

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

Mount Clemens, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
February 8, 2019

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 31,083	\$ 33,456
Short-term investments	45,548	55,258
Accounts and grants receivable	77,270	89,025
Prepaid expenses	1,979	-
Total Current Assets	<u>155,880</u>	<u>177,739</u>
PROPERTY AND EQUIPMENT, NET	<u>127,594</u>	<u>138,091</u>
OTHER ASSETS		
Security deposit	<u>2,600</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 286,074</u>	<u>\$ 315,830</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 45,088	\$ 58,904
Deferred revenue	-	7,475
Current portion of long-term debt	<u>44,779</u>	<u>10,195</u>
Total Current Liabilities	89,867	76,574
LONG-TERM LIABILITIES		
Long-term debt - net of current portion	<u>-</u>	<u>44,779</u>
Total Liabilities	<u>89,867</u>	<u>121,353</u>
NET ASSETS		
Unrestricted	<u>196,207</u>	<u>194,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 286,074</u>	<u>\$ 315,830</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
PUBLIC SUPPORT		
Government grants	\$ 851,753	\$ 698,933
Contributions	40,126	54,016
Special events (net of direct costs of \$65,448 in 2018 and \$62,503 in 2017)	<u>68,132</u>	<u>72,665</u>
Total Public Support	960,011	825,614
REVENUE		
Other revenue	<u>15,955</u>	<u>11,137</u>
Total Public Support and Revenue	<u>975,966</u>	<u>836,751</u>
EXPENSES		
Program	833,923	680,030
Management and general	70,933	70,810
Fundraising	<u>69,380</u>	<u>63,170</u>
Total Expenses	<u>974,236</u>	<u>814,010</u>
CHANGE IN NET ASSETS	1,730	22,741
NET ASSETS - Beginning of Year	<u>194,477</u>	<u>171,736</u>
NET ASSETS - END OF YEAR	<u>\$ 196,207</u>	<u>\$ 194,477</u>

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,730	\$ 22,741
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	10,497	10,496
Changes in assets and liabilities		
Accounts and grants receivable	11,755	(6,273)
Prepaid expenses	(1,979)	3,879
Security deposit	(2,600)	-
Accounts payable and accrued liabilities	(13,816)	39,875
Deferred revenue	(7,475)	6,200
Net Cash Flows from Operating Activities	(1,888)	76,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of (purchase of) short-term investments	9,710	(25,207)
Net Cash Flows from Investing Activities	9,710	(25,207)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(31,000)
Principal payments on long-term debt	(10,195)	(9,641)
Net Cash Flows from Financing Activities	(10,195)	(40,641)
Net Change in Cash and Cash Equivalents	(2,373)	11,070
CASH AND CASH EQUIVALENTS - Beginning of Year	33,456	22,386
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 31,083	\$ 33,456
Supplemental cash flow disclosures		
Cash paid for interest	\$ 3,212	\$ 3,818

See accompanying notes to financial statements.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2018 and 2017

	Program	Management and General	Fundraising	2018 Total	Program	Management and General	Fundraising	2017 Total
Salaries and wages	\$ 586,631	\$ 59,083	\$ 53,076	\$ 698,790	\$ 460,797	\$ 54,600	\$ 47,060	\$ 562,457
Payroll tax expense	47,777	4,891	4,243	56,911	39,441	4,787	4,127	48,355
Employee Benefits	34,387	144	6,522	41,053	21,823	3,260	8,152	33,235
Total Salaries and Related Expenses	668,795	64,118	63,841	796,754	522,061	62,647	59,339	644,047
Membership dues and subscriptions	960	-	-	960	599	-	210	809
Depreciation	10,497	-	-	10,497	10,496	-	-	10,496
Advertising and promotion	410	205	1,436	2,051	263	95	588	946
Insurance	4,708	307	73	5,088	4,096	2,154	49	6,299
Repairs and maintenance	9,981	-	-	9,981	5,401	-	-	5,401
Auditing and accounting fees	16,785	4,661	2,597	24,043	15,688	4,773	1,674	22,135
Postage	1,812	-	-	1,812	1,909	-	-	1,909
Professional fees	9,034	767	688	10,489	7,386	644	556	8,586
Safe sleep expense	4,000	-	-	4,000	11,018	-	-	11,018
Supplies	34,628	-	-	34,628	57,349	-	-	57,349
Travel expenses	14,994	-	-	14,994	12,021	-	-	12,021
Utilities	8,615	-	-	8,615	7,206	-	-	7,206
Rent	14,300	-	-	14,300	-	-	-	-
Other administrative	7,742	614	745	9,101	5,230	399	754	6,383
Interest expense	2,951	261	-	3,212	3,720	98	-	3,818
Miscellaneous	23,711	-	-	23,711	15,587	-	-	15,587
TOTAL EXPENSES	\$ 833,923	\$ 70,933	\$ 69,380	\$ 974,236	\$ 680,030	\$ 70,810	\$ 63,170	\$ 814,010
Percentage of Total Functional Expenses	86 %	7 %	7 %	100 %	83 %	9 %	8 %	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, 2018 and 2017

