

**PECKHAM, INC. AND SUBSIDIARIES**

**REPORT ON CONSOLIDATED  
FINANCIAL STATEMENTS  
(with supplementary information)**

**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Peckham, Inc. and Subsidiaries

### Report on the Audit of the Consolidated Financial Statements

#### *Qualified Opinion*

We have audited the accompanying consolidated financial statements of Peckham, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of not consolidating all financially interrelated not-for-profit organizations described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peckham, Inc. and Subsidiaries as of September 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Qualified Opinion*

As more fully described in Note 1 to the consolidated financial statements, Peckham, Inc. and Subsidiaries does not consolidate all financially interrelated not-for-profit organizations in the consolidated financial statements. In our opinion, accounting principles generally accepted in the United States of America require that these entities be included in Peckham, Inc. and Subsidiaries consolidated financial statements. The effects on the accompanying consolidated financial statements of this departure from accounting principles generally accepted in the United States of America have not been determined.

We conducted our audits 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 of the United States. 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 Peckham, Inc. and Subsidiaries 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 qualified audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Peckham, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Peckham, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Peckham, Inc. and Subsidiaries' 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as identified in the table of contents, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidating statements are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets of the individual companies and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of not consolidating all financially interrelated not-for-profit organizations, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2025, on our consideration of Peckham, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Peckham, Inc. and Subsidiaries' 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 Peckham, Inc. and Subsidiaries internal control over financial reporting and compliance.

*Maney Costerian PC*

January 7, 2025

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 39,559,687	\$ 45,822,824
Accounts and fees receivable less allowance for credit losses of \$55,000 in 2024 and \$55,000 in 2023	50,766,982	20,674,944
Inventory	10,148,303	19,443,338
Prepaid expenses	2,742,161	3,241,064
Current portion of notes receivable	1,101,813	346,410
Total current assets	104,318,946	89,528,580
Noncurrent assets		
Investments	109,162,495	73,724,165
Deferred compensation investments	528,351	393,072
Notes receivable - less current portion	1,625,844	1,728,194
Property and equipment, net of accumulated depreciation	84,116,163	61,319,819
Operating lease right-of-use assets	25,749,267	11,887,464
Total noncurrent assets	221,182,120	149,052,714
<b>TOTAL ASSETS</b>	<b>\$ 325,501,066</b>	<b>\$ 238,581,294</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 13,509,776	\$ 9,580,496
Accrued payroll and related items	3,256,458	2,432,375
Accrued paid time off	3,613,857	3,342,718
Accrued mission alignment incentive	4,733,714	4,190,576
Accrued retirement	4,332,972	4,125,705
Accrued contributions - affiliates	11,668,516	3,804,716
Reserve for incurred but not reported medical claims	2,500,000	1,600,000
Current portion of deferred revenue	5,222,432	-
Current portion of operating lease liabilities	9,216,487	6,669,817
Total current liabilities	58,054,212	35,746,403
Noncurrent liabilities		
Deferred revenue, less current portion	6,963,242	-
Operating lease liabilities, less current portion	23,109,409	5,285,954
Deferred compensation	528,351	393,072
Total noncurrent liabilities	30,601,002	5,679,026
<b>TOTAL LIABILITIES</b>	88,655,214	41,425,429
<b>NET ASSETS</b>		
Without donor restrictions - undesignated	236,845,852	197,155,865
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 325,501,066</b>	<b>\$ 238,581,294</b>

See notes to consolidated financial statements.

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024	2023
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Program revenues	\$ 353,756,251	\$ 279,267,416
Investment return, net	17,529,889	6,487,963
Other	1,042,839	694,972
TOTAL REVENUES	372,328,979	286,450,351
EXPENSES		
Program services		
Rehabilitation and human services	11,300,175	9,688,725
Manufacturing	68,161,847	89,305,129
Contact Center Solutions	167,616,389	100,524,558
Third Party Logistics and Fulfillment Services	41,517,641	38,730,264
Custodial Services	8,558,472	7,612,162
Food services	1,879,390	1,722,019
Affiliate contributions	11,000,000	4,000,000
	310,033,914	251,582,857
Support services		
Management and general	22,605,078	20,139,464
TOTAL EXPENSES	332,638,992	271,722,321
CHANGE IN NET ASSETS	39,689,987	14,728,030
NET ASSETS, beginning of year	197,155,865	182,427,835
NET ASSETS, end of year	\$ 236,845,852	\$ 197,155,865

See notes to consolidated financial statements.

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2024**

	Program Services							Support	Total	
	Rehabilitation and Human Services	Manufacturing	Contact Center Solutions	Third Party Logistics and Fulfillment Services	Custodial Services	Food Services	Affiliate Contributions	Indirect and Allocated		Management and General
Salaries, fringes, and related taxes	\$ 7,939,183	\$ 27,750,488	\$ 98,198,284	\$ 19,444,993	\$ 7,772,390	\$ 719,787	\$ -	\$ 3,428,697	\$ 14,562,927	\$ 179,816,749
Direct materials, supplies and services	1,977,220	31,159,531	8,374,361	7,139,177	398,515	451,017	-	313,763	-	49,813,584
Computer amortization and office expense	77,044	141,920	5,359,815	317,348	524	2,509	-	169,629	3,490,121	9,558,910
Professional - legal and accounting	-	1,857	18,694	715	-	223	-	2,336	172,261	196,086
Consulting fees and temporary help	83,643	889,051	452,783	178,620	22,851	5,780	-	61,822	1,404,574	3,099,124
Subcontract expense	-	508,315	34,858,085	-	-	-	-	-	-	35,366,400
Insurance - board and corporate	1,161	-	-	1,723,987	-	2,500	-	49,146	313,845	2,090,639
Equipment repairs and maintenance	25,435	270,885	88,148	563,939	39,250	31,229	-	252,388	305,271	1,576,545
Equipment rental	-	10,663	-	2,824	-	12,083	-	90,826	6,892	123,288
Building repairs	141,638	3,008	-	13,282	-	36,626	-	1,138,290	-	1,332,844
Occupancy	45,663	1,296	75,378	776,784	40,903	92,752	-	6,556,734	-	7,589,510
Transportation (including insurance)	104,770	34,940	395,673	45,728	70,870	3,030	-	152,804	325,647	1,133,462
Telecommunication	44,227	40,749	255,265	37,246	63,178	3,580	-	283,657	361,838	1,089,740
Staff development	55,829	61,889	53,208	21,306	1,005	241	-	1,283	130,334	325,095
Depreciation	21,111	672,957	2,951,103	520,134	34,539	392,336	-	9,241,256	686,251	14,519,687
Small equipment and furniture purchases	10,115	24,321	73,528	19,730	45,400	6,310	-	226,048	62,312	467,764
Miscellaneous	82,259	61,739	595,030	126,765	19,047	6,949	-	39,168	527,694	1,458,651
Rent and leases	118,455	-	1,270,010	995,360	-	-	-	7,936,448	1,257	10,321,530
Credit losses	61,951	1,147,433	500,000	-	50,000	-	-	-	-	1,759,384
Contributions	-	-	-	-	-	-	11,000,000	-	-	11,000,000
<b>NET TOTAL EXPENSES</b>	<b>10,789,704</b>	<b>62,781,042</b>	<b>153,519,365</b>	<b>31,927,938</b>	<b>8,558,472</b>	<b>1,766,952</b>	<b>11,000,000</b>	<b>29,944,295</b>	<b>22,351,224</b>	<b>332,638,992</b>
Cost of occupancy	510,471	5,380,805	14,097,024	9,589,703	-	112,438	-	(29,944,295)	253,854	-
<b>TOTAL EXPENSES</b>	<b>\$ 11,300,175</b>	<b>\$ 68,161,847</b>	<b>\$ 167,616,389</b>	<b>\$ 41,517,641</b>	<b>\$ 8,558,472</b>	<b>\$ 1,879,390</b>	<b>\$ 11,000,000</b>	<b>\$ -</b>	<b>\$ 22,605,078</b>	<b>\$ 332,638,992</b>

See notes to consolidated financial statements.

