
DUTTON FARM INC.

**Financial Report
For The Year Ended
December 31, 2022**



certified public accountants

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DUTTON FARM INC.
Rochester, Michigan

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Dutton Farm Inc.
Rochester, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dutton Farm Inc., which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dutton Farm Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Dutton Farm Inc. 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 these 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 Dutton Farm Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements



Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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 Dutton Farm Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dutton Farm Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gordon Advisors, P.C.

May 19, 2023

DUTTON FARM INC.
Statement of Financial Position
December 31, 2022

ASSETS

Current Assets

Cash	\$ 554,647
Prepaid expenses	4,318
Pledges receivable	17,500
Accounts receivable - Net of allowance of \$0	<u>76,483</u>

Total Current Assets \$ 652,948

Fixed Assets

Land	230,000
Buildings	95,244
Equipment	86,215
Vehicles	44,019
Construction in progress	<u>33,750</u>
	489,228
Less: Accumulated depreciation	<u>50,940</u>

Total Fixed Assets 438,288

Other Assets

Note receivable, related party	<u>9,698</u>
	<u>\$ 1,100,934</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 21,004
Accrued liabilities	20,319
Accrued interest	10,107
Long term debt, current portion	<u>10,011</u>

Total Current Liabilities \$ 61,441

Long Term Debt

Note payable	12,134
SBA loan payable	<u>150,000</u>

Total Long Term Debt 162,134

Total Liabilities 223,575

Net Assets

Without donor restrictions - Undesignated	750,859
With donor restrictions	<u>126,500</u>

Total Net Assets 877,359

\$ 1,100,934

See Independent Auditors' Report and Accompanying Footnotes.

DUTTON FARM INC.
Statement of Activities and Changes In Net Assets
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Program Revenue and Support			
Direct contributions	\$ 196,862	\$ 419,500	\$ 616,362
In-kind contributions	30,919	0	30,919
Program fee revenue	939,853	0	939,853
Market sales	36,837	0	36,837
Fundraising events	198,370	0	198,370
Interest income	369	0	369
Net assets released from restrictions	334,379	(334,379)	0
Total Revenue, Support, and Net Assets Released From Restrictions	<u>1,737,589</u>	<u>85,121</u>	<u>1,822,710</u>
Expenses			
Program services	1,364,208	0	1,364,208
Fundraising	169,095	0	169,095
Management and general	187,861	0	187,861
Total Expenses	<u>1,721,164</u>	<u>0</u>	<u>1,721,164</u>
Increase In Net Assets	16,425	85,121	101,546
Net Assets - Beginning of Year	<u>734,434</u>	<u>41,379</u>	<u>775,813</u>
Net Assets - End of Year	<u>\$ 750,859</u>	<u>\$ 126,500</u>	<u>\$ 877,359</u>

DUTTON FARM INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 956,580	\$ 69,430	\$ 68,492	\$ 1,094,502
Payroll taxes	85,412	6,284	6,199	97,895
Employee benefits	12,181	1,940	15,470	29,591
Program supplies	13,854	0	0	13,854
Farm supplies	8,083	0	0	8,083
General program expenses	129,317	0	0	129,317
Donor relations	128	790	1,081	1,999
Fundraising events	0	72,166	0	72,166
Auto	14,487	0	3,704	18,191
Charitable contributions	371	1,000	3,430	4,801
Contract services	41,911	11,329	47,765	101,005
Depreciation	18,969	0	0	18,969
Education	1,950	69	6,756	8,775
Insurance - General liability	12,314	894	882	14,090
Interest	0	0	11,518	11,518
Marketing and advertising	0	2,301	45	2,346
Office supplies	27,774	2,055	19,656	49,485
Professional fees	19,944	513	564	21,021
Telephone	12,583	324	356	13,263
Travel	112	0	1,943	2,055
Utilities	8,238	0	0	8,238
	<u>\$ 1,364,208</u>	<u>\$ 169,095</u>	<u>\$ 187,861</u>	<u>\$ 1,721,164</u>

See Independent Auditors' Report and Accompanying Footnotes.

