

**IONIA MONTCALM SECURE AND FRIENDLY
ENVIRONMENTAL CHILD ADVOCACY CENTER**

FINANCIAL STATEMENTS
For the year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Ionia, MI

We have audited the accompanying financial statements of Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hastings, MI
July 20, 2020

Walker Fluke & Sheldon, PLC

Ionía Montcalm Secure and Friendly Environmental Child Advocacy Center
Statement of Financial Position
December 31, 2019

Assets

Current assets:	
Cash and cash equivalents	\$ 13,375
Grant receivables	405,898
Prepaid expenses	<u>4,514</u>
Total current assets	<u>423,787</u>
Property, furniture and equipment:	
Furniture and equipment	47,543
Less: accumulated depreciation	<u>(23,591)</u>
Net property, furniture and equipment	<u>23,952</u>
Total assets	<u>\$ 447,739</u>

Liabilities and Net Assets

Current liabilities:	
Accrued and other liabilities	\$ 34,972
Deferred revenues	<u>374,677</u>
Total current liabilities	<u>409,649</u>
Total liabilities	<u>409,649</u>
Net assets:	
Without donor restrictions	38,090
With donor restrictions	<u>-</u>
Total net assets	<u>38,090</u>
Total liabilities and net assets	<u>\$ 447,739</u>

The accompanying notes are an integral part of these financial statements.

Ionia Montcalm Secure and Friendly Environmental Advocacy Center
Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 7,420	\$ -	\$ 7,420
Grant income	251,711	-	251,711
Fundraising events			
Candle project	8,951	-	8,951
Champions for children	5,710	-	5,710
April prevention	1,140	-	1,140
Golf events	8,540	-	8,540
Letter writing campaign	4,500	-	4,500
No shave November	1,138	-	1,138
Painting class	900	-	900
Raffle	17,483	-	17,483
Other	2,259	-	2,259
Other income	334	-	334
Net assets released from restrictions:			
Satisfaction of purpose restrictions	-	-	-
	<u>310,086</u>	<u>-</u>	<u>310,086</u>
Total revenues, gains, and other support			
Expenses and losses:			
Program services			
Child advocacy center	283,209	-	283,209
Supporting services:			
General and administrative	28,840	-	28,840
Fund-raising	17,577	-	17,577
	<u>329,626</u>	<u>-</u>	<u>329,626</u>
Total expenses and losses			
Changes in net assets	(19,540)	-	(19,540)
Net assets at beginning of year, restated	<u>57,630</u>	<u>-</u>	<u>57,630</u>
Net assets at end of year	<u>\$ 38,090</u>	<u>\$ -</u>	<u>\$ 38,090</u>

The accompanying notes are an integral part of these financial statements.

Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
	<u>Child Advocacy Center</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	
Advertising	\$ 302	\$ -	\$ -	\$ 302
Conferences and meetings	-	11,181	-	11,181
Depreciation expense	-	7,537	-	7,537
Dues and memberships	-	550	-	550
Employee accrued benefits	8,147	-	-	8,147
Employee health insurance	13,180	-	-	13,180
Employee other benefits	800	-	-	800
Fund-raising costs	-	-	15,358	15,358
Insurance	-	4,026	-	4,026
Interest expense	-	381	-	381
Meals and entertainment	164	26	-	190
Mileage	-	-	2,219	2,219
Office supplies	2,704	-	-	2,704
Payroll taxes	19,885	-	-	19,885
Postage	425	56	-	481
Printing and copying	-	81	-	81
Professional services	-	2,875	-	2,875
Rent	6,020	-	-	6,020
Registrations fees	-	155	-	155
Salaries and wages	223,038	-	-	223,038
Service charges	-	365	-	365
Software fees	-	1,269	-	1,269
Supplies	7,644	338	-	7,982
Telephone	900	-	-	900
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 283,209</u>	<u>\$ 28,840</u>	<u>\$ 17,577</u>	<u>\$ 329,626</u>

The accompanying notes are an integral part of these financial statements.

Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ (19,540)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	7,537
Changes in:	
Grants receivable	(245,541)
Prepaid expenses	(1,657)
Accrued and other liabilities	16,118
Deferred revenue	224,791
Net cash used by operating activities	<u>(18,292)</u>
Cash flows from investing activities:	
Acquisition of property, furniture and equipment	<u>(1,824)</u>
Net cash used by investing activities	<u>(1,824)</u>
Cash flows from financing activities:	
Proceeds from loans	36,000
Payments on loans	<u>(36,000)</u>
Net cash received by financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(20,116)
Cash and cash equivalents at beginning of year	<u>33,491</u>
Cash and cash equivalents at end of year	<u>\$ 13,375</u>
Supplemental cash flow disclosures:	
Interest paid	<u>\$ 381</u>

The accompanying notes are an integral part of these financial statements.

Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Notes to Financial Statements
December 31, 2019

Note A: Summary of Significant Accounting Policies

Nature of Activities - The Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center (the CAC) is a non-profit organization whose mission is to protect children from abuse by providing prevention through education and to coordinate multi-disciplinary investigation, assessment and the treatment of child abuse in an environment that is child-sensitive, supportive, and safe.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide)". (ASC) 958-205 was effective January 1, 2018. The (ASC) has been applied retrospectively to all periods presented.