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2023**

	Program Services							Support	Totals	
	Rehabilitation and Human Services	Manufacturing	Contact Center Solutions	Third Party Logistics and Fulfillment Services	Custodial Services	Food Services	Affiliate Contributions	Indirect and Allocated		Management and General
Salaries, fringes, and related taxes	\$ 7,126,755	\$ 31,911,561	\$ 67,736,069	\$ 17,817,389	\$ 6,830,472	\$ 671,017	\$ -	\$ 2,801,930	\$ 12,169,932	\$ 147,065,125
Direct materials, supplies and services	1,538,437	40,225,074	3,822,680	7,040,038	373,953	453,948	-	261,330	-	53,715,460
Computer amortization and office expense	64,712	71,662	3,987,979	289,674	606	1,681	-	169,765	3,247,861	7,833,940
Professional - legal and accounting	-	1,250	13,553	-	-	-	-	-	126,059	140,862
Consulting fees and temporary help	29,827	126,735	238,282	65,651	29,000	235	-	1,176	1,192,281	1,683,187
Subcontract expense	-	10,065,832	16,235,090	-	-	-	-	-	-	26,300,922
Insurance - board and corporate	5,742	-	-	1,391,566	-	-	-	37,350	262,495	1,697,153
Equipment repairs and maintenance	20,906	312,508	84,208	469,314	35,209	16,565	-	238,730	272,205	1,449,645
Equipment rental	-	8,656	427	905	-	20,145	-	12,553	2,456	45,142
Building repairs	14,613	3,382	100	1,500	-	29,430	-	946,127	748	995,900
Occupancy	44,908	17,558	97,017	7,080	44,419	77,245	-	2,794,729	-	3,082,956
Transportation (including insurance)	58,161	47,076	256,873	60,246	52,732	14,028	-	101,663	166,587	757,366
Telecommunication	47,921	31,374	438,322	20,818	61,744	3,841	-	152,801	250,144	1,006,965
Staff development	49,611	5,122	164,356	21,165	338	230	-	4,655	257,720	503,197
Depreciation	25,972	564,818	1,415,645	548,669	32,409	315,814	-	6,162,865	569,572	9,635,764
Small equipment and furniture purchases	9,020	43,058	52,496	13,833	118,026	732	-	163,916	46,088	447,169
Miscellaneous	122,439	105,650	520,309	51,559	33,254	9,476	-	13,713	1,101,766	1,958,166
Rent	114,821	2,400	2,162,838	1,704,554	-	-	-	5,417,330	1,227	9,403,170
Interest	-	-	-	-	-	-	-	-	232	232
Contributions	-	-	-	-	-	-	4,000,000	-	-	4,000,000
<b>NET TOTAL EXPENSES</b>	<b>9,273,845</b>	<b>83,543,716</b>	<b>97,226,244</b>	<b>29,503,961</b>	<b>7,612,162</b>	<b>1,614,387</b>	<b>4,000,000</b>	<b>19,280,633</b>	<b>19,667,373</b>	<b>271,722,321</b>
Cost of occupancy	414,880	5,761,413	3,298,314	9,226,303	-	107,632	-	(19,280,633)	472,091	-
<b>TOTAL EXPENSES</b>	<b>\$ 9,688,725</b>	<b>\$ 89,305,129</b>	<b>\$ 100,524,558</b>	<b>\$ 38,730,264</b>	<b>\$ 7,612,162</b>	<b>\$ 1,722,019</b>	<b>\$ 4,000,000</b>	<b>\$ -</b>	<b>\$ 20,139,464</b>	<b>\$ 271,722,321</b>

See notes to consolidated financial statements.

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024	2023
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
Cash flows from operating activities		
Increase in net assets	<u>\$ 39,689,987</u>	<u>\$ 14,728,030</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation/amortization	20,163,373	14,080,948
(Gain) loss on disposal of equipment	(5,000)	-
Realized and unrealized loss (gain) on investments	(12,833,633)	(3,144,710)
Accounts and fees receivable	(30,092,038)	5,649,469
Inventory	9,295,035	(3,012,691)
Prepaid expenses	498,903	(633,222)
Operating lease right-of-use assets	(13,861,803)	6,798,163
Accounts payable	3,929,280	4,006,017
Accrued payroll and related items	824,083	(95,518)
Accrued paid time off	271,139	207,864
Accrued mission alignment incentive	543,138	(3,221,327)
Accrued retirement	207,267	793,893
Accrued contributions - affiliates	7,863,800	2,076,397
Deferred revenue	12,185,674	-
Operating lease liabilities	20,370,125	(6,729,856)
Deferred compensation	135,279	27,677
Reserve for incurred but not reported medical claims	<u>900,000</u>	<u>-</u>
Total adjustments	<u>20,394,622</u>	<u>16,803,104</u>
Net cash provided by operating activities	<u>60,084,609</u>	<u>31,531,134</u>
Cash flows from investing activities		
Purchases of investments	(24,071,092)	(7,081,670)
Sale of investments	1,466,395	4,701,069
(Purchase) sale of deferred compensation investments	(135,279)	(27,677)
Purchases of property and equipment	(42,954,717)	(16,688,931)
Notes receivable issued	(750,000)	(250,000)
Collections on notes receivable	<u>96,947</u>	<u>91,941</u>
Net cash used by investing activities	<u>(66,347,746)</u>	<u>(19,255,268)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,263,137)	12,275,866
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>45,822,824</u>	<u>33,546,958</u>
End of year	<u>\$ 39,559,687</u>	<u>\$ 45,822,824</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 232</u>

See notes to consolidated financial statements.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The consolidated financial statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of Peckham, Inc., its controlled affiliate, Peckham Diversified, and the affiliated organizations in which Peckham, Inc. is the sole corporate member, Peckham Holding Company, Inc., Peckham Holding Company 2, Inc., and Peckham Real Estate Holdings Company, Inc. All material intercompany transactions have been eliminated in consolidation.

Peckham, Inc. and Subsidiaries does not consolidate certain financially interrelated not-for-profit organizations in the consolidated financial statements. Management believes not combining these organizations provides a better presentation of the operations of Peckham, Inc. Accounting principles generally accepted in the United States of America require consolidation of majority owned subsidiaries and all financially interrelated not-for-profit organizations in which Peckham, Inc. and Subsidiaries has control and economic interest, as defined. For Peckham, Inc. and Subsidiaries these entities would include the following:

Peckham Housing Corporation (Capital Gardens) - A not-for-profit housing corporation

Peckham Nonprofit Housing Corporation (Independence Square) - A not-for-profit housing corporation

University Rehabilitation Alliance (URA) d/b/a Origami - A not-for-profit joint venture with Michigan State University, of which 50% is under common control with Peckham, Inc.