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% and matures on November 16, 2019. The balance was \$45,548 and \$55,258 at September 30, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017

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 expenditures and special events in future years is recorded as deferred revenue at year end.

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:

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 either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The Organization had no temporarily restricted net assets at September 30, 2018 and 2017.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at September 30, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017

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

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.

Revenue Recognition - Grant Revenue

Grant revenue received for grants determined to be conditional contributions is recognized as services are provided.

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, 2018 and 2017, the Organization did not recognize any contributed services.

Functional Allocation of Expenses

The costs of providing program and support services have been reported on a functional basis in the statements of activities. Indirect costs have been allocated between the various programs and support services based on estimates determined by management, using appropriate bases.

Reclassification

For comparability, certain 2017 amounts have been reclassified to conform with classifications adopted in 2018. The reclassifications have no effect on reported amounts of net assets or change in net assets.

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.

Subsequent Events

The Organization has evaluated events through February 8, 2019, which is the date the financial statements were approved and available to be issued.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2018 and 2017

NOTE 2 - Property and Equipment

Property and equipment consists of the following at September 30:

	Depreciable Lives	2018	2017
Building and improvements	30 yrs.	\$ 339,363	\$ 339,363
Furniture and equipment	5-7 yrs.	87,206	87,206
Land	N/A	<u>10,000</u>	<u>10,000</u>
Total Cost		436,569	436,569
Less: Accumulated depreciation		<u>308,975</u>	<u>298,478</u>
Property and Equipment, Net		<u>\$ 127,594</u>	<u>\$ 138,091</u>

Depreciation expense was \$10,497 and \$10,496 for the years ended September 30, 2018 and 2017, respectively.

NOTE 3 - 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, 2018:

Fiscal Years Ending September 30,

2019	\$ 16,136
2020	16,721
2021	17,306
2022	17,891
2023	<u>1,495</u>
Total	<u>\$ 69,549</u>

Total lease expense recognized under this agreement was \$14,300 for the year ended September 30, 2018.

NOTE 4 - 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 8, 2019. Interest is charged at a variable rate of prime plus 2.5% (effective rate 7.50% and 6.50% at September 30, 2018 and 2017, respectively). There were no outstanding borrowings as of September 30, 2018 and 2017.

MACOMB COUNTY CHILD ADVOCACY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2018 and 2017

NOTE 5 - Long-Term Debt

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

	<u>2018</u>	<u>2017</u>
Mortgage payable to a bank with interest rate of 5.50%. The mortgage requires monthly interest and principal payments of \$1,083. The loan has a maturity date of July 8, 2019 at which point all outstanding principal and interest is due. The loan is collateralized by the building.	\$ 44,779	\$ 54,974
Less: Current portion	<u>(44,779)</u>	<u>(10,195)</u>
Long-Term Portion	<u>\$ -</u>	<u>\$ 44,779</u>

Long-term debt interest charged to expense was \$3,212 and \$3,818 for the years ended September 30, 2018 and 2017, respectively.

NOTE 6 - Concentration of Credit Risk

The Organization received approximately 69% and 65% of its public support and revenue from one federal grantor during the years ended September 30, 2018 and 2017, respectively. The grants receivable from this grantor were approximately \$75,000 and \$86,000 at September 30, 2018 and 2017, respectively.

NOTE 7 - Related Party

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

NOTE 8 - 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.