

TURNING POINT, INC.

Mount Clemens, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2017 and 2016

TURNING POINT, INC.

TABLE OF CONTENTS As of and for the Years Ended September 30, 2017 and 2016

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 13
Other Independent Auditors' Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 - 15
Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	16 - 17
Supplemental Information	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20 - 21

INDEPENDENT AUDITORS' REPORT

Board of Directors
Turning Point, Inc.
Mount Clemens, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Turning Point, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2017 and 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017 and 2016, 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.

Board of Directors
Turning Point, Inc.

Other Matters

Report on Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018 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 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
March 19, 2018

TURNING POINT, INC.

STATEMENTS OF FINANCIAL POSITION As of September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 439,691	\$ 229,908
Grants receivable	206,302	96,624
Prepaid expenses	22,650	6,878
Contributed inventory	51,103	57,658
Total Current Assets	<u>719,746</u>	<u>391,068</u>
PROPERTY AND EQUIPMENT, NET	<u>3,109,357</u>	<u>3,249,937</u>
TOTAL ASSETS	<u>\$ 3,829,103</u>	<u>\$ 3,641,005</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 15,550	\$ 14,683
Accounts payable	39,763	51,315
Accrued liabilities	106,655	99,800
Advances from State of Michigan	97,572	-
Total Current Liabilities	<u>259,540</u>	<u>165,798</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>383,429</u>	<u>440,196</u>
Total Liabilities	<u>642,969</u>	<u>605,994</u>
NET ASSETS		
Unrestricted	3,113,384	3,035,011
Temporarily restricted	72,750	-
Total Net Assets	<u>3,186,134</u>	<u>3,035,011</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,829,103</u>	<u>\$ 3,641,005</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

STATEMENTS OF ACTIVITIES For the Years Ended September 30, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total	Unrestricted	Temporarily Restricted	2016 Total
SUPPORT AND REVENUE						
Retail sales - Second Hand Rose	\$ 306,491	\$ -	\$ 306,491	\$ 345,600	\$ -	\$ 345,600
Unrestricted in-kind contributions	261,373	-	261,373	303,786	-	303,786
Less cost of goods sold	<u>(255,307)</u>	-	<u>(255,307)</u>	<u>(296,115)</u>	-	<u>(296,115)</u>
Net Revenue - Second Hand Rose	312,557	-	312,557	353,271	-	353,271
Contributions	798,224	-	798,224	712,569	-	712,569
Special events	49,744	-	49,744	68,632	-	68,632
United Way grants	99,250	72,750	172,000	21,501	-	21,501
Governmental agency and other grants	<u>1,946,819</u>	-	<u>1,946,819</u>	<u>1,681,343</u>	-	<u>1,681,343</u>
Total Support and Revenue before Releases	<u>3,206,594</u>	<u>72,750</u>	<u>3,279,344</u>	<u>2,837,316</u>	-	<u>2,837,316</u>
Net Assets Released from Restrictions	-	-	-	64,500	(64,500)	-
Total Support and Revenue	<u>3,206,594</u>	<u>72,750</u>	<u>3,279,344</u>	<u>2,901,816</u>	<u>(64,500)</u>	<u>2,837,316</u>
FUNCTIONAL EXPENSES						
Program	2,820,315	-	2,820,315	2,586,868	-	2,586,868
Management and general	187,178	-	187,178	221,329	-	221,329
Fundraising	<u>120,728</u>	-	<u>120,728</u>	<u>111,363</u>	-	<u>111,363</u>
Total Expenses	<u>3,128,221</u>	-	<u>3,128,221</u>	<u>2,919,560</u>	-	<u>2,919,560</u>
CHANGE IN NET ASSETS	78,373	72,750	151,123	(17,744)	(64,500)	(82,244)
NET ASSETS - Beginning of Year	<u>3,035,011</u>	-	<u>3,035,011</u>	<u>3,052,755</u>	<u>64,500</u>	<u>3,117,255</u>
NET ASSETS - END OF YEAR	<u>\$ 3,113,384</u>	<u>\$ 72,750</u>	<u>\$ 3,186,134</u>	<u>\$ 3,035,011</u>	<u>\$ -</u>	<u>\$ 3,035,011</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 151,123	\$ (82,244)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	140,580	134,033
Decrease in contributed inventory	6,555	8,436
Changes in assets and liabilities		
Grants receivable	(109,678)	55,959
Pledges receivable	-	64,503
Accounts receivable	-	58,566
Prepaid expenses	(15,772)	(3,082)
Accounts payable	(11,552)	(33,825)
Accrued liabilities	<u>6,855</u>	<u>26,000</u>
Net Cash Flows from Operating Activities	<u>168,111</u>	<u>228,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>-</u>	<u>(50,428)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	-	(30,500)
Principal payments on long-term debt	(55,900)	(479,741)
Proceeds from long-term debt refinance	-	517,000
Advances from State of Michigan	<u>97,572</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>41,672</u>	<u>6,759</u>
Net Change in Cash and Cash Equivalents	209,783	184,677
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>229,908</u>	<u>45,231</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 439,691</u>	<u>\$ 229,908</u>
Supplemental cash flow disclosures		
Cash paid for interest	\$ 24,434	\$ 27,598

