

ADVOCACY AND PROTECTIVE SERVICES, INC.  
Columbus, Ohio

Financial Statements  
and  
Supplementary Information  
For the years ended June 30, 2024 and 2023  
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. (Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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.

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, 2024 and 2023, 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 26, 2024 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 26, 2024

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ADVOCACY AND PROTECTIVE SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,557,369	\$ 2,517,753
Investments	1,823,186	954,168
Contributions receivable	257,574	196,140
Prepaid expenses and other assets	<u>72,883</u>	<u>52,501</u>
Total Current Assets	3,711,012	3,720,562
OPERATING LEASE RIGHT-OF-USE ASSETS	87,273	43,362
FINANCE LEASE RIGHT-OF-USE-ASSETS	4,240	19,055
PROPERTY AND EQUIPMENT, NET	<u>745,200</u>	<u>688,292</u>
	<u>\$ 4,547,725</u>	<u>\$ 4,471,271</u>

	June 30	
	<u>2024</u>	<u>2023</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 11,816	\$ 12,944
Accrued liabilities	604,568	723,356
Current portion of operating lease obligations	34,045	28,108
Current portion of finance lease obligation	<u>4,330</u>	<u>15,413</u>
Total Current Liabilities	654,759	779,821
OPERATING LEASE OBLIGATIONS, net of current portion	50,619	12,698
FINANCE LEASE OBLIGATION, net of current portion	<u>-</u>	<u>4,330</u>
Total Liabilities	705,378	796,849
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>3,842,347</u>	<u>3,674,422</u>
	<u>\$ 4,547,725</u>	<u>\$ 4,471,271</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES AND OTHER SUPPORT		
State of Ohio General Revenue Fund	\$ 7,053,595	\$ 6,653,595
Title XX	734,000	734,000
Donated facilities	174,096	169,848
Other grants	174,200	102,000
Donations	25,109	26,560
	<hr/>	<hr/>
Total Revenues And Other Support	8,161,000	7,686,003
EXPENSES		
Protective services	7,432,376	7,258,130
Management and general	741,187	862,645
Fundraising	20,563	-
	<hr/>	<hr/>
Total Expenses	8,194,126	8,120,775
	<hr/>	<hr/>
Change In Net Assets From Operations	(33,126)	(434,772)
OTHER INCOME		
Interest income	150,019	78,449
Other income	51,032	16,524
	<hr/>	<hr/>
	201,051	94,973
	<hr/>	<hr/>
Change In Net Assets	167,925	(339,799)
NET ASSETS		
Beginning of year	3,674,422	4,014,221
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End of year	<u>\$ 3,842,347</u>	<u>\$ 3,674,422</u>

See accompanying notes to the financial statements.



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ADVOCACY AND PROTECTIVE SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			
	<u>Protective Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,612,905	\$ 462,087	\$ 11,330	\$ 5,086,322
Payroll taxes and benefits	1,495,780	118,636	-	1,614,416
Professional fees	299,138	57,520	-	356,658
Auto and travel	265,506	4,599	-	270,105
Office expenses	190,353	28,927	-	219,280
Utilities and maintenance	167,253	25,788	-	193,041
Facility rent, in-kind	174,096	-	-	174,096
Other	67,214	7,620	8,228	83,062
Insurance	43,438	4,918	-	48,356
Recruiting and subscriptions	28,096	13,688	1,005	42,789
Facility rent	33,346	-	-	33,346
Training and education	4,519	1,390	-	5,909
Interest	-	297	-	297
Subtotal	7,381,644	725,470	20,563	8,127,677
Depreciation and amortization	50,732	15,717	-	66,449
Total Expenses	<u>\$ 7,432,376</u>	<u>\$ 741,187</u>	<u>\$ 20,563</u>	<u>\$ 8,194,126</u>

2023

Protective Services	Management & General	Fundraising	Total
\$ 4,526,687	\$ 547,200	-	\$ 5,073,887
1,414,259	154,348	-	1,568,607
305,090	53,652	-	358,742
256,813	3,870	-	260,683
214,906	28,524	-	243,430
189,921	35,124	-	225,045
169,848	-	-	169,848
20,365	7,035	-	27,400
45,277	4,035	-	49,312
5,839	13,505	-	19,344
33,087	-	-	33,087
9,932	6,077	-	16,009
-	681	-	681
7,192,024	854,051	-	8,046,075
66,106	8,594	-	74,700
<u>\$ 7,258,130</u>	<u>\$ 862,645</u>	<u>-</u>	<u>\$ 8,120,775</u>

See accompanying notes to the financial statements.

