

**ST. CLAIR COUNTY CHILD
ABUSE/NEGLECT COUNCIL, INC.**

FINANCIAL STATEMENTS

September 30, 2020



FROHM KELLEY BUTLER & RYAN, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Clair County Child Abuse/Neglect Council, Inc.
Port Huron, Michigan

We have audited the accompanying financial statements of the St. Clair County Child Abuse/Neglect Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 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 St. Clair County Child Abuse/Neglect Council, Inc. 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.

Report on Summarized Comparative Information

We have previously audited St. Clair County Child Abuse/Neglect Council, Inc.'s 2019 financial statements, and in our report dated January 8, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Frohm Kelley Butler & Ryan, P.C.

November 13, 2020

Certified Public Accountants

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ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 280,606	\$ 191,936
Investments-Community Foundation of St. Clair County	157,077	149,766
Pledges receivable (net of allowance of \$1,500 for 2019)	14,296	4,245
Grants receivable	22,797	35,612
Prepaid insurance	4,766	3,031
TOTAL CURRENT ASSETS	<u>479,542</u>	<u>384,590</u>
LAND, BUILDING AND EQUIPMENT		
Land and building	304,968	304,968
Equipment	53,490	53,490
	<u>358,458</u>	<u>358,458</u>
Less allowance for depreciation	148,150	138,913
	<u>210,308</u>	<u>219,545</u>
	<u>\$ 689,850</u>	<u>\$ 604,135</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 6,477	\$ 439
Accrued payroll and withholdings	12,982	11,870
Loan payable-Paycheck Protection Program	75,000	-
TOTAL CURRENT LIABILITIES	<u>94,459</u>	<u>12,309</u>
NET ASSETS		
Without donor restrictions	<u>595,391</u>	<u>591,826</u>
	<u>\$ 689,850</u>	<u>\$ 604,135</u>

See Notes to Financial Statements.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

STATEMENTS OF ACTIVITIES

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE, GAINS AND OTHER SUPPORT		
Government grants	\$ 291,639	\$ 184,852
Donations	9,755	9,174
Fundraising events	196,722	240,276
Membership dues	3,350	2,775
Net realized and unrealized gain (loss) on investments	7,311	(2)
Interest income	152	198
	<hr/>	<hr/>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	508,929	437,273
WITHOUT DONOR RESTRICTIONS		
EXPENSES		
Program services	417,848	336,035
Management and general	67,092	48,842
Fund raising	20,424	39,704
	<hr/>	<hr/>
TOTAL EXPENSES	505,364	424,581
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,565	12,692
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>
	591,826	579,134
	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	\$ 595,391	\$ 591,826
	<hr/>	<hr/>

See Notes to Financial Statements.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30, 2020 and 2019

	<u>2020</u>				<u>2019</u>
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 292,801	\$ 32,414	\$ -	\$ 325,215	\$ 227,928
Payroll taxes	24,841	2,750	-	27,591	19,443
Benefits	42,383	4,692	-	47,075	12,224
	<u>360,025</u>	<u>39,856</u>	<u>-</u>	<u>399,881</u>	<u>259,595</u>
Grant & contract expense	18,581	-	-	18,581	30,115
Roof Sit	-	-	7,707	7,707	4,738
Kids Sake	-	-	1,192	1,192	21,008
Tee Off For Kids	-	-	9,874	9,874	10,461
Community awareness events	1,829	-	-	1,829	3,506
Travel	4,621	255	257	5,133	6,442
Occupancy	7,553	417	419	8,389	24,117
Telephone	5,610	309	312	6,231	6,111
Postage	-	796	-	796	1,086
Printing	2,993	314	-	3,307	1,660
Supplies	3,615	199	201	4,015	23,125
Insurance	-	8,531	-	8,531	7,204
Professional fees	-	6,660	-	6,660	5,185
Bookkeeping fees	-	1,023	-	1,023	2,961
Dues & subscriptions	2,785	308	-	3,093	2,675
Meetings & seminars	1,920	-	-	1,920	1,806
Miscellaneous	-	6,443	-	6,443	719
Interest & bank charges	-	1,522	-	1,522	1,907
	<u>409,532</u>	<u>66,633</u>	<u>19,962</u>	<u>496,127</u>	<u>414,421</u>
Depreciation	8,316	459	462	9,237	10,160
	<u>\$ 417,848</u>	<u>\$ 67,092</u>	<u>\$ 20,424</u>	<u>\$ 505,364</u>	<u>\$ 424,581</u>

See Notes to Financial Statements.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS - OPERATING ACTIVITIES		
Cash received from government grants	\$ 304,454	\$ 164,084
Cash received from donors	199,776	247,980
Cash paid to suppliers and employees	(490,712)	(413,201)
Interest received	152	198
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>13,670</u>	<u>(939)</u>
CASH FLOWS-FINANCING ACTIVITIES		
Loan proceeds - Paycheck Protection Program	<u>75,000</u>	<u>-</u>
	75,000	-
INCREASE (DECREASE) IN CASH	<u>88,670</u>	<u>(939)</u>
CASH AT BEGINNING OF YEAR	<u>191,936</u>	<u>192,875</u>
CASH AT END OF YEAR	<u><u>\$ 280,606</u></u>	<u><u>\$ 191,936</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS

TO NET CASH PROVIDED BY (USED FOR)

OPERATING ACTIVITIES

Change in net assets	\$ 3,565	\$ 12,692
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	9,237	10,160
Net realized and unrealized (gain) loss on investments	(7,311)	2
(Increase) decrease in assets		
Pledges receivable	(10,051)	(4,245)
Grants receivable	12,815	(20,768)
Prepaid insurance	(1,735)	(2,177)
Increase (decrease) in liabilities		
Accounts payable	6,038	(1,335)
Accrued payroll and withholdings	1,112	4,732
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ 13,670</u></u>	<u><u>\$ (939)</u></u>

See Notes to Financial Statements.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

Years ended September 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The St. Clair County Child Abuse/Neglect Council promotes awareness and prevention of child abuse and neglect through workshops and programs conducted in elementary and middle schools throughout Michigan.