See accompanying notes to financial statements.

TURNING POINT, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended September 30, 2017

	Community Development	SANE	Survivor Support - Domestic Violence	Survivor Support - Sexual Assault	Shelter	Second Hand Rose	Total Program	Management and General	Fundraising	Total
Salaries	\$ 357,515	\$ 225,569	\$ 227,447	\$ 210,381	\$ 564,536	\$ 160,335	\$ 1,745,783	\$ 100,028	\$ 73,439	\$ 1,919,250
Payroll taxes and benefits	88,957	23,339	39,306	53,416	107,494	37,619	350,131	20,150	7,111	377,392
Total Salaries and Related Expenses	446,472	248,908	266,753	263,797	672,030	197,954	2,095,914	120,178	80,550	2,296,642
Contract services	16,420	69,411	9,376	42,185	22,976	4,886	165,254	7,685	15,712	188,651
Dues, licenses and fees	660	270	122	127	2,394	4,173	7,746	2,870	3,450	14,066
Equipment purchase, rental and maintenance	2,240	1,467	1,587	1,515	33,565	7,663	48,037	3,929	-	51,966
Insurance	5,160	3,625	3,382	3,556	17,107	4,907	37,737	2,620	212	40,569
Interest	-	-	-	-	24,434	-	24,434	-	-	24,434
Occupancy	10,729	-	23,911	23,822	35,824	96,139	190,425	16,144	-	206,569
Printing, publications and conferences	4,446	652	2,605	2,461	3,633	6,683	20,480	727	8,930	30,137
Specific assistance	1,384	727	681	1,987	6,490	12,444	23,713	297	-	24,010
Supplies and materials	3,704	3,527	5,642	5,492	13,362	19,908	51,635	1,643	11,286	64,564
Telephone and communications	5,916	7,895	-	-	10,295	1,897	26,003	4,189	-	30,192
Travel and transportation	5,988	110	2,288	2,586	3,534	184	14,690	563	588	15,841
Total Functional Expenses before Depreciation	503,119	336,592	316,347	347,528	845,644	356,838	2,706,068	160,845	120,728	2,987,641
Depreciation	1,017	4,861	400	400	104,276	3,293	114,247	26,333	-	140,580
Total Expenses	<u>\$ 504,136</u>	<u>\$ 341,453</u>	<u>\$ 316,747</u>	<u>\$ 347,928</u>	<u>\$ 949,920</u>	<u>\$ 360,131</u>	<u>\$ 2,820,315</u>	<u>\$ 187,178</u>	<u>\$ 120,728</u>	<u>\$ 3,128,221</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended September 30, 2016

