

**MACOMB COUNTY CHILD
ADVOCACY CENTER**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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Independent Auditor's Report

To the Board of Directors of the
Macomb County Child Advocacy Center

We have audited the accompanying statements of financial position of the Macomb County Child Advocacy Center as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Macomb County Child Advocacy Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Macomb County Child Advocacy Center as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


DOEREN MAYHEW

February 17, 2012
Troy, Michigan

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2011	2010
Current Assets		
Cash and cash equivalents (note 1)	\$ 1,250	\$ 24,374
Certificate of deposit	727	16,552
Grants receivable (note 1)	59,443	19,821
Bequest receivable (note 2)	50,000	50,000
Donation receivable (note 6)	50,000	-
Prepaid expenses and other current assets	2,240	2,226
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Total current assets	163,660	112,973
Equipment and Software		
At cost, less accumulated depreciation of \$219,010 in 2011 and \$203,586 in 2010 (notes 1, 3 and 4)	116,722	132,146
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Total assets	<u>\$ 280,382</u>	<u>\$ 245,119</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,681	\$ 11,198
Checks written in advance of deposits	13,611	-
Current portion of mortgage payable (note 5)	102,992	6,157
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Total current liabilities	132,284	17,355
Mortgage Payable (note 5)	-	102,992
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Total liabilities	132,284	120,347
Net Assets		
Unrestricted	147,753	124,427
Temporarily restricted (note 1)	345	345
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Total net assets	148,098	124,772
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Total liabilities and net assets	<u>\$ 280,382</u>	<u>\$ 245,119</u>

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Year Ended September 30,</u>	
			<u>2011</u>	<u>2010</u>
Revenue and Support From Operations				
Donations (note 1)	\$ 81,212	\$ -	\$ 81,212	\$ 33,667
Fundraising events, net of direct costs of \$84,455 in 2011 and \$51,546 in 2010	89,048	-	89,048	67,737
Grants, net of direct costs of \$23,289 in 2011 and \$22,082 in 2010	335,002	-	335,002	297,299
Miscellaneous income	15,249	-	15,249	8,999
Interest income	175	-	175	755
Total revenue and support from operations	520,686	-	520,686	408,457
Functional Expenses				
Program services	407,835	-	407,835	381,093
Supporting services	89,525	-	89,525	82,354
Total functional expenses (note 1)	497,360	-	497,360	463,447
Release of Net Assets From Restrictions	-	-	-	-
Increase (Decrease) in Net Assets	23,326	-	23,326	(54,990)
Net Assets - Beginning	124,427	345	124,772	201,437
Prior Period Adjustment (note 1)	-	-	-	(21,675)
Net Assets - Ending	\$ 147,753	\$ 345	\$ 148,098	\$ 124,772

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

	Program Services	Supporting Services			Year Ended September 30,	
		Manage- ment and General	Fund- raising	Total Supporting Services	2011	2010
Salaries	\$ 275,684	\$ 47,068	\$ 13,448	\$ 60,516	\$ 336,200	\$ 320,292
Payroll taxes	25,193	4,301	1,229	5,530	30,723	27,459
Employee benefits	17,403	2,971	849	3,820	21,223	20,121
Communications	-	-	-	-	-	80
Membership dues	2,814	481	137	618	3,432	6,486
Depreciation	12,646	2,159	617	2,776	15,422	16,604
Advertising (note 1)	828	142	40	182	1,010	458
Printing	-	-	-	-	-	1,940
Insurance	3,965	677	193	870	4,835	4,017
Maintenance and repairs	10,258	1,751	501	2,252	12,510	8,786
Auditing and accounting	14,938	2,550	729	3,279	18,217	12,128
Postage	2,704	462	131	593	3,297	3,078
Professional fees	16,153	2,758	788	3,546	19,699	22,558
Supplies	645	110	31	141	786	163
Travel and training	4,202	718	205	923	5,125	2,833
Utilities	5,748	981	281	1,262	7,010	6,359
Taxes	1,219	208	60	268	1,487	2,509
Interest	6,959	1,188	340	1,528	8,487	8,997
Miscellaneous	6,476	1,106	315	1,421	7,897	(1,421)
Total functional expenses	\$ 407,835	\$ 69,631	\$ 19,894	\$ 89,525	\$ 497,360	\$ 463,447
Percentage of total functional expenses	82%	14%	4%	18%	100%	

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2011	2010
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 23,326	\$ (54,990)
Adjustments:		
Depreciation	15,422	16,604
Changes in assets and liabilities:		
Decrease (increase) in grants receivable	(39,622)	23,358
Increase in donation receivable	(50,000)	-
Increase in prepaid expenses and other current assets	(14)	(200)
Increase (decrease) in accounts payable	4,483	(15,178)
Increase in checks written in advance of deposits	13,611	-
Decrease in accrued liabilities	-	(17,047)
Total adjustments	(56,120)	7,537
Net cash used in operating activities	(32,794)	(47,453)
Cash Flows From Investing Activities:		
Proceeds from redemption of certificates of deposit	15,827	26,308
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(6,157)	(5,693)
Net Decrease in Cash and Cash Equivalents	(23,124)	(26,838)
Cash and Cash Equivalents - Beginning	24,374	51,212
Cash and Cash Equivalents - Ending	\$ 1,250	\$ 24,374

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 8,487	\$ 8,997
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See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Macomb County Child Advocacy Center (Care House), a not-for-profit organization located in Macomb County, Michigan, is incorporated for the purpose of reducing and preventing the incidents and trauma of child sexual abuse and physical abuse through collaborative, multi-disciplinary, and effective family-centered activities.

