

TURNING POINT, INC.

Mount Clemens, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

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

TURNING POINT, INC.

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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, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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* 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 4, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
March 4, 2020

TURNING POINT, INC.

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

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 721,751	\$ 520,188
Grants receivable	276,662	203,576
Service fees receivable	39,099	-
Prepaid expenses	35,043	27,234
Contributed inventory	<u>52,224</u>	<u>46,578</u>
Total Current Assets	<u>1,124,779</u>	<u>797,576</u>
PROPERTY AND EQUIPMENT, NET	<u>2,934,152</u>	<u>2,972,726</u>
TOTAL ASSETS	<u>\$ 4,058,931</u>	<u>\$ 3,770,302</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ -	\$ 31,311
Accounts payable	82,339	39,746
Accrued liabilities	143,779	107,782
Advances from the State of Michigan	<u>97,572</u>	<u>97,572</u>
Total Current Liabilities	323,690	276,411
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>-</u>	<u>196,164</u>
Total Liabilities	<u>323,690</u>	<u>472,575</u>
NET ASSETS		
Net assets without donor restrictions	3,690,241	3,224,977
Net assets with donor restrictions	<u>45,000</u>	<u>72,750</u>
Total Net Assets	<u>3,735,241</u>	<u>3,297,727</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,058,931</u>	<u>\$ 3,770,302</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

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

	Net assets without donor restrictions	Net assets with donor restrictions	2019 Total	Net assets without donor restrictions	Net assets with donor restrictions	2018 Total
SUPPORT AND REVENUE						
Second Hand Rose						
Retail sales	\$ 313,928	\$ -	\$ 313,928	\$ 279,272	\$ -	\$ 279,272
In-kind contributions	276,848	-	276,848	239,108	-	239,108
Less cost of goods sold	<u>(260,076)</u>	<u>-</u>	<u>(260,076)</u>	<u>(232,380)</u>	<u>-</u>	<u>(232,380)</u>
Net Revenue	<u>330,700</u>	<u>-</u>	<u>330,700</u>	<u>286,000</u>	<u>-</u>	<u>286,000</u>
Contributions	932,589	-	932,589	876,547	-	876,547
Special events (net of expenses of \$37,657 and \$38,693 for 2019 and 2018, respectively)	127,029	-	127,029	121,163	-	121,163
United Way grants	-	50,000	50,000	-	97,000	97,000
Governmental agency and other grants	2,351,092	-	2,351,092	1,959,546	-	1,959,546
Interest Income	<u>422</u>	<u>-</u>	<u>422</u>	<u>675</u>	<u>-</u>	<u>675</u>
Total Support and Revenue before Releases	<u>3,741,832</u>	<u>50,000</u>	<u>3,791,832</u>	<u>3,243,931</u>	<u>97,000</u>	<u>3,340,931</u>
Net Assets Released from Restrictions	<u>77,750</u>	<u>(77,750)</u>	<u>-</u>	<u>97,000</u>	<u>(97,000)</u>	<u>-</u>
Total Support and Revenue	<u>3,819,582</u>	<u>(27,750)</u>	<u>3,791,832</u>	<u>3,340,931</u>	<u>-</u>	<u>3,340,931</u>
EXPENSES						
Program	3,000,885	-	3,000,885	2,892,246	-	2,892,246
Management and general	212,847	-	212,847	215,922	-	215,922
Fundraising	<u>140,586</u>	<u>-</u>	<u>140,586</u>	<u>121,170</u>	<u>-</u>	<u>121,170</u>
Total Expenses	<u>3,354,318</u>	<u>-</u>	<u>3,354,318</u>	<u>3,229,338</u>	<u>-</u>	<u>3,229,338</u>
CHANGE IN NET ASSETS	465,264	(27,750)	437,514	111,593	-	111,593
NET ASSETS - Beginning of Year	<u>3,224,977</u>	<u>72,750</u>	<u>3,297,727</u>	<u>3,113,384</u>	<u>72,750</u>	<u>3,186,134</u>
NET ASSETS - END OF YEAR	<u>\$ 3,690,241</u>	<u>\$ 45,000</u>	<u>\$ 3,735,241</u>	<u>\$ 3,224,977</u>	<u>\$ 72,750</u>	<u>\$ 3,297,727</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 437,514	\$ 111,593
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	120,536	136,631
(Increase) decrease in contributed inventory	(5,646)	4,525
Changes in assets and liabilities		
Grants receivable	(73,086)	2,726
Service fees receivable	(39,099)	-
Prepaid expenses	(7,809)	(4,584)
Accounts payable	42,593	(17)
Accrued liabilities	35,997	1,127
Net cash flows from operating activities	<u>511,000</u>	<u>252,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(81,962)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(227,475)</u>	<u>(171,504)</u>
Net Change in Cash and Cash Equivalents	201,563	80,497
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>520,188</u>	<u>439,691</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 721,751</u>	<u>\$ 520,188</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ 4,204	\$ 19,401