Under the provisions of the Guide, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions - Net assets that are subject to donor-imposed stipulations. This includes restrictions on assets that may or will be met, either by actions of the Organization and/or the passage of time. These restrictions also include stipulations on assets that they are to be maintained permanently by the organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents - For the statement of financial position and statement of cash flows, the organization considers cash and cash equivalents to consist of cash balances in checking accounts and certificates of deposit. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. From time to time during the year, the organization may have cash in these accounts in excess of the federally insured limit. The organization has not experienced any loss on these accounts and does not believe that it is exposed to any significant risk.

Grant Receivable - Grant receivable consists of amounts to be received from other organizations and companies. The amounts are recorded when the grant is awarded. Grants receivable are shown net of allowance for doubtful accounts. Management assesses the collectability of the grants at the close of each period. The allowance for doubtful accounts is \$0 at December 31, 2019.

Prepaid Expenses - Expenses benefiting future periods are treated as prepaid, and are expense in the period benefited. Prepaid expenses as of December 31, 2019 consisted of prepaid rent and insurance expenses in the amount of \$1,410 and \$3,104.

Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Notes to Financial Statements
December 31, 2019

Note A: Summary of Significant Accounting Policies (Continued)

Property, furniture and equipment - The organization capitalizes all expenditures for property, furniture and equipment in excess of \$1,000 with a useful life of greater than one year. Fixed assets are carried at cost, or if donated, at the approximate fair value at the date of donation. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years. Depreciation expense for the year ended December 31, 2019 was \$7,537.

Promises to Give - Unconditional promises to give are recorded as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Contributions - Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished with donor restricted net assets, donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions. If the restriction will be met in the same reporting period, the support may be recorded as unrestricted.

Functional Expenses - Expenses have been charged directly to program, fundraising or general administrative categories based on specific identification. Indirect expenses have been allocated among the programs and supporting services benefited based on estimates of the employee time and effort spent on specific programs, fundraising activities or administrative work.

Income Taxes - The Internal Revenue Service has determined that the organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made. The organization is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The organization has evaluated its tax positions and determined it has no uncertain tax positions and has recorded no obligation for unrelated business income tax. No provision for federal or state income taxes is required as of December 31, 2019. The organization's 2015 through 2019 tax years are open for examination by the federal and state taxing authorities.

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

Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Notes to Financial Statements
December 31, 2019

Note B: Property, Furniture and Equipment

A summary of property, furniture and equipment is as follows:

Furniture and fixtures	\$ 30,774
Machinery and equipment	<u>16,769</u>
Total property, furniture and equipment	47,543
Less: accumulated depreciation	<u>(23,591)</u>
 Net property, furniture and equipment	 <u>\$ 23,952</u>

Note C: Concentrations of Credit Risk

The Organization maintains accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution could exceed federally insured limits at various times. The amount in excess of the FDIC limits totaled \$0 as of December 31, 2019.

Note D: Line of Credit

The Organization had a \$45,000 commercial line of credit with Isabella Bank that matured on August 24, 2019. The line of credit balance was \$0 at December 31, 2019. Total line of credit interest expense paid was \$381 for the year ended December 31, 2019.

Note E: In-Kind Contributions

Included in contributions revenue as well as program, general and fundraising expenses are donations of supplies valued at \$3,944. These donations were collected during fund-raising events and at other various times throughout the year. In-kind contributions are valued based on the cost that would have been incurred to purchase these items.

Volunteers have contributed a significant amount of time to the organization without compensation. However, these services were not recognized as contributions in the financial statements as they do not meet the necessary accounting criteria.

Note F: Advertising Expenses

The organization expenses advertising costs as incurred. The organization expensed \$302 during the year ended December 31, 2019.

Note G: Lease Agreements

During the current year, the organization renewed its lease to rent its office facilities under an operating lease that expires in August 2022. Under the current lease, the annual lease requires bi-yearly payments of \$4,230 for the first year, \$4,320 for the second year and \$4,410 for the third year. Prior to August 2019, the lease required bi-yearly payments of \$2,400. Total lease expense for the year ended December 31, 2019 was \$6,020.

Future lease payments are expected to be for the year ended December 31

2020	\$8,550
2021	\$8,730
2022	\$4,410

Ionia Montcalm Secure and Friendly Environmental Child Advocacy Center
Notes to Financial Statements
December 31, 2019

Note H: Liquidity and Availability of Financial Assets

The following reflects the organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$	435,739
Less those unavailable for general expenditures within one year due to:		
Property, furniture and equipment, net		(23,952)
Long term receivables		(362,677)
Prepaid expenses		<u>(4,514)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>44,596</u>

Note I: Prior Period Adjustment

A certain error, resulting in the understatement of net assets in the prior year, was corrected during the December 31, 2019 audit. The cumulative effect on net assets from this error is as follows:

		<u>Unrestricted Net Assets</u>
Net Assets at December 31, 2018, as previously reported	\$	44,274
Grant receivable at December 31, 2018 understated		160,357
Accrued payroll at December 31, 2018 understated		(4,960)
Accrued employee benefits at December 31, 2018 understated		(9,013)
Deferred revenue at December 31, 2018 understated		(149,886)
Errors in recording prior years depreciation expense		<u>16,858</u>
Net Assets at December 31, 2018, as restated	\$	<u>57,630</u>

Note J: Evaluation of Subsequent Events

The organization has evaluated subsequent events through July 20, 2020, the date which the financial statements were available to be issued. On March 11, 2020, the World health organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Due to this, economic uncertainties have arisen that may negatively affect the organization. The Organization expects this to negatively impact its operations and financial condition however, the extent of this impact cannot be reasonably estimated at this time.