

Turning Point, Inc.

Mount Clemens, Michigan

Financial Statements

Including Independent Auditors' Report
September 30, 2020 and 2019

Turning Point, Inc.

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September 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of
Turning Point, Inc.

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, 2020 and 2019, 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 audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 May 17, 2021 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 US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Southfield, Michigan
May 17, 2021

Turning Point, Inc.

Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,368,282	\$ 721,751
Grants receivable	335,788	276,662
Service fees receivable	50,244	39,099
Prepaid expenses	51,330	35,043
Contributed inventory	<u>32,803</u>	<u>52,224</u>
Total current assets	1,838,447	1,124,779
Property and Equipment, Net	<u>2,937,373</u>	<u>2,934,152</u>
Total assets	<u>\$ 4,775,820</u>	<u>\$ 4,058,931</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 19,599	\$ -
Accounts payable	58,331	82,339
Accrued liabilities	221,878	143,779
Advances from the State of Michigan	-	97,572
Refundable advance	<u>500,000</u>	<u>-</u>
Total current liabilities	799,808	323,690
Long-Term Liabilities		
Long-term debt, net of current maturities	<u>22,509</u>	<u>-</u>
Total liabilities	<u>822,317</u>	<u>323,690</u>
Net Assets		
Net assets without donor restrictions	3,903,503	3,690,241
Net assets with donor restrictions	<u>50,000</u>	<u>45,000</u>
Total net assets	<u>3,953,503</u>	<u>3,735,241</u>
Total liabilities and net assets	<u>\$ 4,775,820</u>	<u>\$ 4,058,931</u>

See notes to financial statements

Turning Point, Inc.

Statements of Activities

Years Ended September 30, 2020 and 2019

	2020			2019		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Support and Revenue						
Second Hand Rose						
Retail sales	\$ 197,204	\$ -	\$ 197,204	\$ 313,928	\$ -	\$ 313,928
In-kind contributions	151,468	-	151,468	276,848	-	276,848
Less cost of goods sold	(163,357)	-	(163,357)	(260,076)	-	(260,076)
Net revenue	185,315	-	185,315	330,700	-	330,700
Contributions	911,570	-	911,570	932,589	-	932,589
Special events (net of expenses of \$15,024 and \$37,657 for 2020 and 2019, respectively)	66,769	-	66,769	127,029	-	127,029
United Way grants	20,000	50,000	70,000	-	50,000	50,000
Governmental agency and other grants	2,761,157	-	2,761,157	2,351,092	-	2,351,092
Interest income	943	-	943	422	-	422
Loss on disposal of property and equipment	(683)	-	(683)	-	-	-
Total support and revenue before releases	3,945,071	50,000	3,995,071	3,741,832	50,000	3,791,832
Net assets released from restrictions	45,000	(45,000)	-	77,750	(77,750)	-
Total support and revenue	3,990,071	5,000	3,995,071	3,819,582	(27,750)	3,791,832
Expenses						
Program	3,354,671	-	3,354,671	3,000,885	-	3,000,885
Management and general	278,209	-	278,209	212,847	-	212,847
Fundraising	143,929	-	143,929	140,586	-	140,586
Total expenses	3,776,809	-	3,776,809	3,354,318	-	3,354,318
Change in net assets	213,262	5,000	218,262	465,264	(27,750)	437,514
Net Assets, beginning	3,690,241	45,000	3,735,241	3,224,977	72,750	3,297,727
Net Assets, ending	\$ 3,903,503	\$ 50,000	\$ 3,953,503	\$ 3,690,241	\$ 45,000	\$ 3,735,241

See notes to financial statements

Turning Point, Inc.