See accompanying notes to financial statements.

TURNING POINT, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended September 30, 2019

	Community Development	SANE	Survivor Support - Domestic Violence	Survivor Support - Sexual Assault	Shelter	Second Hand Rose	Strangulation PILOT	Total Program	Management and General	Fundraising	Total
Salaries	\$ 392,077	\$ 230,990	\$ 254,739	\$ 284,667	\$ 594,634	\$ 142,469	\$ 13,658	\$ 1,913,234	\$ 133,036	\$ 75,472	\$ 2,121,742
Payroll taxes and benefits	104,047	33,428	50,282	61,931	127,025	24,757	1,115	402,585	18,580	6,993	428,158
Total Salaries and Related Expenses	496,124	264,418	305,021	346,598	721,659	167,226	14,773	2,315,819	151,616	82,465	2,549,900
Contract services	12,220	60,532	7,123	40,062	20,078	2,702	3,675	146,392	8,632	18,940	173,964
Dues, licenses, and fees	600	513	114	132	2,068	8,316	-	11,743	1,696	5,187	18,626
Equipment purchase, rental	1,246	668	1,752	1,743	49,366	11,621	-	66,396	8,617	83	75,096
Insurance	3,800	2,710	2,469	2,793	16,701	3,433	-	31,906	2,025	167	34,098
Interest	-	-	-	-	4,204	-	-	4,204	-	-	4,204
Occupancy	9,616	203	25,086	28,261	45,872	96,472	-	205,510	14,508	2,347	222,365
Printing, publications, and conferences	2,946	2,286	1,910	1,889	3,057	1,535	-	13,623	949	8,422	22,994
Special events	-	-	-	-	-	-	-	-	-	37,657	37,657
Specific assistance	2,029	272	1,362	2,798	7,971	10,499	-	24,931	131	-	25,062
Supplies and materials	3,139	3,892	3,150	6,083	6,656	2,738	-	25,658	2,543	7,235	35,436
Telephone and communications	6,219	9,747	-	-	12,793	2,011	-	30,770	3,673	-	34,443
Travel and transportation	5,528	1,290	5,015	5,880	1,259	12	-	18,984	2,870	1,052	22,906
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	14,688	14,688
Total Expenses before Depreciation	543,467	346,531	353,002	436,239	891,684	306,565	18,448	2,895,936	197,260	178,243	3,271,439
Depreciation	800	4,861	267	267	95,535	3,219	-	104,949	15,587	-	120,536
Less: Special events	-	-	-	-	-	-	-	-	-	37,657	37,657
Total Expenses	<u>\$ 544,267</u>	<u>\$ 351,392</u>	<u>\$ 353,269</u>	<u>\$ 436,506</u>	<u>\$ 987,219</u>	<u>\$ 309,784</u>	<u>\$ 18,448</u>	<u>\$ 3,000,885</u>	<u>\$ 212,847</u>	<u>\$ 140,586</u>	<u>\$ 3,354,318</u>

See accompanying notes to financial statements.

