

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

Mount Clemens, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2019 and 2018

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

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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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 14, 2020 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.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
July 2, 2020

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 135,375	\$ 31,083
Short-term investments	5,617	45,548
Accounts and grants receivable	68,524	77,270
Prepaid expenses	4,611	1,979
Total Current Assets	<u>214,127</u>	<u>155,880</u>
PROPERTY AND EQUIPMENT, NET	<u>128,233</u>	<u>127,594</u>
OTHER ASSETS		
Security deposit	<u>2,600</u>	<u>2,600</u>
TOTAL ASSETS	<u>\$ 344,960</u>	<u>\$ 286,074</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 51,372	\$ 45,088
Deferred revenue	8,900	-
Current portion of long-term debt	<u>10,715</u>	<u>44,779</u>
Total Current Liabilities	70,987	89,867
LONG-TERM LIABILITIES		
Long-term debt - net of current portion	<u>24,368</u>	<u>-</u>
Total Liabilities	<u>95,355</u>	<u>89,867</u>
NET ASSETS		
Without donor restrictions	<u>249,605</u>	<u>196,207</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 344,960</u>	<u>\$ 286,074</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
PUBLIC SUPPORT		
Government grants	\$ 917,473	\$ 851,753
Contributions	47,982	40,126
Special events (net of direct costs of \$51,095 in 2019 and \$65,448 in 2018)	<u>66,778</u>	<u>68,132</u>
Total Public Support	1,032,233	960,011
REVENUE		
Other revenue	<u>12,026</u>	<u>15,955</u>
Total Public Support and Revenue	<u>1,044,259</u>	<u>975,966</u>
EXPENSES		
Program	849,681	833,923
Management and general	78,991	70,933
Fundraising	<u>62,189</u>	<u>69,380</u>
Total Expenses	<u>990,861</u>	<u>974,236</u>
CHANGE IN NET ASSETS	53,398	1,730
NET ASSETS - Beginning of Year	<u>196,207</u>	<u>194,477</u>
NET ASSETS - END OF YEAR	<u>\$ 249,605</u>	<u>\$ 196,207</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 53,398	\$ 1,730
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	10,590	10,497
Changes in assets and liabilities:		
Accounts and grants receivable	8,746	11,755
Prepaid expenses	(2,632)	(1,979)
Security deposit	-	(2,600)
Accounts payable and accrued liabilities	6,284	(13,816)
Deferred revenue	<u>8,900</u>	<u>(7,475)</u>
Net Cash Flows from (Used in) Operating Activities	<u>85,286</u>	<u>(1,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,229)	-
Proceeds from sale of short-term investments	<u>39,931</u>	<u>9,710</u>
Net Cash Flows from Investing Activities	<u>28,702</u>	<u>9,710</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(9,696)</u>	<u>(10,195)</u>
Net Change in Cash and Cash Equivalents	104,292	(2,373)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>31,083</u>	<u>33,456</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 135,375</u>	<u>\$ 31,083</u>
Supplemental cash flow disclosures		
Cash paid for interest	<u>\$ 3,654</u>	<u>\$ 3,212</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2019 and 2018