Basis of Accounting

The financial statements of the Council are reported on the accrual basis of accounting.

Basis of Presentation

The financial statements presentation follows the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. Under ASC 958, net assets 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 objective of the Council. These net assets may be used at the discretion of management.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donors. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Land, Building and Equipment

Land, building and equipment are recorded on the basis of cost. Depreciation is computed by the declining-balance method, over the estimated useful lives of the assets.

Cash and Cash Equivalents

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledges Receivable

Pledges receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. The Council provides for losses on pledges receivable using the allowance method which is based on experience and other circumstances. The allowance for doubtful accounts was \$0 and \$1,500 for 2020 and 2019, respectively.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended September 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred.

Donated Services

No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Council's program services and in its fund-raising campaigns.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits which are allocated on the basis of estimates of time and effort. Occupancy, telephone, printing and supplies are allocated on the basis of estimates of usage. Depreciation is allocated based on the specific use of the asset.

Income Taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization, whereby only unrelated business income, as defined by Section 512 of the Code, is subject to income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Council's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2019, and 2020 are subject to examination by the IRS for three years after they were filed.

NOTE B - CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Council to concentrations of credit and market risk consist primarily of cash held in checking accounts and money market accounts. These cash accounts are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Council has not experienced any losses on its cash accounts.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended September 30, 2020 and 2019

NOTE C - RETIREMENT PLAN

The Council has established a Simplified Employee Pension-Individual Retirement Account plan. The Plan covers all employees over the age of 18 who have earned \$450 or more during the year. The Council contributed \$18,189 and \$4,609 to the plan at September 30, 2020 and 2019, respectively.

NOTE D - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash	\$	280,606
Investments-Community Foundation of St. Clair County		157,077
Pledges receivable		14,296
Grants receivable		<u>22,797</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>474,776</u>

NOTE E - SUMMARY OF FAIR VALUE EXPOSURE

In accordance with ASC 820, the Society uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended September 30, 2020 and 2019

NOTE E – SUMMARY OF FAIR VALUE EXPOSURE (CONTINUED)

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are observable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

The following table presents the Council's fair value hierarchy for the assets and liabilities measured at fair value as of September 30, 2020 and September 30, 2019:

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of September 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Money Market	\$ <u>157,077</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>157,077</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Money Market	\$ <u>149,766</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>149,766</u>

NOTE F - MANAGEMENT EVALUATION

Management has evaluated subsequent events through November 13, 2020, the date on which the financial statements were available to be issued.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended September 30, 2020 and 2019

NOTE G - REVENUE RECOGNITION POLICY

The Council derives its revenues primarily from soliciting donations, grants, fundraising events, and membership dues. Revenues are recognized when control of these services are transferred to its donors, in an amount that reflects the consideration the Council expects to be entitled to in exchange for those services or when the donation, grant or fundraising money is received. The Council does not have any significant financing components as payment is received at the point of sale.

Disaggregation of Revenue from Contracts with Customers

The following disaggregates the Council's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 498,116	\$ 434,302
Performance obligations satisfied over time	<u>3,350</u>	<u>2,775</u>
	<u>\$ 501,466</u>	<u>\$ 437,077</u>

Revenue from performance obligations satisfied at a point in time consists of donations, grants and fundraising.

Revenue from performance obligations satisfied over time consists of membership dues.

NOTE H - SMALL BUSINESS ADMINISTRATION LOAN

On April 28, 2020, the Council was granted a loan from TCF National Bank in the amount of \$75,000 pursuant to the SBA Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan matures on April 1, 2022 and bears interest at an annual rate of 1%, payable monthly commencing November 1, 2020. The terms of the Program specify that any loan proceeds used to cover qualified expenses may be subject to forgiveness. Qualifying expenses include payroll, benefits, mortgage interest, rent and utilities. The Council believes that its use of the loan proceeds will meet the conditions for the forgiveness of the loan. As of the date of the financial statements, the proceeds have been recorded as a loan payable. The loan proceeds will be included in government grant income in the year in which it is forgiven.

ST. CLAIR COUNTY CHILD ABUSE/NEGLECT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended September 30, 2020 and 2019

NOTE I - SUBSEQUENT EVENT

Management is currently evaluating the recent introduction of the COVID-19 virus and its impact on the financials of the Council and has concluded that while it is reasonably possible that the virus could have a negative effect on the fair value of the Council's results of operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE J - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606). This ASU supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Council adopted this standard as of October 1, 2019 using a full retrospective method of application. The adoption resulted in changes to the disclosure of revenue. There were no changes to the recognition or presentation of revenue as a result of this standard. As a result, no cumulative effect adjustment was recorded upon adoption.