Peckham Community Partnership Foundation - A not-for-profit foundation

Cash and Cash Equivalents

Cash and cash equivalents include temporary cash deposits and highly liquid investments, which have an original maturity of three months or less. Cash and cash equivalents held in the investment portfolio are excluded from cash and cash equivalents in reporting cash flows.

Investments and Investment Return

Investments are stated at fair value. Net investment return is included in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Investments are recorded as long-term as it is management's intent to hold for long-term purposes and not spend in the next 12 months. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investment for the year, or since the acquisition date, if acquired during the year.

Investments are managed by professional advisors subject to the Organization's investment policy. The degree and concentration of market and credit risk vary by type of investment.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts and Fees Receivable and Credit Losses

The Organization is exposed to credit losses primarily through apparel manufacturing, contact center solutions, third party logistics and fulfillment services, custodial services, and notes receivable. Accounts and fees receivable represent the Organization’s unconditional right to consideration in exchange for the aforementioned services that the Organization has provided to the customers based on contracted prices. Accounts and fees receivable are recorded when invoices are issued and are presented on the consolidated statement of financial position at the amount management expects to collect. Management provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization’s expected loss allowance methodology for accounts and fees receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of customers’ accounts and fees receivable. Due to the short-term nature of such receivables, the estimated accounts and fees receivable that may not be collected is based on aging of the accounts and fees receivable balances.

The Organization evaluates contract terms and conditions, economic and industry risk, customer credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectable after all collection efforts have been exhausted. See Note 2 regarding concentrations of credit risk.

Activity related to the allowance for credit losses was as follows:

	2024	2023
Balance, October 1	\$ 55,000	\$ 55,000
Provision charges	1,759,384	-
Write-offs	(1,759,384)	-
Recoveries	-	-
	\$ 55,000	\$ 55,000
Balance, September 30		

Beginning and ending balances for accounts receivable for 2024 was \$20,674,944 and \$50,766,982, respectively. Beginning and ending balances for accounts receivable for 2023 was \$26,324,413 and \$20,674,944, respectively.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Notes Receivable

Notes receivable include amounts loaned to finance the purchase of land and construction of facilities for a related party. Other notes receivable includes amounts loaned for sale of property. Notes receivable are reported at their outstanding unpaid principal balance. Interest is accrued on the unpaid principal balance. The Organization monitors the credit quality of borrowers through an assessment including a review of the borrower's financial information annually rather than utilizing a credit quality indicator statistic for monitoring purposes. At September 30, the Organization is owed:

	2024	2023
Financing for land and facilities	\$ 1,476,637	\$ 1,566,279
Line of credit - URA	1,000,000	250,000
Property sold	251,020	258,325
	2,727,657	2,074,604
Less current portion	(1,101,813)	(346,410)
	\$ 1,625,844	\$ 1,728,194

The need for an allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. As of September 30, 2024 and 2023, an allowance of \$0 was recorded.

Inventory

Inventory consists primarily of raw materials and finished goods and is valued at the lower of first-in, first-out cost or market. Maintenance, operating, and office supplies are not inventoried.

Property and Equipment

Assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. Peckham, Inc. and Subsidiaries capitalizes purchases, which are greater than \$5,000. Group purchases of individual items less than \$5,000 may be capitalized.

Long-lived Assets

Peckham, Inc. evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases

The Organization determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets on the consolidated statements of financial position while finance leases are recorded as finance lease ROU assets. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

For operating leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Organization has elected to not recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in the consolidated statements of activities.

The Organization has elected to utilize its incremental borrowing rate as the discount rate when determining the present value of remaining lease payments for operating leases. Additionally, the Organization has elected to not separate non-lease components from lease components and, instead, to account for each separate lease component and the related non-lease component as a single lease component, across all asset categories. For any related party leasing agreements, the Organization has elected to use written terms and conditions for determining whether a lease exists and, if so, the classification and accounting for that lease.

Lease liabilities include amounts related to fixed payments and lease incentive liabilities for reimbursed leasehold improvements. The liabilities are amortized as a reduction of lease expense on a straight-line basis over the lease term. Leasehold improvements reimbursed by the lessor are recorded as leasehold improvement assets and depreciated over the shorter of the lease term or their useful life.

Accrued Compensated Absences

Benefits are recorded when earned rather than when paid.

Deferred Revenue

The Organization records deferred revenue when it receives payments from customers before the performance obligations related to those payments have been satisfied. The Organization received funding from a federal agency to cover lease and expansion costs to ensure the Organization was equipped to provide the necessary services to the federal agency. The Organization has elected to recognize the revenue from this funding on a straight-line basis over the non-cancelable lease term. Deferred revenue is classified as a current or long-term liability on the consolidated statements of financial position based on the expected timing of the revenue recognition.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Assets

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

*Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets with Donor Restrictions* - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. The Organization does not have net assets with donor restrictions as of September 30, 2024 and 2023.

Revenue and Revenue Recognition

The Organization generally measures revenue based on the amount of consideration it expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. Material revenue streams are discussed below.

*Apparel Manufacturing*

Apparel manufacturing revenue consists of products manufactured for a fixed or determinable fee based on contractual terms. Product revenue is recognized at a point in time when shipping has occurred, and collectability is probable. The Organization does not offer price concessions or discounts. The Organization is generally not obligated to accept returns, except for defective products.

*Contact Center Solutions*

Contact center solutions revenue consists of contracts for call centers and is recorded as related expenditures are incurred and services are performed under the provisions of the agreements. Fees are earned over time as services are performed as a series of distinct events. This includes a mix of fees earned on a per contract per month basis and call volume.

*Third Party Logistics and Fulfillment Services*

Third party logistics and fulfillment services revenue consist of performing specified tasks (typically warehousing and kitting) over the course of the contract. The performance obligation is met as the tasks are performed and revenue is recognized over time as the customer receives the benefit of performance.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue and Revenue Recognition (continued)

*Custodial Services*

Custodial services revenue consists of cleaning services performed according to the scope and frequency specified in the contracts. The performance obligation is met as services are rendered and revenue is recognized over time as the customer both receives and consumes the benefit of performance.