TURNING POINT, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended September 30, 2018

	Community Development	SANE	Survivor Support - Domestic Violence	Survivor Support - Sexual Assault	Shelter	Second Hand Rose	Strangulation PILOT	Total Program	Management and General	Fundraising	Total
Salaries	\$ 378,512	\$ 224,224	\$ 256,496	\$ 218,873	\$ 547,445	\$ 141,505	\$ 24,046	\$ 1,791,101	\$ 130,427	\$ 77,523	\$ 1,999,051
Payroll taxes and benefits	97,741	40,080	43,404	60,791	102,223	17,646	1,750	363,635	22,623	7,621	393,879
Total Salaries and Related Expenses	476,253	264,304	299,900	279,664	649,668	159,151	25,796	2,154,736	153,050	85,144	2,392,930
Contract services	15,947	64,810	7,526	42,110	21,862	4,354	8,600	165,209	5,910	18,301	189,420
Dues, licenses, and fees	878	2,151	520	449	3,098	5,268	-	12,364	873	4,433	17,670
Equipment purchase, rental	1,521	2,896	2,014	1,999	40,541	12,049	-	61,020	6,740	192	67,952
Insurance	5,414	3,382	3,405	3,084	18,209	3,635	-	37,129	2,420	176	39,725
Interest	-	-	-	-	19,393	-	-	19,393	8	-	19,401
Occupancy	10,766	125	25,371	25,098	47,069	96,472	-	204,901	16,200	-	221,101
Special events	-	-	-	-	-	-	-	-	-	38,693	38,693
Printing, publications, and conferences	2,672	10,383	1,673	1,417	3,721	2,499	-	22,365	629	8,785	31,779
Specific assistance	8,319	169	1,691	2,717	8,190	10,831	25	31,942	412	-	32,354
Supplies and materials	1,719	9,314	979	667	12,913	3,223	40	28,855	2,116	3,418	34,389
Telephone and communications	5,922	8,650	-	-	12,055	1,543	-	28,170	4,328	-	32,498
Travel and transportation	5,408	1,312	4,159	264	989	-	-	12,132	635	721	13,488
Total Expenses before Depreciation	534,819	367,496	347,238	357,469	837,708	299,025	34,461	2,778,216	193,321	159,863	3,131,400
Depreciation	800	4,861	400	400	104,276	3,293	-	114,030	22,601	-	136,631
Less: Special events	-	-	-	-	-	-	-	-	-	38,693	38,693
Total Expenses	\$ 535,619	\$ 372,357	\$ 347,638	\$ 357,869	\$ 941,984	\$ 302,318	\$ 34,461	\$ 2,892,246	\$ 215,922	\$ 121,170	\$ 3,229,338

See accompanying notes to financial statements.

TURNING POINT, INC.

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

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Turning Point, Inc. (the "Organization") provides advocacy, emergency and crisis assistance primarily to women and children who are victims of domestic violence and/or sexual assault in southeast Michigan. The Organization runs operations out of locations in Mount Clemens and Saint Clair Shores. The assistance provided includes, but is not limited to, emergency counseling, case planning, safety planning, referrals, advocacy, food, shelter, transportation, Strangulation PILOT, and SANE "Sexual Assault Nurse Examiner". The SANE program primarily provides examinations for victims of sexual assault and/or strangulation.

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.

Grants Receivable

Grants receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of September 30, 2019 and 2018.

Service Fees Receivable

Service fees receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of September 30, 2019 and 2018.

Contributed Inventory

Contributed inventory relates to the items donated for sale in the Organization's resale store. The inventory is valued at the estimated fair value of the items.

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, as well as donated to the Organization shelter residents and clients, as part of the Organization's mission. If the sale of these donated items generates revenue it is used to support the Organization's programs. The Organization recorded \$276,848 and \$239,108 as merchandise and other in-kind contributions in the accompanying statements of activities for the years ended September 30, 2019 and 2018, respectively. Selling and administration expense incurred to operate Second Hand Rose of \$309,784 and \$302,318 were also recorded for the years ended September 30, 2019 and 2018. Net proceeds from these activities, prior to depreciation of \$3,219, for 2019 was \$24,135. Net proceeds from these activities, prior to depreciation of \$3,293, for 2018 was \$(13,025).

TURNING POINT, INC.

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

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

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 \$5,000 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 net assets without donor restrictions 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 contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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 in fiscal year 2017. The advance consisted of 60 days of program-specific operating expenses to prepare for the upcoming release of the SIGMA "Statewide Integrated Governmental Management Application" program and sustain programming during the fiscal year 2018 year-end closing process. The Organization's reimbursable actual expenditures will be used to replenish the operating advance, which was originally due by the end of fiscal year 2018. The Organization is working with the State of Michigan on repayment timing.

TURNING POINT, INC.

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

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Tax-Exempt 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.

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.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When a donor's restriction expires in the same year as the donation, the restriction is not recorded.