	Program	Management and General	Fundraising	2019 Total	Program	Management and General	Fundraising	2018 Total
Salaries and wages	\$ 586,326	\$ 58,175	\$ 50,006	\$ 694,507	\$ 586,631	\$ 59,083	\$ 53,076	\$ 698,790
Payroll taxes	50,670	5,146	4,368	60,184	47,777	4,891	4,243	56,911
Employee benefits	33,384	3,475	3,198	40,057	34,387	144	6,522	41,053
Total salaries and related expenses	670,380	66,796	57,572	794,748	668,795	64,118	63,841	796,754
Membership dues and subscriptions	2,236	-	-	2,236	960	-	-	960
Depreciation	10,590	-	-	10,590	10,497	-	-	10,497
Advertising and promotion	-	720	532	1,252	410	205	1,436	2,051
Insurance	6,463	105	98	6,666	4,708	307	73	5,088
Repairs and maintenance	11,274	418	-	11,692	9,981	-	-	9,981
Auditing and accounting fees	12,541	8,159	2,629	23,329	16,785	4,661	2,597	24,043
Postage	1,314	272	681	2,267	1,812	-	-	1,812
Professional fees	10,400	1,618	677	12,695	9,034	767	688	10,489
Safe sleep	4,000	-	-	4,000	4,000	-	-	4,000
Supplies	33,724	519	-	34,243	34,628	-	-	34,628
Travel expenses	17,874	-	-	17,874	14,994	-	-	14,994
Utilities	17,679	-	-	17,679	8,615	-	-	8,615
Rent	16,088	-	-	16,088	14,300	-	-	14,300
Other administrative	27,433	-	-	27,433	7,742	614	745	9,101
Interest	3,270	384	-	3,654	2,951	261	-	3,212
Miscellaneous	4,415	-	-	4,415	23,711	-	-	23,711
TOTAL EXPENSES	\$ 849,681	\$ 78,991	\$ 62,189	\$ 990,861	\$ 833,923	\$ 70,933	\$ 69,380	\$ 974,236
Percentage of Total Functional Expenses	86 %	8 %	6 %	100 %	86 %	7 %	7 %	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, 2019 and 2018

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 and 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 has a certificate of deposit with a term of 18 months held at a financial institution. The certificate of deposit has an interest rate of 0.5%, matured on November 16, 2019 and was not renewed. The balance was \$5,617 and \$45,548 at September 30, 2019 and 2018, respectively.

Accounts and Grants Receivable

Accounts and grants receivable have been adjusted for all known uncollectible accounts, if any. On a periodic basis, the Organization evaluates its accounts and 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, 2019 and 2018.

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 unrestricted net assets 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 temporarily restricted contributions. 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 temporarily restricted net assets to unrestricted net assets 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, 2019 and 2018

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.

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, 2019 and 2018.

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 the Organization and has concluded that for the years ended September 30, 2019 and 2018, 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.

Revenue Recognition - Contributions

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 unrestricted support.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2019 and 2018

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

Revenue Recognition - Government Grant Revenue

Government grant revenue received for grants determined to be conditional contributions is recognized as services are provided and conditions are released.

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, 2019 and 2018, the Organization did not recognize any contributed services.

Functional Allocation of Expenses

The statement 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 the following categories: program, general and administrative and fundraising. 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 revenue produced, related salary costs, 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. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

In 2018, the Organization adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, with the exception of the disclosure about liquidity, as permitted by ASU No. 2016-14:

- The unrestricted net asset class has been renamed net assets without donor restrictions
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)
- Expenses within the statements of functional expenses were reclassified to apply the clarified guidance

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2019 and 2018

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

Subsequent Events

The Organization has evaluated events through February 14, 2020, 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 within one year of the statements of financial position date, at September 30, 2019:

Financial assets:		
Cash and cash equivalents	\$	135,375
Short-term investments		5,617
Accounts and grants receivable		68,524
Prepaid expenses		<u>4,611</u>
Financial assets available to meet cash needs for general use within one year	\$	<u>214,127</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.

NOTE 3 - Property and Equipment

Property and equipment consists of the following at September 30:

	Depreciable Lives	2019	2018
Building and improvements	5-30 yrs.	\$ 347,496	\$ 339,363
Furniture and equipment	5-7 yrs.	36,521	87,206
Land	N/A	<u>10,000</u>	<u>10,000</u>
Total cost		394,017	436,569
Less: Accumulated depreciation		<u>265,784</u>	<u>308,975</u>
Property and equipment, net		<u>\$ 128,233</u>	<u>\$ 127,594</u>

Depreciation expense was \$10,590 and \$10,497 for the years ended September 30, 2019 and 2018, respectively.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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, 2019:

Fiscal Years Ending September 30:

2020	\$	16,721
2021		17,306
2022		17,891
2023		<u>1,495</u>
Total	\$	<u>53,413</u>

Total rent expense recognized under this agreement was \$16,136 and \$14,300 for the years ended September 30, 2019 and 2018, 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 7.25% and 7.50% at September 30, 2019 and 2018, respectively). There were no outstanding borrowings as of September 30, 2019 and 2018.

