

**MACOMB COUNTY CHILD
ADVOCACY CENTER, INC.**

Mount Clemens, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2020 and 2019

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Macomb County Child Advocacy Center, Inc.
Mount Clemens, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Macomb County Child Advocacy Center, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Baker Tilly US, LLP

Southfield, Michigan
February 5, 2021

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 231,115	\$ 135,375
Investments	-	5,617
Grants receivable, net	78,876	68,524
Prepaid expenses	-	4,611
Total Current Assets	<u>309,991</u>	<u>214,127</u>
PROPERTY AND EQUIPMENT, NET	<u>118,084</u>	<u>128,233</u>
OTHER ASSETS		
Security deposit	<u>2,600</u>	<u>2,600</u>
TOTAL ASSETS	<u>\$ 430,675</u>	<u>\$ 344,960</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 55,227	\$ 51,372
Deferred revenue	-	8,900
Current portion of long-term debt	<u>11,356</u>	<u>10,715</u>
Total Current Liabilities	66,583	70,987
LONG-TERM LIABILITIES		
Long-term debt - net of current portion	<u>13,042</u>	<u>24,368</u>
Total Liabilities	<u>79,625</u>	<u>95,355</u>
NET ASSETS		
Without donor restrictions	<u>351,050</u>	<u>249,605</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 430,675</u>	<u>\$ 344,960</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2020 and 2019

	Without Donor Restrictions 2020	Without Donor Restrictions 2019
PUBLIC SUPPORT		
Government grants	\$ 1,055,037	\$ 917,473
Contributions	179,059	47,982
Special events (net of direct costs of \$54,736 in 2020 and \$51,095 in 2019)	<u>58,822</u>	<u>66,778</u>
Total Public Support	1,292,918	1,032,233
REVENUE		
Other revenue	<u>4,177</u>	<u>12,026</u>
Total Public Support and Revenue	<u>1,297,095</u>	<u>1,044,259</u>
EXPENSES		
Program	1,055,919	849,681
Management and general	88,707	78,991
Fundraising	<u>51,024</u>	<u>62,189</u>
Total Expenses	<u>1,195,650</u>	<u>990,861</u>
CHANGE IN NET ASSETS	101,445	53,398
NET ASSETS - Beginning of Year	<u>249,605</u>	<u>196,207</u>
NET ASSETS - END OF YEAR	<u>\$ 351,050</u>	<u>\$ 249,605</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 101,445	\$ 53,398
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	10,149	10,590
Changes in assets and liabilities:		
Grants receivable, net	(10,352)	8,746
Prepaid expenses	4,611	(2,632)
Accounts payable and accrued liabilities	3,855	6,284
Deferred revenue	<u>(8,900)</u>	<u>8,900</u>
Net Cash Flows from Operating Activities	<u>100,808</u>	<u>85,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(11,229)
Proceeds from sale of investments	<u>5,617</u>	<u>39,931</u>
Net Cash Flows from Investing Activities	<u>5,617</u>	<u>28,702</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(10,685)</u>	<u>(9,696)</u>
Net Change in Cash and Cash Equivalents	95,740	104,292
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>135,375</u>	<u>31,083</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 231,115</u>	<u>\$ 135,375</u>
Supplemental cash flow disclosures		
Cash paid for interest	<u>\$ 2,098</u>	<u>\$ 3,654</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2020 and 2019

	Program	Management and General	Fundraising	2020 Total	Program	Management and General	Fundraising	2019 Total
Salaries and wages	\$ 723,060	\$ 62,400	\$ 36,760	\$ 822,220	\$ 586,326	\$ 58,175	\$ 50,006	\$ 694,507
Payroll taxes	58,139	5,088	3,049	66,276	50,670	5,146	4,368	60,184
Employee benefits	60,600	4,181	2,883	67,664	33,384	3,475	3,198	40,057
Total salaries and related expenses	841,799	71,669	42,692	956,160	670,380	66,796	57,572	794,748
Membership dues and subscriptions	1,264	-	-	1,264	2,236	-	-	2,236
Depreciation	10,149	-	-	10,149	10,590	-	-	10,590
Advertising and promotion	485	332	682	1,499	-	720	532	1,252
Insurance	6,496	87	52	6,635	6,463	105	98	6,666
Repairs and maintenance	26,578	-	-	26,578	11,274	418	-	11,692
Auditing and accounting fees	18,278	9,016	3,970	31,264	12,541	8,159	2,629	23,329
Postage	-	-	-	-	1,314	272	681	2,267
Professional fees	16,497	6,778	2,863	26,138	10,400	1,618	677	12,695
Safe sleep	4,000	-	-	4,000	4,000	-	-	4,000
Supplies	29,542	37	30	29,609	33,724	519	-	34,243
Travel	8,973	-	-	8,973	17,874	-	-	17,874
Utilities	8,989	-	-	8,989	17,679	-	-	17,679
Rent	16,721	-	-	16,721	16,088	-	-	16,088
Other administrative	54,107	-	-	54,107	27,433	-	-	27,433
Interest	1,913	185	-	2,098	3,270	384	-	3,654
Miscellaneous	10,128	603	735	11,466	4,415	-	-	4,415
TOTAL EXPENSES	\$ 1,055,919	\$ 88,707	\$ 51,024	\$ 1,195,650	\$ 849,681	\$ 78,991	\$ 62,189	\$ 990,861
Percentage of Total Functional Expenses	88 %	8 %	4 %	100 %	86 %	8 %	6 %	100 %

