

**MACOMB COUNTY CHILD
ADVOCACY CENTER**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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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, 2012 and 2011, 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, 2012 and 2011, 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 23, 2013
Troy, Michigan

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2012	2011
Current Assets		
Cash and cash equivalents (note 1)	\$ 27,933	\$ 1,250
Certificate of deposit	30,768	727
Grants receivable (note 1)	63,663	59,443
Bequest receivable (note 2)	-	50,000
Donation receivable (note 6)	-	50,000
Prepaid expenses and other current assets	3,773	2,240
Total current assets	126,137	163,660
Property and Equipment		
At cost, less accumulated depreciation of \$232,313 in 2012 and \$219,010 in 2011 (notes 1, 3 and 4)	193,576	116,722
Total assets	\$ 319,713	\$ 280,382

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 17,330	\$ 15,681
Checks written in advance of deposits	-	13,611
Deferred income	7,275	-
Current portion of mortgage payable (note 5)	7,081	102,992
Total current liabilities	31,686	132,284
Mortgage Payable (note 5)	90,075	-
Total liabilities	121,761	132,284
Net Assets		
Unrestricted	197,607	147,753
Temporarily restricted (note 1)	345	345
Total net assets	197,952	148,098
Total liabilities and net assets	\$ 319,713	\$ 280,382

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Unrestricted	Temporarily Restricted	Year Ended September 30,	
			2012	2011
Revenue and Support From Operations				
Donations (note 1)	\$ 53,667	\$ -	\$ 53,667	\$ 31,212
Fundraising events, net of direct costs of \$77,380 in 2012 and \$84,455 in 2011	85,502	-	85,502	89,048
Grants, net of direct costs of \$59,273 in 2012 and \$23,289 in 2011	400,825	-	400,825	335,002
Miscellaneous income	16,773	-	16,773	15,249
Interest income	40	-	40	175
Total revenue and support from operations	556,807	-	556,807	470,686
Functional Expenses				
Program services	452,841	-	452,841	407,835
Supporting services	99,369	-	99,369	89,525
Total functional expenses (note 1)	552,210	-	552,210	497,360
Release of Net Assets From Restrictions	-	-	-	-
Increase (Decrease) in Net Assets Before In-Kind Donations	4,597	-	4,597	(26,674)
In-Kind Donations	45,257	-	45,257	50,000
Increase in Net Assets	49,854	-	49,854	23,326
Net Assets - Beginning	147,753	345	148,098	124,772
Net Assets - Ending	\$ 197,607	\$ 345	\$ 197,952	\$ 148,098

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

	<u>Supporting Services</u>			<u>Year Ended</u>		
	<u>Program</u> <u>Services</u>	<u>Manage-</u> <u>ment and</u> <u>General</u>	<u>Fund-</u> <u>raising</u>	<u>Total</u> <u>Supporting</u> <u>Services</u>	<u>September 30,</u> <u>2012</u>	<u>2011</u>
Salaries	\$ 296,617	\$ 50,642	\$ 14,469	\$ 65,111	\$ 361,728	\$ 336,200
Payroll taxes	23,851	4,072	1,163	5,235	29,086	30,723
Employee benefits	19,527	3,333	953	4,286	23,813	21,223
Communications	74	13	3	16	90	-
Membership dues	459	79	22	101	560	3,432
Depreciation	10,908	1,862	533	2,395	13,303	15,422
Advertising (note 1)	1,351	231	66	297	1,648	1,010
Printing	1,541	263	75	338	1,879	-
Insurance	4,096	699	200	899	4,995	4,835
Maintenance and repairs	18,804	3,211	917	4,128	22,932	12,510
Auditing and accounting	16,167	2,760	789	3,549	19,716	18,217
Postage	1,525	260	75	335	1,860	3,297
Professional fees	22,410	3,826	1,093	4,919	27,329	19,699
Program expense	159	-	-	-	159	-
Supplies	6,850	1,169	334	1,503	8,353	786
Travel and training	6,371	1,088	311	1,399	7,770	5,125
Utilities	6,094	1,041	297	1,338	7,432	7,010
Taxes	755	129	37	166	921	1,487
Interest	6,896	1,177	336	1,513	8,409	8,487
Miscellaneous	8,386	1,432	409	1,841	10,227	7,897
Total functional expenses	<u>\$ 452,841</u>	<u>\$ 77,287</u>	<u>\$ 22,082</u>	<u>\$ 99,369</u>	<u>\$ 552,210</u>	<u>\$ 497,360</u>
Percentage of total functional expenses	<u>82%</u>	<u>14%</u>	<u>4%</u>	<u>18%</u>	<u>100%</u>	