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 218,262	\$ 437,514
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Inkind property received	(125,000)	-
Depreciation	128,295	120,536
Loss on disposal of property and equipment	683	-
(Increase) decrease in contributed inventory	19,421	(5,646)
Changes in assets and liabilities:		
Grants receivable	(59,126)	(73,086)
Service fees receivable	(11,145)	(39,099)
Prepaid expenses	(16,287)	(7,809)
Accounts payable	2,728	42,593
Accrued liabilities	78,099	35,997
Advances from the State of Michigan	(97,572)	-
Refundable advance	500,000	-
Net cash flows from operating activities	<u>638,358</u>	<u>511,000</u>
Cash Flows from Investing Activities		
Capital expenditures	<u>(7,199)</u>	<u>(81,962)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(17,027)	(227,475)
Proceeds from long-term debt	<u>32,399</u>	-
Net cash flows from financing activities	<u>15,372</u>	<u>(227,475)</u>
Net change in cash and cash equivalents	646,531	201,563
Cash and Cash Equivalents, beginning	<u>721,751</u>	<u>520,188</u>
Cash and Cash Equivalents, ending	<u>\$ 1,368,282</u>	<u>\$ 721,751</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ 2,649	\$ 4,205
Non-cash operating and financing activities		
Accounts payable paid through proceeds from long-term debt	\$ 26,736	\$ -

See notes to financial statements

Turning Point, Inc.

Statement of Functional Expenses Year Ended September 30, 2020

	Community Development	SANE	Survivor Support - Domestic Violence	Survivor Support - Sexual Assault	Shelter	Second Hand Rose	Total Program	Management and General	Fundraising	Total
Salaries	\$ 399,513	\$ 280,664	\$ 267,873	\$ 332,999	\$ 766,048	\$ 111,670	\$ 2,158,767	\$ 159,288	\$ 77,268	\$ 2,395,323
Payroll taxes and benefits	92,131	42,051	68,047	79,359	156,932	24,165	462,685	32,784	12,536	508,005
Total salaries and related expenses	491,644	322,715	335,920	412,358	922,980	135,835	2,621,452	192,072	89,804	2,903,328
Cost of goods sold	-	-	-	-	-	163,357	163,357	-	-	163,357
Contract services	11,716	44,968	9,041	56,352	31,292	3,309	156,678	8,821	17,861	183,360
Dues, licenses, and fees	1,215	526	471	379	3,115	8,689	14,395	2,633	8,233	25,261
Equipment purchase, rental	3,253	3,934	2,222	2,222	67,397	8,527	87,555	6,665	237	94,457
Insurance	2,544	2,065	1,978	2,829	17,318	3,607	30,341	1,488	460	32,289
Interest	-	-	-	-	-	-	-	2,649	-	2,649
Occupancy	10,031	255	24,434	31,507	41,310	96,472	204,009	29,268	3,430	236,707
Special events	-	-	-	-	-	-	-	-	15,024	15,024
Printing, publications, and conferences	1,214	1,309	1,054	952	2,088	428	7,045	270	6,014	13,329
Specific assistance	2,038	470	20,055	1,579	3,929	6,569	34,640	54	-	34,694
Supplies and materials	5,741	9,755	8,892	11,438	11,732	2,518	50,076	823	2,818	53,717
Telephone and communications	6,382	9,068	-	-	18,903	2,983	37,336	3,529	-	40,865
Travel and transportation	4,178	-	1,843	3,630	1,434	3	11,088	1,698	776	13,562
Miscellaneous	-	-	-	-	-	-	-	-	14,296	14,296
Total functional expenses before depreciation	539,956	395,065	405,910	523,246	1,121,498	432,297	3,417,972	249,970	158,953	3,826,895
Depreciation	800	4,694	-	-	91,283	3,279	100,056	28,239	-	128,295
Less Special events	-	-	-	-	-	-	-	-	(15,024)	(15,024)
Less Cost of goods sold	-	-	-	-	-	(163,357)	(163,357)	-	-	(163,357)
Total expenses	<u>\$ 540,756</u>	<u>\$ 399,759</u>	<u>\$ 405,910</u>	<u>\$ 523,246</u>	<u>\$ 1,212,781</u>	<u>\$ 272,219</u>	<u>\$ 3,354,671</u>	<u>\$ 278,209</u>	<u>\$ 143,929</u>	<u>\$ 3,776,809</u>

See notes to financial statements

Turning Point, Inc.