The following schedule shows the Organization's revenues disaggregated according to the timing of transfer of goods or services for the years ended September 30:

	2024	2023
Contract revenue recognized at a point in time		
Apparel manufacturing	\$ 66,936,392	\$ 94,765,305
Other	528,265	515,793
Contract revenue recognized over time		
Contact Center Solutions	220,507,981	121,734,862
Third Party Logistics and Fulfillment Services	45,335,906	43,700,362
Custodial Services	9,556,586	9,041,003
Other	1,042,839	694,972
Total contract revenue	343,907,969	270,452,297
Grants and contributions	10,891,121	9,510,091
Investment return, net	17,529,889	6,487,963
TOTAL REVENUES	\$ 372,328,979	\$ 286,450,351

Contribution Revenue

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Grants revenue results from agreements, typically with government agencies, corporations, or individuals that fund specific activities for the Organization. An agreement is a conditional contribution if its primary purpose is to enable the Organization to provide a service to, or maintain a facility for, the direct benefit of the individuals served or the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a conditional contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contribution Revenue (continued)

Conditional contributions are recognized as the Organization incurs qualifying expenditures in compliance with rules and regulations established by the grantor, who is typically a state or federal awarding agency. The grants are paid on a cost-reimbursement basis, most often by drawdowns of the grant funds. Any unused funds are forfeited, and if any expenditures are unallowed, the Organization may be required to refund the amounts drawn down. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Donor-restricted contributions that were initially conditional contributions and for which donor-imposed conditions and restrictions are met in the same reporting period are recorded as support without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on a basis of estimated use of resources. Allocated expenses primarily consist of employee wages and benefits, occupancy, depreciation, rent, and various other expense classifications necessary to support the day-to-day operations of the Organization. All other allocated expenses utilize square footage to attribute expenses to program and support services.

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES**

Peckham Vocational Industries, Inc. (doing business as) Peckham, Inc. is a nonprofit organization headquartered in Lansing, Michigan with several locations throughout primarily Michigan and other states and is organized under the provisions of Section 501(c)(3) of the Internal Revenue Code, and as such it is not subject to income taxes. The nature of Peckham, Inc. and Subsidiaries is to provide vocational rehabilitation services to persons with disabilities, which will assist them to achieve their maximum level of vocational, economic and social development. Such services are provided to assist individuals to become as independently functioning as possible and include services such as vocational evaluation, work adjustment training, which include manufacturing, custodial, call service and other contact center solutions, community placement and supportive employment, housing and educational assistance and contributions to the Peckham Community Partnership Foundation.

The above services are recorded in the following *major programs*:

The **Rehabilitation and Human Services Program** offers more than 25 different rehabilitation and human services programs from art to career planning, pre-employment screening to facility-based training, youth programs to organizational employment and residential services. A wide range of services are offered with a focus on job readiness skills, career exploration, resume development, interviewing, guided job searches. Programs also help develop interpersonal and coping skills to enhance job retention.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

The **Manufacturing Program** focuses on providing meaningful vocational training to persons with disabilities in the field of manufacturing. Individuals in this program produce numerous products, including manufacturing apparel and related products, automotive assembly, specializing in small assembly work, specialty jobs and light manufacturing.

The **Contact Center Solutions Program** continues to develop diverse, technology-based office environment jobs for persons with disabilities. Training opportunities for clients include contact centers, mailing and fulfillment, records management, administrative support, document management, mailroom, clerical support, and other contact center solutions.

The **Third-Party Logistics and Fulfillment Services Program** offers supply chain training and related job opportunities to persons with disabilities. Clients manage inventory, pick, pack, and prepare hundreds of packages each day for distribution, using the latest technology and processes to ensure quality and on time delivery.

The **Custodial Services Program** focuses on providing environmental training opportunities to persons with disabilities, including advanced training in the latest equipment, products, and specialty cleaning services. Clients are trained, tested, and certified in general office cleaning, rest room cleaning, carpet cleaning and restoration, hard floor maintenance and safety.

The **Food Services Program** offers cafeteria/catering and farming training and related job opportunities to persons with disabilities. Cafeteria/catering clients help inventory, prepare food, maintain kitchen equipment, learn about nutrition and food labels, and serve more than 300 meals a day at two different Peckham locations. They help prepare and cater more than 200 meetings/events annually. Farming clients help plant, weed, water, harvest and prepare produce, herbs, and flowers for sale to Peckham staff and the public. They maintain farm equipment and farm buildings. They learn about sustainable, organic, and eco-friendly farming techniques as well as integrated pest management systems.

The **Foundation Program** focuses on contributions to the Peckham Community Partnership Foundation whose purpose is to provide support to Peckham, Inc. The **Peckham Community Partnership Foundation** provides support to Peckham, Inc., by funding services and programs where little other funding exists, filling critical gaps that can make a difference in the lives of those striving for greater independence. The Peckham Community Partnership Foundation supports a variety of program initiatives, while also expanding its efforts to provide community enrichment, volunteerism, and self-empowerment opportunities for people with disabilities.

Peckham Diversified is a nonprofit corporation organized under the provisions of Section 501(c)(3) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the organization is to provide a wide range of opportunities to maximize human potential for persons striving for independence and self-sufficiency.

Peckham Holding Company, Inc. is a nonprofit corporation organized under the provisions of Section 501(c)(2) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the Corporation is to acquire, own, develop, rent and operate real estate to Peckham, Inc. The Corporation is organized exclusively to hold, own, operate, and lease property to Peckham, Inc. its sole member.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

Peckham Holding Company 2, Inc. is a nonprofit corporation organized under the provisions of Section 501(c)(2) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the Corporation is to acquire, own, develop, rent and operate real estate to Peckham, Inc. The Corporation is organized exclusively to hold, own, operate, and lease property to Peckham, Inc. its sole member.

Peckham Real Estate Holdings Company, Inc. is a nonprofit corporation organized under the provisions of Section 501(c)(2) of the Internal Revenue Code, and as such is not subject to income taxes. The nature of the Corporation is to acquire, own, develop, rent and operate real estate to Peckham, Inc. The Corporation is organized exclusively to hold, own, operate, and lease property to Peckham, Inc. its sole member.

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Financial instruments which potentially subject the company to concentrations of credit risk consist principally of cash and cash equivalents, investments, trade receivables, and notes receivable.

Peckham, Inc. and Subsidiaries places its cash and cash equivalents with FDIC insured financial institutions. Although such investments and cash balances exceeded the federally insured limits at certain times during the year and at year end, they are, in the opinion of management, subject to minimal risk.

In addition, Peckham, Inc. and Subsidiaries recognizes an allowance for credit losses at the time a receivable is recorded based on management's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed. The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts. Concentrations of credit risk with respect to trade receivables is primarily with Peckham, Inc. and Subsidiaries' two largest customers.

Peckham, Inc. and Subsidiaries performs ongoing credit evaluations of its customers' financial condition whenever deemed necessary. The Organization evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts and fees receivable, which takes into consideration an analysis of historical credit losses, specific customer creditworthiness and current economic trends. Management believes that the Organization's concentration of credit risk is limited because its largest customers are governmental entities.

Peckham, Inc. has two customers that generate revenue in excess of 10% of total program revenue. These customers represent revenue of 56% and 25% totaling approximately 81% of total program revenue in 2024. Two customers represented 68% of accounts and fees receivable at September 30, 2024. In 2023, two customers in total represented 74% of revenue and 51% of accounts and fees receivable. In addition, in 2024, Peckham, Inc. and Subsidiaries purchased approximately 21% of their required materials from one vendor. In 2023 one vendor was 19%.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

Peckham, Inc. and Subsidiaries evaluates events and transactions that occur after year end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through January 7, 2025, which was the date the consolidated financial statements were available for issue.