DUTTON FARM INC.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities

Increase in net assets	\$ 101,546
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	18,969
Interest	10,107
Decrease (increase) in operating assets:	
Prepaid expenses	(411)
Inventory	1,000
Pledges receivable	(17,500)
Accounts receivable	9,045
Increase (decrease) in operating liabilities:	
Accounts payable	(36,097)
Accrued expenses	1,070
	<u>87,729</u>

Net Cash Provided by Operating Activities**Cash Flows From Investing Activities**

Proceeds from note receivable, related party	4,141
Purchase of fixed assets	(34,288)
	<u>(30,147)</u>

Net Cash Used In Investing Activities**Cash Flows From Financing Activities**

Payments on note payable	(8,090)
	<u>(8,090)</u>

Net Cash Used In Financing Activities**Net Increase In Cash**

49,492

Cash - Beginning of Year

505,155

Cash - End of Year

\$ 554,647

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$ 641
	<u>641</u>

Non Cash Investing and Financing Transaction

During the year, the Organization purchased equipment with a cost of \$30,235 in exchange for a note payable.

DUTTON FARM INC.
Notes to the Financial Statements
December 31, 2022

NOTE:**1. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Dutton Farm Inc., “the Organization” is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, which is responsible for their integrity and objectivity.

Nature of Organization - The Organization is a non-profit corporation organized under the laws of the State of Michigan. The Organization’s mission is to empower and support adults with disabilities to live a life of purpose, inclusion, and dignity. Their vision is to see a day where people with developmental disabilities have an equal opportunity to pursue a self-directed life of dignity and purpose, perfectly matched to their unique abilities and desires. They fulfill the mission daily through the advocacy of self-determination and inclusion, creating customized plans of service and developing employment opportunities for their participants. The Organization operates in Rochester, Michigan, and provides an array of activities that enhance the lives of people with disabilities through adult education, workforce development, and community involvement programs. The majority of the Organization’s revenue is from program service revenue and direct public and private contributions.

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization’s ability to use and dispose of contributed assets or the economic benefits embodied in those assets.

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purpose by action of the Board of Directors.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions, restrictions that expire with the passage of time, or restrictions which require that the gift principal be maintained permanently by the Organization.

Revenues and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless restricted by the donor. When donor restrictions expire, that is, when stipulated time restrictions end or a purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions.

Contributed Goods, Services, and Facilities – Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission, but these services do not meet the criteria for recognition as contributed services.

Accounts and Pledges Receivable – Receivables and pledges are stated at net realizable value. An allowance for doubtful accounts is established based on a specific assessment of the amounts still owed at year-end. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period such determination is made.

DUTTON FARM INC.
Notes to the Financial Statements (Continued)
December 31, 2022

NOTE:

1. Summary of Significant Accounting Policies (Continued)

Income Taxes – The Organization is exempt from federal income tax under Internal Revenue Code Section 501 (C)(3). As a result, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization's continued status as an exempt organization is considered to be a "tax position" in that the Organization must adhere to various requirements in order to remain tax-exempt. In addition, any Organization activities that may subject it to "unrelated business taxable income" are also tax positions. Management has analyzed the Organization's material tax positions as of December 31, 2022, and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements.

Subsequent Events – The Organization has evaluated events and transactions that occurred through May 19, 2023, which is the date the financial statements were available for issue.

Fixed Assets – Fixed assets are recorded at cost. The Organization's policy is to capitalize acquisitions with a cost of \$2,500 or more. The Organization uses straight-line and accelerated methods of depreciation over the assets' estimated useful lives, which are 39 years for buildings and 5 years for vehicles. The cost of repairs and maintenance is charged to expense when incurred. At least annually, management evaluates whether any events have occurred that would require adjustment to the carrying value of fixed assets due to either impairment or the existence of a legal obligation associated with the eventual retirement of a fixed asset.

Estimates in the Financial Statements – 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses – Indirect costs have been allocated between the various programs, management and general, and fundraising on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would present different results

Advertising – The Organization expenses advertising costs as incurred.

Pandemic Related Economy Uncertainties – The coronavirus pandemic has caused considerable uncertainty from the resultant disruptions to economy-wide supply chains and other shifts in business practices that have led to inflation and other economic concerns going forward. Therefore, management cannot reasonably estimate how this matter will affect the future results of operations and financial position of the Organization.

2. Revenue Recognition

Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as support without donor restrictions. Other restricted gifts are reported as support with donor restrictions when received and reclassified to net assets without donor restrictions when the restrictions are met. Earnings, gains, and losses on restricted net assets are classified as without restrictions unless specifically restricted by the donor.