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Macomb County Child Advocacy Center, Inc. (the "Organization") is a not-for-profit organization located in Macomb County, Michigan and 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. Main sources of revenue are federal and state grants and contributions from the general public.

Cash and Cash Equivalents

The Organization defines cash equivalents as highly liquid, short-term investments with an original maturity at the date of acquisition of three months or less.

Short-term Investments

The Organization had a certificate of deposit with a term of 18 months held at a financial institution. The certificate of deposit had an interest rate of 0.5%, was recorded at cost plus accrued interest, and matured on November 16, 2019 and was not renewed. The balance was \$0 and \$5,617 at September 30, 2020 and 2019, respectively.

Grants Receivable

Grants receivable have been adjusted for all known uncollectible accounts, if any. On a periodic basis, the Organization evaluates its grants receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on past collection history and current credit conditions. When management determines that a receivable is uncollectible, the balance is charged against the allowance account. No allowance for doubtful accounts is considered necessary as of September 30, 2020 and 2019.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All non-grant related acquisitions of property and equipment in excess of \$2,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair values as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Deferred Revenue

Support received for special events in future years is recorded as deferred revenue at year end as the Organization's policy is to return the sponsorship if the special event were not to occur.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Organization's Board of Directors may designate a portion of net assets without donor restrictions for a specific purpose. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of September 30, 2020 and 2019.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations or are required to be maintained permanently by the Organization. The Organization had no net assets with donor restrictions at September 30, 2020 and 2019.

Tax Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that for the years ended September 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Revenue Recognition - Government Grants

During the year ending September 30, 2019, government grants revenue received for grants determined to be conditional contributions are recognized as services are provided and conditions are released.

During the year ending September 30, 2020, government grants represent grants with various federal, state, and local funding sources. Government grants are cost reimbursement contracts that are reimbursed based on eligible expenses incurred. The grants are conditioned upon incurring expenses in accordance with allowable costs under the grant agreement. The Organization recognizes revenues when the expenses are incurred and any other barriers are met. Government grants are normally received for specific programs or purposes. When the conditions are met, the Organization presents government grant revenue as without donor restrictions as the conditions and restrictions are met simultaneously. Total conditional government grants as of September 31, 2020, were approximately \$937,000 and are expected to be recognized in 2021.

Revenue Recognition - Contributions

During the year ending September 30, 2019, contributions of cash and other assets, including unconditional promises to give in the future, 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 are reported as support without donor restrictions.

During the year ending September 30, 2020, unconditional contributions are recognized when cash, securities, other assets, or promises to give are received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. As of September 30, 2020, there were no conditional contributions.

In-Kind Revenue

Contributed services that create or enhance nonfinancial assets or that require specialized skills are recorded at fair value in the period received. During the years ended September 30, 2020 and 2019, the Organization did not recognize any contributed services.

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are related to more than one program or supporting services. The expenses that are allocated include advertising, insurance, accounting, professional fees, and interest. All direct expenses are allocated 100% to the proper category. Indirect costs have been allocated between the various programs and support services based on estimates determined by management, using appropriate bases. These bases include time and effort and usage of facilities.

Estimates

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

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Actual results could differ from those estimates.

Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. The Organization adopted the new standard and all related amendments effective October 1, 2019, using the modified retrospective approach with the cumulative effect of initially applying the standard at the date of initial application. There was no cumulative adjustment related to the adoption of the standard. The core principle under Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU No. 2014-09 did not have a significant impact on the financial statements of the Organization.

In 2020, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contributions is conditional. Adopting ASU No. 2018-08 following the modified prospective basis did not have a significant impact on the financial statements of the Organization.

Subsequent Events

The Organization has evaluated events through February 5, 2021, which is the date the financial statements were approved and available to be issued.

