINANCE LEASES	
Finance lease right-of-use assets	\$ 76,168
Accumulated amortization	<u>(57,113)</u>
Finance Lease Right-Of-Use Assets, Net	\$ <u>19,055</u>
Current portion of finance lease liabilities	\$ 15,413
Finance lease obligations, net of current portion	<u>4,330</u>
Total Finance Lease Liabilities	\$ <u><u>19,743</u></u>



ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 7 - LEASES (Continued)

The components of lease expense within the statement of activities and change in net assets were as follows for the year ended June 30:

	<u>2023</u>
Finance lease cost:	
Amortization of finance leases	\$ 15,562
Interest on lease liabilities	<u>684</u>
Total Finance Lease Cost	16,246
Operating lease cost	<u>27,040</u>
Total Lease Cost	<u>\$ 43,286</u>

The cash flow components of the leases were as follows for the year ended June 30:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 26,518
Operating cash flows from finance leases	684
Financing cash flows from finance leases	16,125
Right-of-use assets obtained in exchange for new lease liabilities:	
Finance leases	-
Operating leases	<u>21,103</u>
Total Right-Of-Use Assets Obtained In Exchange For New Lease Liabilities	<u>\$ 21,103</u>

The weighted-average remaining lease term (in years) and discount rate were as follows for the year ended June 30, 2023:

	<u>June 30,</u> <u>2023</u>
Operating lease weighted-average remaining lease term	3.75
Operating lease weighted-average discount rate	3.61%
Finance lease weighted-average remaining lease term	2
Finance lease weighted-average discount rate	2.40%

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 7 - LEASES (Continued)

As of June 30, 2023, estimated annual maturities of lease liabilities for the years ending June 30, 2024 and thereafter were as follows:

Year Ending June 30	Operating Leases	Finance Leases	Total
2024	\$ 29,018	\$ 15,710	\$ 44,728
2025	7,413	4,353	11,766
2026	5,743	-	5,743
2027	-	-	-
2028	-	-	-
Thereafter	-	-	-
Total Minimum Lease Payments	<u>42,174</u>	<u>20,063</u>	<u>62,237</u>
Less: Amounts representing interest	<u>1,368</u>	<u>320</u>	<u>1,688</u>
Present Value Of Total Lease Liabilities	<u>\$ 40,806</u>	<u>\$ 19,743</u>	<u>\$ 60,549</u>

Rent expense for the year ended June 30, 2022 approximated \$197,000, of which approximately \$166,000 was donated rent from the Ohio Department of Developmental Disabilities.

The following is a schedule, by year, of approximate future minimum rental payments required under noncancellable operating leases as of June 30, 2022:

Year Ending June 30	Amount
2023	\$ 27,300
2024	<u>23,900</u>
Total	<u>\$ 51,200</u>

NOTE 8 - TRUSTEESHIP SERVICES

The Organization managed the funds of certain individuals under trusteeships appointed by various probate courts throughout Ohio. The Organization held approximately \$7,000 for five individuals at June 30, 2022. These funds were not included as assets and liabilities in the Organization's financial statements. The trusteeship program was discontinued in January 2023.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 9 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated include facility rent, utilities and maintenance, depreciation and insurance, which are allocated on a square-footage basis, as well as personnel salaries and payroll taxes, which are allocated on the basis of time and effort. All other expenses are directly charged to their program or supporting function.

NOTE 10 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan covering substantially all employees age 21 and over who have completed six months of service. Subject to certain IRC limitations, participants have the option to defer annual compensation. The Organization matches 50% of each participant's contribution for the first 6% of eligible compensation. For the years ended June 30, 2023 and 2022, the Organization's 401(k) matching expense was approximately \$75,000 and \$69,000, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization is occasionally subject to claims and lawsuits related to services it provides. In the opinion of management, all matters are adequately covered by insurance or, if not covered, are without merit and/or involve such amounts that would not have a material effect on the financial position of the Organization if disposed of unfavorably.

In addition, the Organization's revenues are subject to review by various funding sources, the purpose of which is to ensure compliance with contractual obligations.

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SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Advocacy and Protective Services, Inc.  
Columbus, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Advocacy and Protective Services, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses might exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
August 29, 2023