Statement of Functional Expenses 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
Cost of goods sold	-	-	-	-	-	260,076	-	260,076	-	-	260,076
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
Special events	-	-	-	-	-	-	-	-	-	37,657	37,657
Printing, publications, and conferences	2,946	2,286	1,910	1,889	3,057	1,535	-	13,623	949	8,422	22,994
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	-	-	-	-	-	-	-	-	-	14,688	14,688
Total functional expenses before depreciation	543,467	346,531	353,002	436,239	891,684	566,641	18,448	3,156,012	197,260	178,243	3,531,515
Depreciation	800	4,861	267	267	95,535	3,219	-	104,949	15,587	-	120,536
Less Special events	-	-	-	-	-	-	-	-	-	(37,657)	(37,657)
Less Cost of goods sold	-	-	-	-	-	(260,076)	-	(260,076)	-	-	(260,076)
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 notes to financial statements

Turning Point, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

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 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, 2020 and 2019.

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, 2020 and 2019.

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.

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.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

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 were to be used to replenish the operating advance, which was originally due by the end of fiscal year 2018. The Organization repaid advance to the State of Michigan during fiscal year 2020.

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 in perpetuity by the Organization.

Board Designated Net Assets - The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Organization's Board of Directors at any time. There were no board designated net assets at September 30, 2020 and 2019.

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.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

Retail Sales

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. Revenue is recognized when control of promised goods or services is transferred to the customer. The transaction price for the goods sold is recognized at the point of the sale transaction and includes variable consideration for discounts and estimated returns of goods for refund or exchange. Control is obtained when a customer has the ability to direct the use of and substantially all of the remaining benefits for that good. The Organization has elected to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Organization from the customer. There are no expressed or implied warranties. There is no revenue recognized for sales in prior periods. There are no contract assets or liabilities with this revenue source.

The Organization recorded \$151,468 and \$276,848 as merchandise and other in-kind contributions in the accompanying statements of activities for the years ended September 30, 2020 and 2019, respectively. Selling and administration expense incurred to operate Second Hand Rose of \$272,219 and \$309,784 were also recorded for the years ended September 30, 2020 and 2019. Net proceeds (deficit) from these activities, prior to depreciation of \$3,279 for 2020 was \$(83,628). Net proceeds from these activities, prior to depreciation of \$3,219, for 2019 was \$24,135.

Support

Unconditional contributions, including promises to give, are recognized in the period received. Conditional promises, that is those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been 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, that is when a stipulated time restriction ends or purpose restriction is accomplished, 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. Donor restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor 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.

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
September 30, 2020 and 2019

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 2020 and 2019. The number of hours of service was approximately 10,000 and 15,000 for the years ended September 30, 2020 and 2019 respectively. The Organization estimates that it would pay approximately \$173,000 and \$264,000 for such services in 2020 and 2019, respectively if not donated. The Organization has applied no volunteer time to matching grants for the year ended September 30, 2020 and \$64,748 for the year ended September 30, 2019.

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 was \$125,000 of such items in 2020 and no such items in 2019.

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. The Organization did not make any contributions to the plan for the years ended September 30, 2020 and 2019.

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
September 30, 2020 and 2019

Adoption of Financial Accounting Standard Board's Accounting Standards Update

The Organization adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU No. 2018-08) during the year ending September 30, 2020, using the modified prospective transition method. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 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 adoption of ASU No. 2018-08 did not have a significant impact on the financial statements of the Organization.