Peckham, Inc. and Subsidiaries invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements. Investments in marketable securities represent diversified holdings of stocks, bonds, mutual funds, and other securities.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The following reflects the Organization's financial assets as of September 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position, comprise the following:

	2024	2023
Cash and cash equivalents	\$ 39,559,687	\$ 45,822,824
Investments	109,162,495	73,724,165
Accounts and fees receivable, net	50,766,982	20,674,944
Current portion of notes receivable	1,101,813	346,410
Financial assets available to meet cash needs for general expenditures within one year	\$ 200,590,977	\$ 140,568,343

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Included in financial assets available are investments that are considered long term on the consolidated statement of financial position but could be used to meet general expenditures. The Organization has various sources of liquidity at its disposal, including cash and lines of credit. See Note 8 for further explanations of these lines of credit.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS**

At September 30, investments are reported in the statements of financial position as follows:

	2024	2023
Investments	\$ 109,162,495	\$ 73,724,165
Deferred compensation investments	528,351	393,072
Total investments	\$ 109,690,846	\$ 74,117,237

The Organization is required to disclose amounts within a framework established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in the active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2024 and 2023.

*Mutual Funds:* Valued at the daily closing prices reported by the fund. Funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

*Equity Securities:* Valued at the price reported on the active market on which the individual securities are traded.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)**

*Debt Securities:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available for securities of issuers with similar credit ratings.

*Insurance Contracts:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

*Hedge Funds and Private Equity Funds:* Valued at the net asset value (NAV) of the units held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The following are market value summaries by the level of the inputs used, as of September 30, 2024, in evaluating Peckham, Inc. and Subsidiaries' assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	2024				Total
	Cost	Fair Value			
		Level 1	Level 2	Level 3	
Cash and money markets	\$ 7,678,082	\$ 7,678,082	\$ -	\$ -	\$ 7,678,082
Mutual funds	11,602,112	12,537,983	-	-	12,537,983
Equity securities	25,271,600	37,886,274	-	-	37,886,274
Debt securities	21,952,087	-	22,088,380	-	22,088,380
Insurance contracts	3,861,809	-	4,953,697	-	4,953,697
 Total investments in the fair value hierarchy	 70,365,690	 <u>\$ 58,102,339</u>	 <u>\$ 27,042,077</u>	 <u>\$ -</u>	 85,144,416
 Investments measured at net asset value	 <u>20,304,245</u>				 <u>24,546,430</u>
 Total investments	 <u>\$ 90,669,935</u>				 <u>\$ 109,690,846</u>
 Unrealized gain (loss)					 <u>\$ 19,020,911</u>

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)**

The following is a market value summary by the level of inputs used, as of September 30, 2023.

	2023				Total
	Cost	Fair Value			
		Level 1	Level 2	Level 3	
Cash and money markets	\$ 5,870,847	\$ 5,870,847	\$ -	\$ -	\$ 5,870,847
Mutual funds	11,827,901	11,614,909	-	-	11,614,909
Equity securities	24,248,639	30,817,608	-	-	30,817,608
Debt securities	2,063,908	-	1,824,418	-	1,824,418
Insurance contracts	4,035,497	-	4,275,737	-	4,275,737
 Total investments in the fair value hierarchy	 48,046,792	 <u>\$ 48,303,364</u>	 <u>\$ 6,100,155</u>	 <u>\$ -</u>	 54,403,519
 Investments measured at net asset value	 <u>17,923,909</u>				 <u>19,713,718</u>
 Total investments	 <u>\$ 65,970,701</u>				 <u>\$ 74,117,237</u>
 Unrealized gain (loss)					 <u>\$ 8,146,536</u>

The following tables summarize investments measured at fair value based on NAV per share as of September 30, 2024 and 2023:

September 30, 2024	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds	\$ 2,681,791	\$ -	Varies	Varies
Private equity funds	21,864,639	11,416,464	Varies	Varies
	<u>\$ 24,546,430</u>	<u>\$ 11,416,464</u>		
September 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds	\$ 2,417,057	\$ -	Varies	Varies
Private equity funds	17,296,661	11,435,624	Varies	Varies
	<u>\$ 19,713,718</u>	<u>\$ 11,435,624</u>		

The insurance contracts have significant early termination fees. It is management's intent to hold it to maturity to avoid any such fees.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)**

Investment return for the years ended September 30 are as follows:

	<u>2024</u>	<u>2023</u>
Interest and dividends, net of fees	\$ 4,696,256	\$ 3,343,253
Realized and unrealized gain (loss)	<u>12,833,633</u>	<u>3,144,710</u>
	<u>\$ 17,529,889</u>	<u>\$ 6,487,963</u>

**NOTE 5 - INVENTORY**

Inventory is comprised of the following at September 30:

	<u>2024</u>	<u>2023</u>
Apparel and other raw materials	\$ 9,558,529	\$ 13,530,947
Finished goods and other	<u>589,774</u>	<u>5,912,391</u>
	<u>\$ 10,148,303</u>	<u>\$ 19,443,338</u>

**NOTE 6 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment at September 30 consist of the following:

	Years of Useful Life	<u>2024</u>	<u>2023</u>
Land		\$ 3,823,815	\$ 3,823,815
Buildings and leasehold improvements	5 - 40	112,528,823	92,875,143
Equipment and software	3 - 15	120,988,723	102,453,353
Furniture and fixtures	5 - 10	11,110,301	7,432,379
Vehicles	4 - 7	1,404,004	1,091,919
Land improvements	5 - 40	<u>3,340,592</u>	<u>2,559,935</u>
		253,196,258	210,236,544
Less accumulated depreciation		<u>(169,080,095)</u>	<u>(148,916,725)</u>
Net property and equipment		<u>\$ 84,116,163</u>	<u>\$ 61,319,819</u>

Depreciation and amortization of software expense was \$14,779,602 in 2024 and \$12,312,200 in 2023.

Certain properties have been sold and at September 30, 2024 and 2023, \$251,020 and \$258,325 are recorded as note receivables for the sale of the properties, respectively. The principal balances are due November 2023 and November 2040. Other notes receivable are disclosed in Note 11.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - LEASES**

Peckham, Inc. rents warehouse and office space from unrelated parties under operating lease agreements with varying terms expiring through 2034.

One of the office space lease agreements includes provisions for reimbursed leasehold improvements of approximately \$5.5 million. The balance of unamortized leasehold improvements at September 30, 2024 was \$4,555,239.

In addition, Peckham, Inc. leases warehouse and office space from its affiliated real estate holding entities. These arrangements operate on a month-to-month basis and have been eliminated in the consolidated financial statements.

The components of lease expense are as follows for September 30, 2024:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 10,735,126	\$ 7,282,641
Short-term lease expense	90,268	56,307
Amortization of lease incentives	<u>(911,048)</u>	<u>-</u>
Total	<u>\$ 9,914,346</u>	<u>\$ 7,338,948</u>

Supplemental cash flow information related to leases are as follows for September 30, 2024:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 8,782,042	\$ 7,214,334
Weighted-average remaining lease term in years for operating leases	6.33	2.12
Weighted-average discount rate for operating leases	5.46%	3.10%

Future minimum lease payments and reconciliations to the consolidated statement of financial position at September 30, 2024, are as follows:

<u>Year Ending September 30,</u>	<u>Operating Leases</u>
2025	\$ 7,799,451
2026	5,119,256
2027	4,854,568
2028	4,318,080
2029	2,625,548
Thereafter	<u>8,951,750</u>
Total undiscounted cash flows	33,668,653
Less: present value discount	(5,897,996)
Lease incentive liabilities, net	<u>4,555,239</u>
Total lease liabilities	<u>\$ 32,325,896</u>

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - LEASES (continued)**

Total lease liabilities as presented in the consolidated statements of financial position.