	Community Development	SANE	Survivor Support - Domestic Violence	Survivor Support - Sexual Assault	Shelter	Second Hand Rose	Total Program	Management and General	Fundraising	Total
Salaries	\$ 281,716	\$ 212,149	\$ 216,722	\$ 193,372	\$ 525,687	\$ 166,294	\$ 1,595,940	\$ 100,624	\$ 71,771	\$ 1,768,335
Payroll taxes and benefits	51,260	20,656	34,945	48,776	92,485	47,197	295,319	33,592	5,958	334,869
Total Salaries and Related Expenses	332,976	232,805	251,667	242,148	618,172	213,491	1,891,259	134,216	77,729	2,103,204
Contract services	10,198	44,897	9,515	31,085	16,748	4,291	116,734	12,221	12,911	141,866
Dues, licenses and fees	105	1,021	443	447	6,227	5,198	13,441	8,964	1,042	23,447
Equipment purchase, rental and maintenance	11,904	3,946	1,835	1,802	32,214	8,414	60,115	5,780	-	65,895
Insurance	4,920	5,191	4,128	4,541	20,126	11,589	50,495	2,856	-	53,351
Interest	-	-	-	-	27,598	-	27,598	-	-	27,598
Occupancy	10,320	143	16,202	16,544	34,441	92,472	170,122	15,528	-	185,650
Printing, publications and conferences	4,468	1,542	4,660	5,106	2,313	9,731	27,820	3,710	11,187	42,717
Specific assistance	1,062	716	2,910	585	9,351	16,044	30,668	1,005	-	31,673
Supplies and materials	5,115	5,395	15,241	13,040	5,726	5,969	50,486	5,220	6,532	62,238
Telephone and communications	5,888	7,811	-	-	10,199	2,028	25,926	4,572	-	30,498
Travel and transportation	4,586	2,304	1,980	4,645	1,338	49	14,902	526	1,962	17,390
Total Functional Expenses before Depreciation	391,542	305,771	308,581	319,943	784,453	369,276	2,479,566	194,598	111,363	2,785,527
Depreciation	572	722	400	400	101,915	3,293	107,302	26,731	-	134,033
Total Expenses	<u>\$ 392,114</u>	<u>\$ 306,493</u>	<u>\$ 308,981</u>	<u>\$ 320,343</u>	<u>\$ 886,368</u>	<u>\$ 372,569</u>	<u>\$ 2,586,868</u>	<u>\$ 221,329</u>	<u>\$ 111,363</u>	<u>\$ 2,919,560</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Turning Point, Inc. (the "Organization") provides emergency and crisis assistance primarily to women and children who are victims of domestic violence and/or sexual assault in southeast Michigan. The assistance provided includes, but is not limited to, emergency counseling, case planning, referrals, advocacy, food, shelter, transportation, and SANE (Sexual Assault Nurse Examiner).

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Organization periodically may have deposits with various banks which may exceed federally insured limits. The Organization has not experienced losses in such accounts and believes it is not exposed to significant credit risk related to its cash and cash equivalent deposits.

Accounts, Pledges and Grants Receivable

Accounts, pledges and grants receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of September 30, 2017 and 2016.

Sale of Donated Merchandise

The Organization operates a resale shop, Second Hand Rose, through which donations of used clothing and other merchandise are solicited from the public and sold. The Organization sells this donated merchandise to generate cash, which is used to support the Organization's programs. The Organization recorded \$261,373 and \$303,786 as merchandise and other in-kind contributions in the accompanying statements of activities for the years ended September 30, 2017 and 2016, respectively. Selling and administration expense incurred to operate Second Hand Rose of \$360,131 and \$372,569 were also recorded for the years ended September 30, 2017 and 2016. Net proceeds from these activities, prior to depreciation of \$3,293, for 2017 was \$(25,841). Net proceeds from these activities, prior to depreciation of \$3,293, for 2016 was \$1,089. The Organization operates a resale shop, Second Hand Rose, through which donations of used clothing and other merchandise are solicited from the public and sold, as well as donated to Turning Point's shelter residents and clients, as part of the Organization's mission.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 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 value 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

TURNING POINT, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

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

Property and Equipment (cont.)

Equipment acquired through governmental agency contracts has been capitalized by the Organization. However, the resource provider reserves the right to retain or transfer the title to this equipment. Should the Organization discontinue its contracts with certain resource providers, personal property purchased through these contracts may revert to the resource provider.

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, 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.