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.

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.

TURNING POINT, INC.

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

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

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 2019 and 2018. The number of hours of service was approximately 15,000 and 12,000 for the years ended September 30, 2019 and 2018 respectively. The Organization estimates that it would pay approximately \$264,000 and \$180,000 for such services in 2019 and 2018, respectively if not donated. The Organization has applied \$64,748 and \$37,527 of the volunteer time to matching grants for the years ended September 30, 2019 and 2018, 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 2019 or 2018.

Expense Allocation

The Organization's financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated. Salaries and fringe benefits are allocated based on time and effort estimates. Additional expenses that are allocated include contractual services, office expenses, technical support, insurance and communication, which are allocated based on the ratio of each program's personnel costs to total personnel costs. Occupancy costs are allocated based on a square footage basis.

403(b) Retirement Plan

The employees of the Organization are eligible to participate in the Organization's defined contribution plan (Turning Point, Inc. 403(b) plan) covering all eligible employees. The Organization may elect to make a discretionary contribution. There were no contributions to the plan for the years ended September 30, 2019 and 2018.

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.

TURNING POINT, INC.

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

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

Adoption of Financial Accounting Standard Board's Accounting Standards Update

In 2019, the Organization adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, with the exception of the disclosure about liquidity, as permitted by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- > The unrestricted net assets class has been renamed net assets without donor restrictions;
- > The temporarily restricted net asset class has been renamed net assets with donor restrictions;
- > The financial statements include a disclosure about liquidity and availability of resources at September 30, 2019 (Note 7);

Subsequent Events

The Organization has evaluated subsequent events through March 4, 2020, 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	2019	2018
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	32,953
Equipment	5 yrs.	141,094	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		3,928,364	3,912,040
Less: Accumulated depreciation		<u>(994,212)</u>	<u>(939,314)</u>
Net Property and Equipment		<u>\$ 2,934,152</u>	<u>\$ 2,972,726</u>

Depreciation for the years ended September 30, 2019 and 2018 was \$120,536 and \$136,631, respectively.

TURNING POINT, INC.

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

NOTE 3 - Line of Credit

At September 30, 2018, the Organization had a secured line of credit financing agreement with a bank and had available financing of \$150,000 and an interest rate of 0.9% above prime (total rate of 6.15%). The line of credit was set to mature on February 11, 2020. In September 2019, the Organization entered into a new line of credit agreement. At September 30, 2019, the Organization has a secured line of credit financing agreement with a bank and has available financing of \$300,000 and an interest rate of 0.9% above prime (total rate of 5.65% as of September 30, 2019). The line of credit is due on demand. There was no balance outstanding at September 30, 2019 and 2018. Collateral consists of substantially all of the Organization's assets.

NOTE 4 - Long-Term Debt

During the year ended September 30, 2019, the Organization received a contribution of \$214,325 to pay off the outstanding mortgage payable. The mortgage was paid in full in March 2019. Debt consists of the following at September 30, 2018:

Mortgage on building due in monthly installments of \$3,630, at 5.75% interest.	\$ 227,475
Less: Current Maturities	<u>(31,311)</u>
Long-Term Maturities	<u>\$ 196,164</u>

Debt interest charged to expense was \$4,204 and \$19,401 for the years ended September 30, 2019 and 2018, respectively.

NOTE 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of a United Way shelter grant for \$45,000 and \$72,750 for the years ended September 30, 2019 and 2018, respectively.

NOTE 6 - Operating Leases

The Organization leases property under non-cancelable operating leases. Rent expense was \$162,108 and \$161,608 for the years ended September 30, 2019 and 2018, respectively, requiring monthly payments in the amount of \$12,059 for the Mount Clemens location (expiring in November 2021) and \$1,400 for the Saint Clair Shores location (expiring in June 2021). Total rent expense for building rental is included in occupancy expense.

Future minimum lease payments are as follows:

2020	\$ 162,708
2021	158,658
2022	<u>12,059</u>
Total	<u>\$ 333,425</u>

TURNING POINT, INC.