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2012	2011
Cash Flows From Operating Activities:		
Increase in net assets	\$ 49,854	\$ 23,326
Adjustments:		
Depreciation	13,303	15,422
In-kind asset donation	(40,157)	-
Changes in assets and liabilities:		
Increase in grants receivable	(4,220)	(39,622)
Decrease in bequest receivable	50,000	-
Increase in donation receivable	-	(50,000)
Increase in prepaid expenses and other current assets	(1,533)	(14)
Increase in accounts payable	1,649	4,483
Increase (decrease) in checks written in advance of deposits	(13,611)	13,611
Increase in deferred income	7,275	-
	12,706	(56,120)
Net cash provided from (used in) operating activities	62,560	(32,794)
Cash Flows From Investing Activities:		
Purchases of certificates of deposit	(30,041)	-
Proceeds from redemption of certificates of deposit	-	15,827
	(30,041)	15,827
Net cash provided from (used in) investing activities	(30,041)	15,827
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(5,836)	(6,157)
	(5,836)	(6,157)
Net Increase (Decrease) in Cash and Cash Equivalents	26,683	(23,124)
Cash and Cash Equivalents - Beginning	1,250	24,374
Cash and Cash Equivalents - Ending	\$ 27,933	\$ 1,250
<u>Disclosure of Cash Flow Information</u>		
Cash paid during the year for interest	\$ 8,409	\$ 8,487
Building addition donated	\$ 90,157	\$ -

See accompanying notes to financial statements

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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.

Care House's income tax filings are subject to audit by various taxing authorities. The Care House's open audit periods are 2008 - 2011.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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

Property and Equipment

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Care House capitalizes all expenditures for land, buildings and equipment in excess of \$500. 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.

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, 2012 and 2011 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 change could materially affect the amounts reported in the statements of financial position.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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

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, 2012 and 2011, there was no balance in the allowance for doubtful accounts.

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, 2012 and 2011, 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 23, 2013, which is the date the financial statements were available to be issued.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011, total functional expenses were allocated in the following manner:

	September 30,	
	2012	2011
	<hr/>	<hr/>
Program services	\$ 452,841	\$ 407,835
Supporting services		
Management and general	77,287	69,631
Fundraising	<hr/> 22,082	<hr/> 19,894
Total functional expenses	<hr/> \$ 552,210	<hr/> \$ 497,360

Advertising

Advertising costs are expensed when incurred.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

Note 2 - Bequest Receivable

At September 30, 2011, Care House had a bequest receivable in the amount of \$50,000, from the estate of a donor. The receivable was collected upon the sale of the donor's home in Macomb Township, Michigan in October 2011.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

Note 3 - Property and Equipment

The principal categories of property and equipment as of September 30, 2012 and 2011 may be summarized as follows:

	September 30,	
	2012	2011
	<u> </u>	<u> </u>
Building and improvements	\$ 336,467	\$ 246,310
Furniture and equipment	79,422	79,422
Land	<u>10,000</u>	<u>10,000</u>
 Total cost	 425,889	 335,732
 Less accumulated depreciation	 <u>(232,313)</u>	 <u>(219,010)</u>
 Total undepreciated cost	 <u>\$ 193,576</u>	 <u>\$ 116,722</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, 2012 and 2011. There were no outstanding borrowings as of September 30, 2012 and 2011.

MACOMB COUNTY CHILD ADVOCACY CENTER

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

Note 5 - Long-Term Debt

Care House has a mortgage note payable with Talmer Bank and Trust with an interest rate of 7.50%. The mortgage requires monthly interest and principal payments of \$1,185. The loan has a maturity date of February 8, 2015 when all outstanding principal and interest is due. The loan is collateralized by real estate with a book value of \$146,220.

The amounts of debt coming due during the three years subsequent to September 30, 2012 are as follows:

2013	\$	7,081
2014		7,639
2015		82,436

Note 6 - Donation Receivable

During February 2011, a donor pledged a 500 square foot addition to Care House estimated at \$50,000. Construction began on the addition in October 2011 and the asset was placed in service during the year ended September 30, 2012. The addition includes two counseling offices, a multi-purpose room and an additional waiting room. The gift provides additional space for a full-time therapist and allows for the expansion of counseling and support services at Care House. Final costs for the addition amounted to \$90,157. In-kind donations of \$40,157 and \$50,000 were recognized for the years ended September 30, 2012 and 2011, respectively, for the addition.