Advances from the State of Michigan

The Organization received a one-time cash advance from the State of Michigan. The advance consisted of 60 days of program-specific operating expenses to prepare for the upcoming release of the SIGMA program and sustain programming during the fiscal year 2017 year-end closing process. The Organization's reimbursable actual expenditures are used to replenish the operating advance, which is due by the end of fiscal year 2018.

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 has temporarily restricted net assets of \$72,750 at September 30, 2017 and no temporarily restricted net assets as of September 30, 2016.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of September 30, 2017 and 2016, the Organization has no permanently restricted net assets.

Tax-Exempt Status

Turning Point, Inc. 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.

Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Organization is not currently under examination by any taxing jurisdiction.

TURNING POINT, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

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

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenue from government grant awards under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the grant, revenue and grants receivable are recorded in the period during which the expenses are incurred. In cases where grants are received in advance of incurring the expenses, deferred revenue is recorded in the period during which the advance is received and recognized as revenue in the period when the related expenses are incurred. During 2016, the Organization received additional grant funding to open a new counseling office in St. Clair Shores, Michigan.

Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Organization. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements.

Donated Services

The Organization receives donated services from volunteers to perform first response and other duties. 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 2017 and 2016. The number of hours of service was approximately 14,000 and 15,000 for the years ended September 30, 2017 and 2016, respectively. The Organization estimates that it would pay approximately \$203,000 and \$224,000 for such services in 2017 and 2016, respectively. The Organization has applied \$26,621 and \$21,232 of the volunteer time to matching grants for the year ended September 30, 2017 and 2016, respectively.

In-Kind Contributions

The Organization records contributed merchandise donated to Second Hand Rose as a contribution which is in accordance with generally accepted accounting principles. Such merchandise is recorded at its estimated fair value as of the date of the donation.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. There were no such items in 2017 or 2016.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

TURNING POINT, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

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

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 subsequent events through March 19, 2018, which is the date that the financial statements were approved and available to be issued.

NOTE 2 - Property and Equipment

The major categories of property and equipment at September 30 are summarized as follows:

	Depreciable Lives	2017	2016
Land	N/A	\$ 36,600	\$ 36,600
Buildings and building improvements	40 yrs.	3,270,112	3,270,112
Motor vehicles	5 yrs.	32,953	37,241
Equipment	5 yrs.	124,770	124,770
Furniture and fixtures	5 - 7 yrs.	73,938	73,938
Leasehold improvements	15 - 20 yrs.	<u>373,667</u>	<u>373,667</u>
Total Property and Equipment		3,912,040	3,916,328
Less: Accumulated depreciation		<u>(802,683)</u>	<u>(666,391)</u>
Net Property and Equipment		<u>\$ 3,109,357</u>	<u>\$ 3,249,937</u>

Depreciation for the years ended September 30, 2017 and 2016 was \$140,580 and \$134,033, respectively.

NOTE 3 - Line of Credit

At September 30, 2017, the Organization has a secured line of credit financing agreement with a bank and has available financing of \$150,000 and an interest rate of 0.9% above prime (total rate of 4.65% at September 30, 2017). The line of credit matures on February 11, 2019. There was no balance outstanding at September 30, 2017 and 2016. Collateral consists of substantially all of the Organization's assets.

TURNING POINT, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 4 - Long-Term Debt

Debt consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Mortgage on shelter due in monthly installments of \$3,630, at 5.75% interest. The mortgage is secured by the related building, and is due in 2031.	\$ 398,979	\$ 454,879
Totals	398,979	454,879
Less: Current Maturities	<u>(15,550)</u>	<u>(14,683)</u>
Long-Term Maturities	<u>\$ 383,429</u>	<u>\$ 440,196</u>

Principal requirements on long-term debt for years ending after September 30, 2017 are as follows:

2018	\$ 15,550
2019	16,468
2020	17,441
2021	18,470
2022	19,559
2023 and thereafter	<u>311,491</u>
Total	<u>\$ 398,979</u>

Debt interest charged to expense was \$24,434 and \$27,598 for the years ended September 30, 2017 and 2016, respectively.

NOTE 5 - Net Assets

Temporarily restricted net assets are composed of a United Way Shelter grant for \$72,750 at September 30, 2017. There were no temporarily restricted net assets at September 30, 2016.