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

NOTE 7 - Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses and fixed asset additions not financed with debt are as follows:

	<u>2019</u>
Total current assets, at year-end	\$ 1,124,779
Less: non-financial assets	
Prepaid expenses	35,043
Contributed inventory	<u>52,224</u>
Financial assets, at year-end	1,037,512
Less: net assets with donor restrictions	<u>45,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 992,512</u>

The Organization's practice is to structure its financial assets to be available as its general expenditures and other liabilities come due. Additionally, the Organization has access to a \$300,000 line of credit to use as needed.

NOTE 8 - New Accounting Pronouncements

During May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued No. ASU 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for the Organization for fiscal years beginning after December 15, 2018. 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's primary revenue sources are not expected to be significantly impacted by the standard, but a complete review of all revenue sources has not yet been completed. In addition, management is currently analyzing the disclosures that will be required with this pronouncement. The new guidance will be effective for the Organization's year ending September 30, 2020.

During February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2020. The new lease guidance will be effective for the Organization's year ending September 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Assets and liabilities will increase on the statement of financial position; however, based on existing lease agreements, this impact is not expected to be significant.

TURNING POINT, INC.

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

NOTE 8 - New Accounting Pronouncements (cont.)

During June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The accounting guidance will result in more government contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization's year ending September 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

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, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 4, 2020

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, 2019. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
March 4, 2020

SUPPLEMENTAL INFORMATION

TURNING POINT, INC.

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

FEDERAL AWARDS Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Department of Education Child and Adult Care Food Program	10.558	990000206	\$ 56,270
Total U.S. Department of Agriculture			<u>56,270</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through various Macomb County Cities Community Development Block Grant	14.218	Various	40,731
Total Community Development Block Grant - Entitlement Grants Cluster			<u>40,731</u>
Passed through Macomb County Emergency Solutions Grant Program	14.231	E-18-UC-26-005	18,611
Total Emergency Solutions Grant Program			<u>18,611</u>
Total U.S. Department of Housing and Urban Development			<u>59,342</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through Michigan Department of Health and Human Services			
Crime Victim Assistance	16.575	E20192033	816,432
Crime Victim Assistance	16.575	E20193143	282,829
Crime Victim Assistance	16.575	E20192059	<u>126,035</u>
			1,225,296
Passed through Michigan Department of Health and Human Services			
Violence Against Women Formula Grant	16.588	STOP 16-50001	121,907
Total U.S. Department of Justice			<u>1,347,203</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558	DV 16-50001	125,909
Total Temporary Assistance for Needy Families Cluster			<u>125,909</u>
Passed through Michigan Department of Health and Human Services			
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	DV 16-50001	46,969
Total U.S. Department of Health and Human Services			<u>172,878</u>

See accompanying notes to schedule of expenditures of federal awards

TURNING POINT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Concluded)
For the Year Ended September 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way Emergency Food and Shelter National Board Program	97.024	474600-007	<u>88,696</u>
Total U.S. Department of Homeland Security			<u>88,696</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,724,389</u>

TURNING POINT, INC.

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

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Turning Point, Inc (the "Organization") under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of the 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, changes in net assets or cash flows of the Organization.

NOTE 2 - 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.

NOTE 3 - 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 2019 and 2018. The number of hours of service was 15,000 and 12,000 for the years ended September 30, 2019 and 2018, respectively. The Organization estimates that it would pay \$264,000 and \$180,000 for such services in 2019 and 2018, respectively. The Organization has applied \$64,748 and \$37,527 of the volunteer time to matching grants for the years ended September 30, 2019 and 2018, respectively.

NOTE 4 - 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, 2019

Section I: Summary of Auditors' Results

Financial Statements

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

unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____	no none reported
Significant deficiency(ies) identified?	_____	yes	_____ <u>X</u> _____	

Noncompliance material to financial statements noted?	_____	yes	_____ <u>X</u> _____	no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____	no none reported
Significant deficiency(ies) identified?	_____	yes	_____ <u>X</u> _____	

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

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____ <u>X</u> _____	no
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Identification of major federal programs:

<u>CFDA Number(s)</u> 16.575	<u>Name of Federal Program or Cluster</u> Crime Victim Assistance
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Dollar threshold used to distinguish between federal Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	_____ <u>X</u> _____	yes	_____ _____	no
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TURNING POINT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
For the Year Ended September 30, 2019

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None

TURNING POINT, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2019

The previous audit of the Federal Awards Program was for the year ended September 30, 2018. There were no findings or questioned costs reported in the audit.