Basis of Presentation

Care House has adopted generally accepted accounting principles related to not-for-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Care House and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of Care House and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets.

Income Taxes

Care House is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Equipment and Software

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Donated equipment is stated at cost or approximate fair value at the date of donation. Costs of maintenance and repairs are charged to expense when incurred.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Note 1 - Nature of Activities and Significant Accounting Policies - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Care House receives a substantial portion of its contributions from companies in the southeastern Michigan geographical region and from the State of Michigan. This region has experienced job losses, reduced funding and other recessionary impacts that could significantly impact Care House's future operations and financial conditions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include highly liquid debt instruments with original maturities of three months or less. Care House places its temporary cash investments with high credit quality financial institutions. Care House's cash balance in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit at September 30, 2011 and 2010 was \$-0-. All cash and cash equivalents are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain cash and cash equivalents, it is at least reasonably possible that changes in the values of cash and cash equivalents could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Grants Receivable

Grants receivable are stated at grant amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other grants receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. As of September 30, 2011 and 2010, there was no balance in the allowance for doubtful accounts.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Note 1 - Nature of Activities and Significant Accounting Policies - Continued

Donations

Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets when received and reclassified to unrestricted net assets when the restrictions are met. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor. All contributions receivable are expected to be collected in the next fiscal year.

Restricted Donations

Care House reports gifts of cash and other assets as temporarily restricted support if there are stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets reported in the statements of activities and changes in net assets as net assets released from restrictions. As of September 30, 2011 and 2010, temporarily restricted assets were \$345, which represents donor restrictions for capital improvements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 17, 2012, which is the date the financial statements were available to be issued.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Note 1 - Nature of Activities and Significant Accounting Policies - Continued

Allocation of Functional Expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statements of activities and changes in net assets. Indirect costs have been allocated using various bases as determined by management. For the years ended September 30, 2011 and 2010, total functional expenses were allocated in the following manner:

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Program services	\$ 407,835	\$ 381,093
Supporting services		
Management and general	69,631	64,419
Fundraising	<u>19,894</u>	<u>17,935</u>
Total functional expenses	<u>\$ 497,360</u>	<u>\$ 463,447</u>

Advertising

Advertising costs are expensed when incurred.

Prior Period Adjustment

Net assets at the beginning of 2010 have been adjusted to correct an error to record VOCA salaries accrued at September 30, 2009 and the related taxes and fees. Had the error not been made, the net loss for 2009 would have increased by \$21,675.

Note 2 - Bequest Receivable

At September 30, 2011 and 2010, Care House had a bequest receivable in the amount of \$50,000, from the estate of a donor. The receivable will be collected upon the sale of the donor's home in Macomb Township, Michigan. Subsequent to year end, the donor's home was sold and Care House collected the receivable amount.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Note 3 - Equipment and Software

The principal categories of equipment and software as of September 30, 2011 and 2010 may be summarized as follows:

	September 30,	
	2011	2010
	<u> </u>	<u> </u>
Building and improvements	\$ 246,310	\$ 246,310
Furniture and equipment	79,422	79,422
Land	<u>10,000</u>	<u>10,000</u>
 Total cost	 335,732	 335,732
 Less accumulated depreciation	 <u>(219,010)</u>	 <u>(203,586)</u>
 Total undepreciated cost	 <u>\$ 116,722</u>	 <u>\$ 132,146</u>

Note 4 - Line-of-Credit

Under the terms of a revolving credit agreement with Chase Bank, collateralized by real estate, Care House may borrow up to \$35,000. The demand note, requiring interest only payments, is subject to annual renewals. Borrowings pursuant to this line-of-credit bear interest at the lender's prime rate, which was 6.00% at September 30, 2011 and 2010. There were no outstanding borrowings as of September 30, 2011 and 2010.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

Note 5 - Long-Term Debt

Care House has a mortgage note payable with Community Central Bank with an interest rate of 7.75%. The mortgage requires monthly interest and principal payments of \$1,209. The loan has a maturity date of February 8, 2012 when all outstanding principal and interest is due. The loan is collateralized by real estate.

A maturity of long-term debt over the following year is as follows:

September 30, 2012	<u>\$ 102,992</u>
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Care House intends to refinance the mortgage note payable during 2012.

Note 6 - Donation Receivable

During February 2011, a donor pledged \$50,000 for a 500 square foot addition to Care House. The addition will include two counseling offices, a multi-purpose room and an additional waiting room. Care House began construction on the addition in October 2011. This gift will provide additional space for a full-time therapist and allow for the expansion of counseling and support services at Care House.