DUTTON FARM INC.
Notes to the Financial Statements (Continued)
December 31, 2022

NOTE:

2. Revenue Recognition (Continued)

Management has determined that substantially all federal, state, and other grants that support the services the Organization provides are from arrangements for which there is no commensurate benefit provided to the resource providers. Therefore, all of this support is considered to be contribution revenue. The contributions from these grants are provided under contracts in which the revenue is conditioned upon the incurrence of allowable qualifying expenditures or performed services. These conditional contributions are recognized as revenue at the time that either the allowable expenditure is incurred, or the specified service is provided. The contributions are typically invoiced by the Organization after the conditional barrier has been met.

The Organization offers program related experiences where the performance obligation is delivery of the program. Fees for these programs are based on the type of program and the number of participants in each program. Fees are earned for these program support services pursuant to contracts with area mental health agencies and by the participants themselves. These revenues are treated as exchange transactions and are recognized as revenue after delivery of the program has occurred.

The Organization conducts special fundraising events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event – the exchange component, and a portion represents a contribution to the Organization. There were no proceed portions deemed to be contributions at any held events for the year ended December 31, 2022. The performance obligation is delivery of the event, and revenue is recognized after the event has taken place.

To help a related limited liability company promote its homemade thrift and gift store items and to raise money in support of the Organization's programs, the Organization purchases products for resale at fundraising events and other activities. The performance obligation is delivery of the product, which is fulfilled by the Organization. Revenue recognition occurs, and an exchange has taken place, when the product has been delivered.

3. Credit Risk

The Organization primarily deposits cash with major banks within the State of Michigan and at times throughout the year may maintain balances that exceed federally insured limits of \$250,000 per depositor, per insured bank. The Organization had not experienced any losses in such accounts, and management believes the Organization is not exposed to any unusual credit risk on cash and cash equivalents.

4. Net Assets with Donor Restrictions

At December 31, 2022, net assets with restrictions totaled \$126,500 and consisted of funds received for a future building expansion project.

5. Fundraising events

During the year, the Organization developed sources of revenue through two fundraising events. Fundraising event revenue totaled \$198,370 and fundraising event expense totaled \$72,166 for the year ended December 31, 2022.

DUTTON FARM INC.
Notes to the Financial Statements (Continued)
December 31, 2022

NOTE:**6. Note receivable, related party**

The Organization has entered into a \$18,300 note agreement with a low-profit limited liability company owned by the Organization's founder. The note was part of the sale of assets relating to the Organization's social enterprise, Dutton Farm Market, totaling \$18,758. The note receivable requires monthly payments of \$524 with interest at 2%, beginning January, 2022. The note matures January, 2025. The balance as of December 31, 2022, was \$9,698.

Future minimum payments under this note are as followings:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 4,613
2024	<u>4,705</u>
	<u>\$ 9,698</u>

7. Note Payable

The Organization has entered into a \$30,235 note agreement with a financial institution. The note payable requires monthly payments of \$886 with interest at 3.533%, beginning March 2022. The note matures March 2025, and is secured by equipment. The balance as of December 31, 2022, was \$22,145.

Future minimum payments under this note are as followings:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 10,011
2024	10,370
2025	<u>1,764</u>
	<u>\$ 22,145</u>

DUTTON FARM INC.
Notes to the Financial Statements (Continued)
December 31, 2022

NOTE:**8. SBA Loan Payable**

On June 13, 2020, the Organization obtained funding of \$150,000 from the U.S. Small Business Administration. The Organization pursued this arrangement to maintain liquidity in response to the coronavirus pandemic. This loan is under the Economic Injury Disaster Loans ("EIDL"). The EIDL, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying organizations. The arrangement originally required monthly payments of \$641 beginning June 2022, including interest at 2.75%, and matures June 2050. The U.S. Small Business Administration further extended the initial payment to December 2022.

Maturities on this loan payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 0
2024	0
2025	595
2026	3,629
2027	3,730
Thereafter	<u>142,046</u>
	<u>\$ 150,000</u>

9. Liquidity

The Organization has \$652,948 of liquid financial assets available within one year of the statement of financial position to meet cash needs for general expenditures, subject to \$126,500 of funds required to satisfy net assets with donor restrictions. As part of its liquidity management, the Organization invests excess cash in a savings account held by one financial institution.