NOTE 6 - Operating Leases

The Organization leases property under non-cancelable operating leases. Rent expense was \$159,208 and \$144,108 for the years ended September 30, 2017 and 2016, respectively, requiring monthly payments in the amount of \$12,059 for the Mount Clemens location and expiring in November 2022 and \$1,350 for the Saint Clair Shores location expiring in June 2021.

Future minimum lease payments are as follows:

2018	\$ 161,608
2019	162,158
2020	162,708
2021	158,658
2022	<u>12,059</u>
Total	<u>\$ 657,191</u>

TURNING POINT, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 7 - New Accounting Pronouncements

During August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

During May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 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. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments 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 ASU 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 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 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

During July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 requires entities to measure inventory, other than inventory measured using the last-in, first-out or retail inventory methods, at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Organization is currently assessing the effect that ASU 2015-11 will have on its results of operations, financial position and cash flows.

OTHER INDEPENDENT AUDITORS' REPORTS

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Turning Point, Inc.
Mount Clemens, Michigan

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 Turning Point, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2017, 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 March 19, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Turning Point, Inc.

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
March 19, 2018

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Turning Point, Inc.
Mount Clemens, Michigan

Report on Compliance for the Major Federal Program

We have audited Turning Point, 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, 2017. 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, 2017.

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 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.

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
March 19, 2018

SUPPLEMENTAL INFORMATION

TURNING POINT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2017

Federal Grantor/Program or Clustered Title	Pass-Through Entity	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Child and Adult Care Food Program	Michigan Department of Education	990000206	10.558	\$ <u>42,750</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>42,750</u>
CDBG - ENTITLEMENT GRANTS CLUSTER				
U.S. Department of Housing and Urban Development				
Community Development Block Grant/Entitlement Grants	Various Macomb County cities	C6-21-3L	14.218	<u>29,916</u>
TOTAL CDBG - ENTITLEMENT GRANTS CLUSTER				<u>29,916</u>
U.S. DEPARTMENT OF JUSTICE				
Crime Victim Assistance	Michigan Department of Health and Human Services	20026-19V15	16.575	832,532
Crime Victim Assistance	Michigan Department of Health and Human Services	21250-1V15	16.575	88,691
Violence Against Women Formula Grant	Michigan Department of Health and Human Services	STOP16-50001	16.588	<u>121,907</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>1,043,130</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Michigan Department of Health and Human Services	DV16-50001	93.671	<u>46,969</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>46,969</u>
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER				
U.S. Department of Health and Human Services				
Temporary Assistance for Needy Families	Michigan Department of Health and Human Services	DV16-50001	93.558	<u>151,388</u>
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER				<u>151,388</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Emergency Food and Shelter National Board Program	United Way	474600-007	97.024	<u>96,750</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>96,750</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,410,903</u>

See accompanying note to schedule of expenditures of federal awards

TURNING POINT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, and 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 first response and other duties. 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 2017 and 2016. The number of hours of service was 14,000 and 15,000 for the year ended September 30, 2017 and 2016, respectively. The Organization estimates that it would pay \$203,000 and \$224,000 for such services in 2017 and 2016, respectively. The Organization has applied \$26,621 and \$21,232 of the volunteer time to matching grants for the year ended September 30, 2017 and 2016, respectively.

Indirect Cost Rate

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

TURNING POINT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2017

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements were in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- | | | | | | |
|---|---|-------------|-----|--------------|---------------|
| > | Material weakness(es) identified? | <u> </u> | yes | <u> X </u> | no |
| > | Significant deficiencies identified? | <u> </u> | yes | <u> X </u> | none reported |
| | Noncompliance material to financial statements noted? | <u> </u> | yes | <u> X </u> | no |

Federal Awards

Internal control over major federal programs:

- | | | | | | |
|---|-----------------------------------|-------------|-----|--------------|---------------|
| > | Material weakness(es) identified? | <u> </u> | yes | <u> X </u> | no |
| > | Significant deficiencies? | <u> </u> | yes | <u> X </u> | none reported |

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

TURNING POINT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont.)
For the Year Ended September 30, 2017

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None

Section IV: Summary of Prior Year Findings

None