NOTE 2 - Availability of Financial Asset

The following reflects the Organization's financial assets reduced by amounts not available for general use and payment of debt within one year of the statements of financial position date, at September 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 231,115	\$ 135,375
Investments	-	5,617
Grants receivable, net	<u>78,876</u>	<u>68,524</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 309,991</u>	<u>\$ 209,516</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has access to a line of credit of \$35,000 to meet general expenditures.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 3 - Property and Equipment

Property and equipment consists of the following at September 30:

	Depreciable Lives	2020	2019
Building and improvements	5-30 yrs.	\$ 337,850	\$ 347,496
Furniture and equipment	5-7 yrs.	31,813	36,521
Land	N/A	<u>10,000</u>	<u>10,000</u>
Total cost		379,663	394,017
Less: Accumulated depreciation		<u>261,579</u>	<u>265,784</u>
Property and equipment, net		<u>\$ 118,084</u>	<u>\$ 128,233</u>

Depreciation expense was \$10,149 and \$10,590 for the years ended September 30, 2020 and 2019, respectively.

NOTE 4 - Operating Lease

In November 2017, the Organization entered into a lease for a second location. The lease expires October 2022.

The following is a schedule of annual future minimum lease payments required under the operating lease as of September 30, 2020:

Fiscal Years Ending September 30:

2021	\$ 17,306
2022	17,891
2023	<u>1,495</u>
Total	<u>\$ 36,692</u>

Total rent expense recognized under this agreement was \$16,721 and \$16,088 for the years ended September 30, 2020 and 2019, respectively.

NOTE 5 - Line of Credit

The Organization has available a revolving line of credit with a bank, collateralized by property, in the amount of \$35,000 with a date of maturity of May 20, 2021. Interest is charged at a variable rate of prime plus 2.25% (effective rate 5.50% and 7.25% at September 30, 2020 and 2019, respectively). There were no outstanding borrowings as of September 30, 2020 and 2019.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 6 - Long-Term Debt

Long-term debt consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Mortgage payable to a bank with interest rate of 5.82%. The mortgage requires monthly interest and principal payments of \$1,039. The mortgage was refinanced in June 2019 and has a maturity date of October 3, 2022 at which point all outstanding principal and interest is due. The mortgage is collateralized by the building.	\$ 24,398	\$ 35,083
Less: current portion	<u>(11,356)</u>	<u>(10,715)</u>
Long-term portion	<u>\$ 13,042</u>	<u>\$ 24,368</u>

Principal requirements on long-term debt for years ending after September 30, 2020 are as follows:

2021	\$ 11,356
2022	<u>13,042</u>
Total	<u>\$ 24,398</u>

Long-term debt interest charged to expense was \$2,098 and \$3,654 for the years ended September 30, 2020 and 2019, respectively.

NOTE 7 - Concentration

The Organization received approximately 66% and 68% of its public support and revenue from one federal grantor during the years ended September 30, 2020 and 2019, respectively. The grants receivable from this grantor were approximately \$76,000 and \$65,000 at September 30, 2020 and 2019, respectively.

NOTE 8 - Related Party

The Organization paid approximately \$4,100 and \$3,400 to a board member's company during the years ended September 30, 2020 and 2019, respectively, in exchange for technological services rendered. No outstanding amounts were due to this company as of September 30, 2020 and 2019.

NOTE 9 - Commitments and Contingencies

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2020 and 2019

NOTE 10 - Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Organization will be required to apply the standard for years and reporting periods beginning after December 31, 2021 (2023). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Macomb County Child Advocacy Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Macomb County Child Advocacy Center, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Baker Tilly US, LLP

Southfield, Michigan
February 5, 2021

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Macomb County Child Advocacy Center, Inc.

Report on Compliance for the Major Federal Program

We have audited Macomb County Child Advocacy Center, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2020. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.

Baker Tilly US, LLP

Southfield, Michigan
February 5, 2021

SUPPLEMENTAL INFORMATION

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

FEDERAL AWARDS Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed through Michigan Department of Health and Human Services Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	16.575	E20201864	\$ <u>861,954</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Macomb County Community Development Block Grants	14.218	N/A	39,029
Passed through Township of Clinton Community Development Block Grants	14.218	N/A	4,192
Passed through City of Roseville Community Development Block Grants	14.218	N/A	2,500
Passed through St. Clair Shores Community Development Block Grants	14.218	N/A	9,600
Passed through City of Sterling Heights Community Development Block Grants	14.218	N/A	11,912
Passed through City of Warren Community Development Block Grants	14.218	N/A	<u>24,000</u>
Total CDBG - Entitlement Grants Cluster			<u>91,233</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 953,187</u>

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Donated Services

The Organization receives donated services from volunteers to perform direct client service activities including greeting families, data entry, transcribing notes for forensic interviews, making follow up calls and providing crisis counseling, therapy and support groups for child victims of abuse and their non-offending family. The services provided do not meet the requirements to be recorded as in-kind revenue and expenses and are, therefore, not recorded in the accompanying financial statements for 2020. The number of hours of service was 3,534 for the year ended September 30, 2020. The Organization estimates that it would pay \$87,254 for such services. The Organization has applied \$62,061 of volunteer time to matching grants for the year ended September 30, 2020.

Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year ended September 30, 2020

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	X	no
					none
Significant deficiency(ies) identified	_____	yes	_____	X	reported

Noncompliance material to financial statements noted?	_____	yes	_____	X	no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____	X	reported

Type of auditors' report issued on compliance for major programs:

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?

_____	yes	_____	X	no
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Identification of major federal programs:

CFDA Number(s)
16.575

Name of Federal Program or Cluster
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services

Dollar threshold used to distinguish between federal Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?	_____	yes	_____	X	no
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MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Concluded)

For the Year ended September 30, 2020

Section II: Financial Statement Findings

There were no findings.

Section III: Federal Findings and Questioned Costs

There were no findings or questioned costs.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year ended September 30, 2020

2019-001 Criteria: The Organization is required to have documented internal controls in place to ensure the schedule of expenditures of federal awards ("SEFA") and Financial Status Report ("FSR") are both accurately prepared and reviewed.

Statement of condition: Management prepared the SEFA and FSR but did not have documented support of the review of prepared reports.

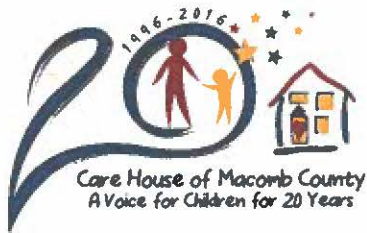
Cause: Due to small staff size, management review was done informally and not appropriately documented.

Effect: Lack of review could result in errors in the amounts reported on the SEFA or FSR.

Recommendation: We suggest management amend their processes so that the SEFA and FSR reports are prepared by an individual and an appropriate review is performed by individuals different from the preparer. This review should be documented and retained.

Management's Response: Management will institute formal review processes around reporting for the SEFA and FSR reports.

This finding has been addressed by management in 2020.



Summary Schedule of Prior Audit Findings Year Ended September 30, 2020

Board of Directors

Frank Accavitti Jr., President
Accavitti Consulting Group, L.L.C
Sheri Milson, Vice President
Henry Ford Macomb
Tom Morley, Jr., Treasurer
Functional Foods
Joseph Meldrum, Secretary
Complete Interactive Technologies Inc.
Rosemarie Baldwin
J. Baldwin's
Kim Borja
Macomb Health & Human Services
Gregory A. Buss
Gregory A. Buss, P.C.
Prosecutor Jean Cloud
Macomb County Prosecuting Attorney
Darius Dynkowski
Ackerman, Ackerman and Dynkowski
Mark Hackel
Macomb County Executive
Erica Hammel
Community Representative
Hon. Kevin Hertel
State Representative, 18th District
Hon. Peter Maceroni
16th Judicial Circuit Court - Retired
Frank Marella
Clintondale Board of Education-Retired
Leonard Rancilio, Jr.
Rancilio & Associates
Stephanie Stager
Macomb County Assistant Prosecutor
Hon. George Caram Steeh
U.S. District Court
Anthony Wickersham
Macomb County Sheriff

Dorie Vazquez-Nolan
Executive Director

Honorary Board

Dale Camphous
Jay Eastman, M.D.
Hon. Candice Miller
Angelo Nicholas
Dana Camphous Peterson
Gary Rasmussen, PhD
Hon. Deborah Servitto

In Memoriam

Edward Greenup
Ron Kress
Roger Petri

Agency: U.S. Department of Justice

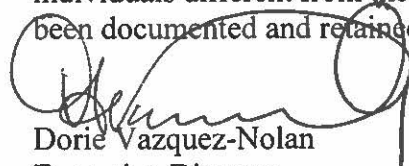
CFDA Numbers: 16.575

Program: Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services

Compliance requirement: "Due to small staff size, management review was done informally and not appropriately documented. Management prepared the SEFA and FSR but did not have documented support of the review of prepared reports."

Current Status: Corrected

Corrective Action: Management has instituted formal review processes around reporting for the SEFA and FSR reports. SEFA and FSR reports are prepared by one individual and an appropriate formal review is performed by individuals different from the preparer (Executive Director). This review has been documented and retained.



Dorie Vazquez-Nolan
Executive Director

December 16, 2020