NOTE 6 - Long-Term Debt

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

	<u>2019</u>	<u>2018</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.	\$ 35,083	\$ 44,779
Less: current portion	<u>(10,715)</u>	<u>(44,779)</u>
Long-term portion	<u>\$ 24,368</u>	<u>\$ -</u>

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

NOTE 6 - Long-Term Debt (cont.)

Principal requirements on long-term debt for years ending after September 30, 2019 are as follows:

2020	\$	10,715
2021		11,355
2022		<u>13,013</u>
Total	\$	<u>35,083</u>

Long-term debt interest charged to expense was \$3,654 and \$3,212 for the years ended September 30, 2019 and 2018, respectively.

NOTE 7 - Concentration of Credit Risk

The Organization received approximately 68% and 69% of its public support and revenue from one federal grantor during the years ended September 30, 2019 and 2018, respectively. The grants receivable from this grantor were approximately \$65,000 and \$75,000 at September 30, 2019 and 2018, respectively.

NOTE 8 - Related Party

The Organization paid approximately \$3,400 and \$15,000 to a board member's company during the years ended September 30, 2019 and 2018, respectively, in exchange for technological services rendered. No outstanding amounts were due to this company as of September 30, 2019 and 2018.

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, 2019 and 2018

NOTE 10 - Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Additional updates defer the effective date of ASU No. 2014-09, clarify the implementation guidance on principal versus agent considerations, clarify the identification of performance obligations and the licensing implementation guidance and affect other narrow aspects of Topic 606. Topic 606 (as amended) is effective for annual periods beginning after December 15, 2018 (2020). The changes may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that Topic 606 (as amended) will have on its financial statements.

During February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued No. ASU 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 should 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 contribution is conditional. For not-for-profit entities that have conduit debt, ASU No. 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU No. 2018-08 will have on its results of operations, financial position and cash flows.

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, 2019, 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 July 2, 2020.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Virchow Krause, LLP

Southfield, Michigan

July 2, 2020

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, 2019. 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, 2019.

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 Virchow Krause, LLP

Southfield, Michigan
July 2, 2020

SUPPLEMENTAL INFORMATION

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2019

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	20560-22V16	\$ <u>706,978</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Health & Human Services Community Based Child Abuse Prevention	93.590	CV0039626	<u>7,124</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Macomb County Community Development Block Grants	14.218	N/A	26,417
Passed through Township of Clinton Community Development Block Grants	14.218	N/A	3,604
Passed through City of Roseville Community Development Block Grants	14.218	N/A	1,770
Passed through St. Clair Shores Community Development Block Grants	14.218	N/A	12,000
Passed through City of Sterling Heights Community Development Block Grants	14.218	N/A	10,704
Passed through City of Warren Community Development Block Grants	14.218	N/A	<u>21,000</u>
Total U.S. Department of Housing and Urban Development			<u>75,495</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>789,597</u>

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended September 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the Organization under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *Provider Agency Audit Guide*. 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 2019. The number of hours of service was 5,606 for the year ended September 30, 2019. The Organization estimates that it would pay \$138,412 for such services. The Organization has applied \$107,661 of volunteer time to matching grants for the year ended September 30, 2019.

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
Year ended September 30, 2019

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.575	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

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

Year ended September 30, 2019

Section II: Financial Statement Findings

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.

Section III: Federal Findings and Questioned Costs

There were no findings.