The Organization adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU No. 2014-09), and all related amendments during the year ending September 30, 2020, using the modified retrospective transition method. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the Organization expects to be entitled in exchange for those goods or services. Adoption of ASU No. 2014-09 did not have a significant impact on the financial statements, but disclosures related to revenue recognition were enhanced.

Subsequent Events

The Organization has evaluated subsequent events through May 17, 2021, which is the date that the financial statements were approved and available to be issued.

2. Property and Equipment

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

	Depreciable Lives	2020	2019
Land	N/A	\$ 36,600	\$ 36,600
Buildings and building improvements	40 yrs.	3,395,112	3,270,112
Motor vehicles	5 yrs.	32,953	32,953
Equipment	5 yrs.	135,972	141,094
Furniture and fixtures	5 - 7 yrs.	81,137	73,938
Leasehold improvements	15 - 20 yrs.	<u>373,667</u>	<u>373,667</u>
Total property and equipment		4,055,441	3,928,364
Less accumulated depreciation		<u>(1,118,068)</u>	<u>(994,212)</u>
Net property and equipment		<u>\$ 2,937,373</u>	<u>\$ 2,934,152</u>

Depreciation for the years ended September 30, 2020 and 2019 was \$128,295 and \$120,536, respectively.

Subsequent to year end, the Organization entered into a commitment to improve their new office space totaling \$176,000, see Note 7.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

3. Refundable Advance-Paycheck Protection Plan

On May 4, 2020, the Organization received proceeds in the amount of \$500,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. Any unforgiven portion is payable over 2 years at an interest rate of 1% with payments deferred until the SBA remits the Organization's loan forgiveness amount to the lender, or, if the Organization does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

As of September 30, 2020, the Organization does not believe it has met all the conditions attached to the PPP funds, therefore, no grant revenue is recorded within its statement of activities for the year ended September 30, 2020. The full amount of \$500,000 of PPP funds received are recorded as a refundable advance in the Organization's September 30, 2020 statement of financial position. The Organization believes it will overcome the remaining barriers and the majority of the refundable advance will be reported as grant revenue within its statement of activities for the year-ended September 30, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

4. Line of Credit

At September 30, 2020 and 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 percent above prime (total rate of 4.15 percent as of September 30, 2020). The line of credit is due on demand. There was no balance outstanding at September 30, 2020 and 2019. Collateral consists of substantially all of the Organization's assets.

5. Debt

Debt consists of the following at September 30, 2020:

Equipment financing due in monthly installments of \$1,789, including 5.16% interest, due October 2022.	\$ 42,108
Less current maturities	<u>(19,599)</u>
Long-term maturities	<u><u>\$ 22,509</u></u>

Turning Point, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

Principal requirements on debt for years ending after September 30, 2020 are as follows:

2021	\$	19,599
2022		20,729
2023		<u>1,780</u>
Total	\$	<u>42,108</u>

Debt interest charged to expense was \$2,649 and \$4,205 for the years ended September 30, 2020 and 2019, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of a United Way shelter grant for \$50,000 and \$45,000 as of September 30, 2020 and 2019, respectively.

7. Operating Leases

The Organization leases property under non-cancelable operating leases. Rent expense was \$178,707 and \$162,108 for the years ended September 30, 2020 and 2019, respectively, requiring monthly payments in the amount of \$12,059 for the Mount Clemens location (expiring November 2021), \$1,550 for the Saint Clair Shores location (expiring June 2021) and \$4,000 from June 2020 through May 2021 then \$8,000 from June 2021 through May 2031 for the 76 S. Main Street location. The 76 S. Main Street location is leased from a related party. See Note 2 for commitment on improvements. Total rent expense for building rental is included in occupancy expense.