	2024	2023
Current portion of operating lease liabilities		
Lease liabilities	\$ 8,001,756	\$ 6,669,817
Lease incentives	1,214,731	-
	9,216,487	6,669,817
Operating lease liabilities, less current portion		
Lease liabilities	19,768,901	5,285,954
Lease incentives	3,340,508	-
	23,109,409	5,285,954
	\$ 32,325,896	\$ 11,955,771

**NOTE 8 - LINES OF CREDIT**

Peckham, Inc. and Subsidiaries has a \$15,000,000 line of credit from a bank. The line of credit is collateralized by the investment portfolio of Peckham, Inc. and Subsidiaries administered by the bank and bears interest for 2024 and 2023 at the adjusted SOFR rate plus .70 percentage points. The balance outstanding on the line-of-credit was \$0 and \$0 as of September 30, 2024 and 2023, respectively. Interest rates at year end vary based on the amount outstanding. The ranges were between 6.03% and 5.87% and between 3.25% and 6.03%, for the years ended September 30, 2024 and 2023, respectively. The line of credit expires on April 30, 2025.

Peckham, Inc. and Subsidiaries has a \$20,000,000 line of credit from Peckham Community Partnership Foundation. There was no balance outstanding at September 30, 2024 and 2023.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

Litigation

In the ordinary course of business, the Organization is a party to claims and legal actions by vendors and other parties. The Organization's policy is to accrue for amounts related to these claims and legal actions if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The consolidated financial statements reflect any liabilities that meet this policy.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 - RETIREMENT AND BENEFIT PLANS**

Peckham, Inc. and Subsidiaries maintains a qualified defined contribution retirement plan for substantially all full-time employees. Peckham, Inc. and Subsidiaries accrues discretionary retirement contributions. Retirement expense for this plan was \$4,302,898 and \$4,075,356 in 2024 and 2023, respectively. Retirement expenses may be less than accrued contributions due to forfeitures. Peckham, Inc. also maintains a 403(b) plan. There are no employer contributions to the 403(b) plan.

Through December 31, 2023, certain employees were covered under fully insured or self-insured plans. Effective January 1, 2024 all Peckham, Inc. and Subsidiaries employees were covered under the self-insured health care plan. Peckham, Inc. and Subsidiaries has contracted with a third-party insurance carrier to provide \$250,000 per participant in stop loss coverage. A liability estimate of \$2,500,000 and \$1,600,000 for incurred but not reported claims was recorded at September 30, 2024 and 2023, respectively.

Peckham, Inc. and Subsidiaries has entered into a deferred compensation agreement with certain key individuals. Under the agreement, the participants are entitled to deferred compensation upon separation from the company.

**NOTE 11 - AFFILIATE TRANSACTIONS**

Peckham, Inc. provides certain administrative services to Peckham Housing Corporation (Capital Gardens), Peckham Nonprofit Housing Corporation (Independence Square), House of Ruth, and Origami. Peckham, Inc. was reimbursed for these services for the year ended September 30 as follows:

	2024	2023
Peckham Housing Corporation (Capital Gardens)	\$ 262,939	\$ 112,547
Peckham Nonprofit Housing Corporation (Independence Square)	133,918	138,149
House of Ruth	472,504	266,288
Origami	126,347	124,842

At September 30, Peckham, Inc. is owed:

	2024	2023
Peckham Housing Corporation (Capital Gardens)	\$ 348,398	\$ 89,796
Peckham Nonprofit Housing Corporation (Independence Square)	326,595	224,589
House of Ruth	125,906	40,168
Origami	12,737	11,187

Peckham, Inc., Peckham Housing Corporation, Peckham Nonprofit Housing Corporation, and Origami have common board members.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 - AFFILIATE TRANSACTIONS (continued)**

In 2007, Peckham, Inc. loaned \$1,300,000 to Origami for purchase of land, construction and equipping of a building, and initial operating costs. Origami is to repay this loan in monthly payments of \$14,463 including interest at 5.5% which amounted to \$83,908 and \$88,695 in interest income for the years ended September 30, 2024 and 2023, respectively. In 2015, Peckham, Inc. committed an additional \$1,500,000 to Origami for the construction of additional facilities. The note receivable balance was \$1,476,637 and \$1,566,279 at September 30, 2024 and 2023, respectively. The current portion was \$94,699 and \$89,642 at September 30, 2024 and 2023, respectively. A trade receivable balance of \$12,737 and \$11,187 was also owed by Origami to Peckham, Inc. for the years ended September 30, 2024 and 2023, respectively.

In addition, Peckham, Inc. has extended a revolving loan agreement to Origami allowing for up to \$1 million to be drawn at 3%. Amounts were outstanding were \$1,000,000 and \$250,000 as of September 30, 2024 and 2023, respectively.

Peckham, Inc. has approved a contribution to the Peckham Community Partnership Foundation (PCPF) of \$10,000,000 in 2024 and \$4,000,000 in 2023. At September 30, 2024, \$11,668,516 remains unpaid. Peckham, Inc. routinely incurs costs on behalf of the PCPF and is offsetting costs incurred against the unpaid balance. Grants made to Peckham, Inc. from PCPF amounted to \$2,052,110 and \$1,875,933 for the years ended September 30, 2024 and 2023, respectively.

Peckham, Inc. has approved a contribution to Origami of \$1,000,000 in 2024. At September 30, 2024, the full amount remains unpaid.

**NOTE 12 - ADOPTION OF A NEW ACCOUNTING STANDARD**

For the year ended September 30, 2024, Peckham, Inc. and Subsidiaries implemented the following new pronouncement: Financial Accounting Standards Board (the "FASB") Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) ("ASU 2016-13").

**Summary:**

In June 2016, the FASB issued ASU 2016-13 and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-13 (collectively, "CECL"). The objective of the ASU 2016-13 is to provide financial statement users with more decision-useful information about current expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Organization adopted the new standard on October 1, 2023, using the modified-retrospective approach.

The Organization determined that the adoption of ASU 2016-13 did not have a material impact on net assets, assets, or liabilities as of the date of adoption and primarily resulted in enhanced disclosures.