ADVOCACY AND PROTECTIVE SERVICES, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 167,925	\$ (339,799)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	51,634	59,138
Amortization of finance lease right-of-use assets	14,815	15,562
Amortization of operating lease right-of-use assets	32,158	25,914
Unrealized gain on investments	(28,280)	(11,267)
Other	-	(1,952)
Changes in assets and liabilities:		
Contributions receivable	(61,434)	(12,720)
Prepaid expenses and other assets	(20,382)	26,768
Accounts payable	(1,128)	(2,832)
Accrued liabilities	(118,788)	26,479
Operating lease obligations	(32,211)	(26,518)
Net Cash Provided By (Used In) Operating Activities	4,309	(241,227)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of investments	956,795	1,988,733
Purchases of investments	(1,797,533)	(941,334)
Purchase of property and equipment	(108,542)	(75,903)
Net Cash (Used In) Provided By Investing Activities	(949,280)	971,496
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on finance lease obligations	(15,413)	(16,125)
Net (Decrease) Increase In Cash And Cash Equivalents	(960,384)	714,144
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,517,753	1,803,609
End of year	\$ 1,557,369	\$ 2,517,753
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 297	\$ 681

**SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES**

During the years ended June 30, 2024 and 2023, the Organization obtained operating lease right-of-use assets in exchange for liabilities of approximately \$76,000 and \$21,000, respectively.

See accompanying notes to the financial statements.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 1 - ORGANIZATION

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

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

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

Investments - Investments consist of U.S. treasury bills and certificates of deposit at June 30, 2024 and 2023, respectively. The carrying value of these investments approximates fair market value. Management intends to hold all investments to maturity.

Contributions Receivable - Provisions are made for estimated uncollectible contributions receivable. The Organization's estimate of the allowance is based on historical collection experience, a review of current status of receivables and judgment. Decisions to charge off receivables are based on policies and procedures approved by the board of directors and management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. There was no allowance as of June 30, 2024 and 2023 deemed necessary for contributions receivable.

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 \$52,000 and \$59,000 for the years ended June 30, 2024 and 2023, respectively.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

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 is 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, 2024 and 2023.

Leases - Leases are recognized under the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, Leases (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 accompanying statements of financial position. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term and is recorded in facility rent on the accompanying statements of functional expenses.

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 are recognized within lease expense. Leases that have an initial term of 12 months or less with an option for renewal 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 the commencement date based on the present value of the 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, 2024 AND 2023

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 8 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, 2024 and 2023, all net assets were without donor restriction.

Net Assets With Donor Restrictions - Net assets whose use is limited by 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 its revenue from the state of Ohio's Department of Developmental Disabilities, which includes the Title XX program. A significant reduction in this revenue source could adversely affect the operations of the Organization. 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. Unconditional contributions are recognized as revenue in the period the commitment or payment is first received.

At June 30, 2024, the Organization had outstanding conditional contributions of approximately \$8,089,000. 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 \$174,000 and \$170,000 for the years ended June 30, 2024 and 2023, 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). It 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, 2024 and 2023 related to uncertain tax positions. The statutory tax years remain open to examination for years after 2020.

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

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 26, 2024, 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>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,557,369	\$ 2,517,753
Investments	1,823,186	954,168
Contributions receivable	<u>257,574</u>	<u>196,140</u>
 Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	 <u>\$ 3,638,129</u>	 <u>\$ 3,668,061</u>

In addition to these available assets, a significant portion of the Organization's annual expenditures are 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 other short-term investments. 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, 2024 or 2023, however the credit facility is available for general expenditure should the need arise.

NOTE 4 - FAIR VALUE MEASUREMENT

The Organization has adopted the FASB framework for measuring fair value and expanded disclosures about fair value measurement. This guidance establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.



ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

Accounting standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following tables set forth, by level, within the fair value hierarchy, the Organization's assets that are measured on a recurring basis as of June 30:

	2024			
	Level 1	Level 2	Level 3	Total
U.S Treasury Bills	\$ 1,823,186	-	-	\$ 1,823,186
	<u>\$ 1,823,186</u>	<u>-</u>	<u>-</u>	<u>\$ 1,823,186</u>
	2023			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	-	\$ 954,168	-	\$ 954,168
	<u>-</u>	<u>\$ 954,168</u>	<u>-</u>	<u>\$ 954,168</u>

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Building and building improvements	\$ 1,398,410	\$ 1,295,138
Furniture, fixtures and equipment	209,922	204,652
	<u>1,608,332</u>	<u>1,499,790</u>
Less: Accumulated depreciation	(952,382)	(900,748)
	<u>655,950</u>	<u>599,042</u>
Land	<u>89,250</u>	<u>89,250</u>
	<u>\$ 745,200</u>	<u>\$ 688,292</u>

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Accrued payroll	\$ 226,561	\$ 383,409
Accrued vacation	316,307	294,522
Accrued expenses - other	<u>61,700</u>	<u>45,425</u>
	<u>\$ 604,568</u>	<u>\$ 723,356</u>

NOTE 7 - LINE OF CREDIT

The Organization has a revolving line-of-credit agreement with a financial institution bearing interest at the prime rate (8.50% at June 30, 2024) 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, 2024 and 2023. 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, 2024 AND 2023

NOTE 8 - LEASES

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, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
<b>OPERATING LEASES</b>		
Operating lease right-of-use assets	\$ <u>87,273</u>	\$ <u>43,362</u>
Current portion of operating lease obligations	\$ 34,045	\$ 28,108
Operating lease obligations, net of current portion	<u>50,619</u>	<u>12,698</u>
 Total Operating Lease Obligations	 <u>\$ 84,664</u>	 <u>\$ 40,806</u>
<b>FINANCE LEASES</b>		
Finance lease right-of-use assets	\$ 76,168	\$ 76,168
Accumulated amortization	<u>(71,928)</u>	<u>(57,113)</u>
 Finance Lease Right-Of-Use Assets, Net	 <u>\$ 4,240</u>	 <u>\$ 19,055</u>
Current portion of finance lease obligation	\$ 4,330	\$ 15,413
Finance lease obligation, net of current portion	<u>-</u>	<u>4,330</u>
 Total Finance Lease Obligation	 <u>\$ 4,330</u>	 <u>\$ 19,743</u>

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 8 - LEASES (Continued)

The components of lease expense for the years ended June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Finance lease cost:		
Amortization of finance leases	\$ 14,815	\$ <u>15,562</u>
Interest on lease obligations	<u>297</u>	<u>681</u>
Total Finance Lease Cost	15,112	16,243
Operating lease cost	<u>33,346</u>	<u>27,040</u>
Total Lease Cost	\$ <u><u>48,458</u></u>	\$ <u><u>43,283</u></u>

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

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 32,211	\$ 26,518
Operating cash flows from finance leases	297	681
Financing cash flows from finance leases	15,413	16,125
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ <u>76,069</u>	\$ <u>21,203</u>

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

	<u>2024</u>	<u>2023</u>
Operating lease weighted-average remaining lease term	4.75	3.75
Operating lease weighted-average discount rate	4.19%	3.61%
Finance lease weighted-average remaining lease term	0.3	2
Finance lease weighted-average discount rate	2.40%	2.40%

ADVOCACY AND PROTECTIVE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 8 - LEASES (Continued)

As of June 30, 2024, estimated annual maturities of lease liabilities for the years ending June 30, 2025 and thereafter were as follows:

<u>Year Ending June 30</u>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2025	\$ 34,045	\$ 4,352	\$ 38,397
2026	32,904	-	32,904
2027	23,010	-	23,010
2028	-	-	-
2029	-	-	-
Thereafter	-	-	-
Total Minimum Lease Payments	<u>89,959</u>	<u>4,352</u>	<u>94,311</u>
Less: Amounts representing interest	<u>5,295</u>	<u>22</u>	<u>5,317</u>
Present Value Of Total Lease Liabilities	<u>\$ 84,664</u>	<u>\$ 4,330</u>	<u>\$ 88,994</u>

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, 2024 and 2023, the Organization's 401(k) matching contribution was approximately \$82,000 and \$75,000, 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 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. (Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 26, 2024.

### 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. 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 26, 2024