Future minimum lease payments are as follows:

2021	\$	222,658
2022		108,059
2023		96,000
2024		96,000
2025		96,000
2026 and thereafter		<u>448,000</u>
Total	\$	<u>1,066,717</u>

Turning Point, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

8. 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, debt payments, and fixed asset additions not financed with debt are as follows:

	<u>2020</u>	<u>2019</u>
Total current assets, at year-end	\$ 1,838,447	\$ 1,124,779
Less non-financial assets:		
Prepaid expenses	51,330	35,043
Contributed inventory	<u>32,803</u>	<u>52,224</u>
Financial assets, at year-end	1,754,314	1,037,512
Less net assets with donor restrictions	<u>50,000</u>	<u>45,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,704,314</u>	<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.

9. New Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (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, 2021. The new lease guidance will be effective for the Organization's year ending September 30, 2023 and will be applied using a 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.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07). ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2020-07 will have on its financial statements

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards

Independent Auditors' Report

To the Board of Directors of
Turning Point, Inc.

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, 2020, 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 May 17, 2021.

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) as a basis for designing 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 financial statements. 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 US, LLP

Southfield, Michigan
May 17, 2021

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors of
Turning Point, Inc.

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, 2020. 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 programs.

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, 2020.

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 US, LLP

Southfield, Michigan
May 17, 2021

Turning Point, Inc.Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal 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	\$ 29,639
Total U.S. Department of Agriculture			<u>29,639</u>
U.S. Department of Housing and Urban Development			
Passed through Macomb County and Various Cities Community Development Block Grant	14.218	Various	<u>54,624</u>
Total CDBG - Entitlement Grants Cluster			54,624
Passed through Macomb County Emergency Solutions Grant Program	14.231	E-19-UC-26-005	<u>18,279</u>
Total U.S. Department of Housing and Urban Development			<u>72,903</u>
U.S. Department of Justice			
Passed through Michigan Department of Health and Human Services			
Sexual Assault Services Formula Program	16.017	E20203564-00	<u>69,800</u>
Crime Victim Assistance	16.575	E20201726-001	1,050,409
Crime Victim Assistance	16.575	E20201596-001	<u>519,424</u>
			1,569,833
Violence Against Women Formula Grant	16.588	E20203674-00	<u>125,822</u>
Total U.S. Department of Justice			<u>1,765,455</u>
U.S. Department of the Treasury			
Passed through Michigan Department of Health and Human Services			
COVID-19 Coronavirus Relief Fund	21.019	E20204520-00	<u>14,336</u>
Total U.S Department of the Treasury			<u>14,336</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	E20202512-001	<u>60,388</u>
Total 477 Cluster			<u>60,388</u>

See accompanying notes to schedule of expenditures of federal awards.

Turning Point, Inc.Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	E20202512-001	46,969
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	E202004343-00	<u>1,700</u>
			<u>48,669</u>
Total U.S. Department of Health and Human Services			<u>109,057</u>
U.S. Department of Homeland Security			
Passed through United Way			
Emergency Food and Shelter National Board Program	97.024	474600-007	20,462
COVID-19 Emergency Food and Shelter National Board Program	97.024	474600-007	<u>32,270</u>
Total U.S. Department of Homeland Security			<u>52,732</u>
Total Expenditures of Federal Awards			<u>\$ 2,044,122</u>

See accompanying notes to schedule of expenditures of federal awards.

Turning Point, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

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, 2020. 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.

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.

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 2020 and 2019. The number of hours of service was 10,000 and 15,000 for the years ended September 30, 2020 and 2019, respectively. The Organization estimates that it would pay \$173,000 and \$264,000 for such services in 2020 and 2019, respectively. The Organization has applied \$0 and \$64,748 of the volunteer time to matching grants for the years ended September 30, 2020 and 2019, respectively.

4. Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Turning Point, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

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 X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X 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:

CFDA Number(s)

16.575

Name of Federal Program or Cluster

Crime Victim Assistance

Dollar threshold used to distinguish between federal Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None

Turning Point, Inc.

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

The previous audit of the Federal Awards Program was for the year ended September 30, 2019. There were no findings or questioned costs reported in the audit.