## **SUPPLEMENTARY INFORMATION**

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2024**

	Peckham, Inc.	Peckham Diversified	Peckham Holding Company, Inc.	Peckham Holding Company 2, Inc.	Peckham Real Estate Holdings Company, Inc.	Eliminations	Total
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 39,556,827	\$ 2,860	\$ -	\$ -	\$ -	\$ -	\$ 39,559,687
Accounts and fees receivable less allowance for credit losses of \$55,000	50,766,982	-	-	-	-	-	50,766,982
Accounts receivable - related party	19,368,321	-	-	-	-	(19,368,321)	-
Inventory	10,086,403	61,900	-	-	-	-	10,148,303
Prepaid expenses	2,667,384	74,777	-	-	-	-	2,742,161
Current portion of notes receivable	1,101,813	-	-	-	-	-	1,101,813
<b>Total current assets</b>	<b>123,547,730</b>	<b>139,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,368,321)</b>	<b>104,318,946</b>
<b>Noncurrent assets</b>							
Investment in holding companies	(5,374,727)	-	-	-	-	5,374,727	-
Investments	109,162,495	-	-	-	-	-	109,162,495
Deferred compensation investments	528,351	-	-	-	-	-	528,351
Notes receivable - less current portion	1,547,104	-	-	-	78,740	-	1,625,844
Property and equipment, net of accumulated depreciation	53,761,725	-	12,760,398	3,801,451	13,792,589	-	84,116,163
Operating lease right-of-use assets	25,749,267	-	-	-	-	-	25,749,267
<b>Total noncurrent assets</b>	<b>185,374,215</b>	<b>-</b>	<b>12,760,398</b>	<b>3,801,451</b>	<b>13,871,329</b>	<b>5,374,727</b>	<b>221,182,120</b>
<b>TOTAL ASSETS</b>	<b>\$ 308,921,945</b>	<b>\$ 139,537</b>	<b>\$ 12,760,398</b>	<b>\$ 3,801,451</b>	<b>\$ 13,871,329</b>	<b>\$ (13,993,594)</b>	<b>\$ 325,501,066</b>

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2024**

	Peckham, Inc.	Peckham Diversified	Peckham Holding Company, Inc.	Peckham Holding Company 2, Inc.	Peckham Real Estate Holdings Company, Inc.	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	\$ 13,509,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,509,776
Accounts payable - related party	-	10,868,769	3,361,000	2,475,552	2,663,000	(19,368,321)	-
Accrued payroll and related items	3,261,116	(4,787)	129	-	-	-	3,256,458
Accrued vacation pay	3,613,857	-	-	-	-	-	3,613,857
Accrued mission alignment incentive	4,720,514	13,200	-	-	-	-	4,733,714
Accrued pension	4,311,976	20,996	-	-	-	-	4,332,972
Accrued contributions - affiliates	11,668,516	-	-	-	-	-	11,668,516
Incurred but not reported medical claims	2,500,000	-	-	-	-	-	2,500,000
Current portion of deferred revenue	5,222,432	-	-	-	-	-	5,222,432
Current portion of operating lease liabilities	9,216,487	-	-	-	-	-	9,216,487
<b>Total current liabilities</b>	<b>58,024,674</b>	<b>10,898,178</b>	<b>3,361,129</b>	<b>2,475,552</b>	<b>2,663,000</b>	<b>(19,368,321)</b>	<b>58,054,212</b>
Noncurrent liabilities							
Deferred revenue, less current portion	6,963,242	-	-	-	-	-	6,963,242
Operating lease liabilities, less current portion	23,109,409	-	-	-	-	-	23,109,409
Deferred compensation	528,351	-	-	-	-	-	528,351
<b>Total noncurrent liabilities</b>	<b>30,601,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,601,002</b>
<b>TOTAL LIABILITIES</b>	<b>88,625,676</b>	<b>10,898,178</b>	<b>3,361,129</b>	<b>2,475,552</b>	<b>2,663,000</b>	<b>(19,368,321)</b>	<b>88,655,214</b>
<b>NET ASSETS</b>							
Without donor restrictions - undesignated	220,296,269	(10,758,641)	9,399,269	1,325,899	11,208,329	5,374,727	236,845,852
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 308,921,945</b>	<b>\$ 139,537</b>	<b>\$ 12,760,398</b>	<b>\$ 3,801,451</b>	<b>\$ 13,871,329</b>	<b>\$ (13,993,594)</b>	<b>\$ 325,501,066</b>

**PECKHAM, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2024**

	Peckham, Inc.	Peckham Diversified	Peckham Holding Company, Inc.	Peckham Holding Company 2, Inc.	Peckham Real Estate Holdings Company, Inc.	Eliminations	Total
<b>REVENUES</b>							
Program revenues	\$ 339,095,800	\$ 14,660,451	\$ -	\$ -	\$ -	\$ -	\$ 353,756,251
Investment return, net	17,524,425	-	-	-	5,464	-	17,529,889
Other	14,093,208	-	900,000	960,000	2,480,812	(17,391,181)	1,042,839
<b>TOTAL REVENUES</b>	<b>370,713,433</b>	<b>14,660,451</b>	<b>900,000</b>	<b>960,000</b>	<b>2,486,276</b>	<b>(17,391,181)</b>	<b>372,328,979</b>
<b>EXPENSES</b>							
Program services							
Rehabilitation and human services	11,372,365	-	26,840	10,155	19,003	(128,188)	11,300,175
Manufacturing	65,478,985	13,329,816	158,798	417,383	110,808	(11,333,943)	68,161,847
Contact Center Solutions	168,495,363	-	381,891	144,485	270,382	(1,675,732)	167,616,389
Third Party Logistics and Fulfillment Services	41,747,885	-	79,423	30,049	56,232	(395,948)	41,517,641
Custodial Services	8,580,752	-	-	-	-	(22,280)	8,558,472
Food services	1,892,214	-	17,740	1,662	3,112	(35,338)	1,879,390
Affiliate contributions	11,000,000	-	-	-	-	-	11,000,000
Support services							
Management and general	22,904,070	3,500,760	-	-	-	(3,799,752)	22,605,078
<b>TOTAL EXPENSES</b>	<b>331,471,634</b>	<b>16,830,576</b>	<b>664,692</b>	<b>603,734</b>	<b>459,537</b>	<b>(17,391,181)</b>	<b>332,638,992</b>
<b>CHANGE IN NET ASSETS</b>	<b>39,241,799</b>	<b>(2,170,125)</b>	<b>235,308</b>	<b>356,266</b>	<b>2,026,739</b>	<b>-</b>	<b>39,689,987</b>
NET ASSETS, beginning of year	181,054,470	(8,588,516)	9,259,961	1,329,632	11,032,402	3,067,916	197,155,865
Transfers of assets	-	-	(96,000)	(359,999)	(1,850,812)	2,306,811	-
<b>NET ASSETS, end of year</b>	<b>\$ 220,296,269</b>	<b>\$ (10,758,641)</b>	<b>\$ 9,399,269</b>	<b>\$ 1,325,899</b>	<b>\$ 11,208,329</b>	<b>\$ 5,374,727</b>	<b>\$ 236,845,852</b>

**PECKHAM, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Capital Area Michigan Works Supplemental Nutrition Assistance Program Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FA-PVINGHAM-FY24	\$ 47,516
Total U.S. Department of Agriculture			47,516
<u>U.S. Department of Housing and Urban Development</u>			
Direct grants			
Continuum of Care Program	14.267	N/A	7,944
Continuum of Care Program	14.267	N/A	154,491
Total U.S. Department of Housing and Urban Development			162,435
<u>U.S. Department of Justice</u>			
Passed through Institute for Educational Leadership Juvenile Mentoring Program	16.726	15PJDP-21-GG-03596-MENT	33,707
Total U.S. Department of Justice			33,707
<u>U.S. Department of Labor</u>			
Passed through Capital Area Michigan Works WIOA Cluster			
WIOA Adult Program	17.258	AD-PVIINGHAM-PY23	159,030
WIOA Adult Program	17.258	AD-PVIINGHAM-PY24	103,029
WIOA Adult Program	17.258	AD-PVIEATON-PY23	468,014
WIOA Adult Program	17.258	AD-PVIEATON-PY24	96,820
WIOA Adult Program	17.258	AD-PVICLINTON-PY23	41,343
WIOA Adult Program	17.258	AD-PVICLINTON-PY24	20,300
WIOA Adult Program	17.258	TRAIN-PVICLINTON2023	28,350
WIOA Adult Program	17.258	TRAIN-PVIEATON2023	45,675
WIOA Adult Program	17.258	TRAIN-PVI2023	83,475
Total ALN 17.258			1,046,036
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIINGHAM-PY23	86,178
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIINGHAM-PY24	23,896
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIEATON-PY23	57,913
WIOA Dislocated Worker Formula Grants	17.278	DW-PVIEATON-PY24	37,501
WIOA Dislocated Worker Formula Grants	17.278	DW-PVICLINTON-PY23	88,708
WIOA Dislocated Worker Formula Grants	17.278	DW-PVICLINTON-PY24	19,403
Total ALN 17.278			313,599
WIOA Youth Activities	17.259	YTH-PVICLINTON-PY23	155,579
WIOA Youth Activities	17.259	YTH-PVICLINTON-PY24	51,049
WIOA Youth Activities	17.259	YTH-PVIEATON-PY23	258,592
WIOA Youth Activities	17.259	YTH-PVIEATON-PY24	79,542
WIOA Youth Activities	17.259	YTH-PVI-SYP2023	58,667
WIOA Youth Activities	17.259	YTH-PVI-SYP2024	24,230
Total ALN 17.259			627,659
Total WIOA Cluster			1,987,294
Total passed through Capital Area Michigan Works			1,987,294
Direct grants			
Reentry Employment Opportunities	17.270	YF-39533-23-60-A-26	485,414
Total U.S. Department of Labor			2,472,708

The accompanying notes are an integral part of this schedule.

**PECKHAM, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Michigan			
AmeriCorps State and National	94.006	21-MCSC-MACFF-04	\$ 17,085
AmeriCorps State and National	94.006	24-MCSC-MACFC-03	<u>133,511</u>
Total ALN 94.006			<u>150,596</u>
Passed through Capital Area Michigan Works			
Temporary Assistance for Needy Families	93.558	PATH-PVIINGHAM-FY24	876,284
Temporary Assistance for Needy Families	93.558	PATH-PVIEATON-FY24	149,206
Temporary Assistance for Needy Families	93.558	PATH-PVICLINTON-FY24	<u>100,150</u>
Total ALN 93.558			<u>1,125,640</u>
Total U.S. Department of Health and Human Services			<u>1,276,236</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,992,602</u>

The accompanying notes are an integral part of this schedule.

**PECKHAM, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Peckham, Inc. and Subsidiaries under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Peckham, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets or cash flows of Peckham, Inc. and Subsidiaries.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Peckham, Inc. and Subsidiaries has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - PASS-THROUGH FUNDS**

The Organization did not pass-through any federal funds to subrecipients.



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**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***

To the Board of Directors  
Peckham, Inc. and Subsidiaries

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 consolidated financial statements of Peckham, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 7, 2025, which was qualified because the Organization does not consolidate all financially interrelated not-for-profit organizations in the consolidated financial statements.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Peckham, Inc. and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peckham, Inc. and Subsidiaries internal control. Accordingly, we do not express an opinion on the effectiveness of the Peckham, Inc. and Subsidiaries 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 consolidated 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 or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Peckham, Inc. and Subsidiaries' consolidated 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 consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maney Costeiran PC*

January 7, 2025



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Peckham, Inc. and Subsidiaries

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Peckham, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Peckham, Inc. and Subsidiaries' major federal programs for the year ended September 30, 2024. Peckham, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Peckham, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Peckham, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Peckham, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Peckham, Inc. and Subsidiaries' federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Peckham, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Peckham, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Peckham, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Peckham, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Peckham, Inc. and Subsidiaries' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Peckham, Inc. and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***Report on Internal Control over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maney Costerian PC*

January 7, 2025

**PECKHAM, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Qualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified?   X   Yes \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
17.258, 17.259, 17.278	Work Innovation and Opportunity Act Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Section II - Financial Statement Findings**

None

**PECKHAM, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Section III - Federal Award Findings and Questioned Costs**

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**Finding 2024-001 (Considered a significant deficiency in control compliance for allowable costs and activities)**

**Federal Agency:** United States Department of Health and Human Services

**Assistance Listing Numbers:**

93.558

17.258, 17.259, 17.278

**Criteria:** The Code of Federal Regulations (CFR), particularly 2 CFR § 200.430 (Compensation - Personal Services), requires that charges to federal awards for personnel costs must be based on accurate timekeeping records, and that those records should be properly mapped and reviewed to ensure costs are correctly allocated. Federal award recipients must have sufficient internal controls in place to ensure accurate billing to grants and proper review of payroll data, including verifying the proper mapping of timesheets to funding sources.

**Condition:** For 2 out of 25 transactions for Temporary Assistance for Needy Families and 1 out of 25 transactions for Work Innovation and Opportunity Act Cluster, time reported by a sample of employees on their timesheets for work performed on the grant was not accurately mapped when imported into the payroll system. Specifically, the timesheets showed the amount of time employees spent working on the federal grant, but when this data was entered into the payroll system for processing, it was incorrectly allocated across other funding sources.

**Cause:** The misallocation of time was caused by a failure in the internal controls related to the mapping process between timesheets and the payroll system. Specifically, the integration process between the timesheet reporting system and the payroll system did not correctly map time worked on federal grants to the appropriate funding sources. This error was not identified by the Organization's internal review controls.

**Effect:** As a result of the mapping error, the Organization charged excess costs to the federal grant, leading to overbilling for labor costs.

**Questioned Costs:** Known - \$173.

**Recommendation:** The Organization should review and adjust the mapping process between timesheet data and the payroll system to ensure that time worked on the federal grant is properly allocated. This may include updating software interfaces or implementing manual checks to ensure correct mapping.

**Management's View:** The Organization concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**PECKHAM, INC. AND SUBSIDIARIES  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

There were no findings reported for the year ended September 30, 2023.

**PECKHAM, INC. AND SUBSIDIARIES  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Peckham, Inc. and Subsidiaries respectfully submits the following corrective action plan for the year ended September 30, 2024.

**Auditor:** Maner Costerisan  
2425 E. Grand River Ave., Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended September 30, 2024

**Organization Contact Person:** Harry Pianko, Chief Financial Officer

The finding from the September 30, 2024 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**Finding 2024-001 - Significant deficiency**

**Recommendation:** The Organization should review and adjust the mapping process between timesheet data and the payroll system to ensure that time worked on the federal grant is properly allocated. This may include updating software interfaces or implementing manual checks to ensure correct mapping.

**Action to be Taken:** The Organization concurs with the facts of this finding and is implementing procedures to prevent this in the future. This issue was isolated to a specific payroll, where a report did not function as intended. No issues were detected with either prior or future payrolls. However, we have implemented the additional step of checking these reports to timesheets to ensure there are no discrepancies.