

Turning Point, Inc.

Financial Statements and
Supplementary Information

September 30, 2021 and 2020

Turning Point, Inc.

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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, 2021 and 2020, 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, 2021 and 2020, 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

Supplementary 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 21, 2022 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

Southfield, Michigan
March 21, 2022

Turning Point, Inc.

Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,306,295	\$ 1,368,282
Grants receivable	428,217	335,788
Service fees receivable	57,587	50,244
Prepaid expenses	123,354	51,330
Contributed inventory	45,180	32,803
	<u>1,960,633</u>	<u>1,838,447</u>
Total current assets	1,960,633	1,838,447
Property and Equipment, Net	<u>3,179,493</u>	<u>2,937,373</u>
Total assets	<u>\$ 5,140,126</u>	<u>\$ 4,775,820</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 23,851	\$ 19,599
Accounts payable	96,011	58,331
Accrued liabilities	161,418	221,878
Refundable advance	-	500,000
	<u>281,280</u>	<u>799,808</u>
Total current liabilities	281,280	799,808
Long-Term Liabilities		
Long-term debt, net of current maturities	<u>10,733</u>	<u>22,509</u>
Total liabilities	<u>292,013</u>	<u>822,317</u>
Net Assets		
Net assets without donor restrictions	4,808,613	3,903,503
Net assets with donor restrictions	39,500	50,000
	<u>4,848,113</u>	<u>3,953,503</u>
Total net assets	4,848,113	3,953,503
Total liabilities and net assets	<u>\$ 5,140,126</u>	<u>\$ 4,775,820</u>

See notes to financial statements

Turning Point, Inc.

Statements of Activities

Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Second Hand Rose						
Retail sales	\$ 270,655	\$ -	\$ 270,655	\$ 197,204	\$ -	\$ 197,204
In-kind contributions	293,556	-	293,556	151,468	-	151,468
Less cost of goods sold	(224,995)	-	(224,995)	(163,357)	-	(163,357)
Net revenue	339,216	-	339,216	185,315	-	185,315
Contributions	1,504,621	2,000	1,506,621	911,570	-	911,570
Special events (net of expenses of \$47,395 and \$15,024 for 2021 and 2020, respectively)	137,973	-	137,973	66,769	-	66,769
Governmental agency and other grants	3,454,426	37,500	3,491,926	2,781,157	50,000	2,831,157
Interest income	510	-	510	943	-	943
Loss on disposal of property and equipment	-	-	-	(683)	-	(683)
Total support and revenue before releases	5,436,746	39,500	5,476,246	3,945,071	50,000	3,995,071
Net assets released from restrictions	50,000	(50,000)	-	45,000	(45,000)	-
Total support and revenue	5,486,746	(10,500)	5,476,246	3,990,071	5,000	3,995,071
Expenses						
Program	3,968,403	-	3,968,403	3,354,671	-	3,354,671
Management and general	466,618	-	466,618	278,174	-	278,174
Fundraising	146,615	-	146,615	143,964	-	143,964
Total expenses	4,581,636	-	4,581,636	3,776,809	-	3,776,809
Change in net assets	905,110	(10,500)	894,610	213,262	5,000	218,262
Net Assets, Beginning	3,903,503	50,000	3,953,503	3,690,241	45,000	3,735,241
Net Assets, Ending	\$ 4,808,613	\$ 39,500	\$ 4,848,113	\$ 3,903,503	\$ 50,000	\$ 3,953,503

See notes to financial statements

Turning Point, Inc.

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 894,610	\$ 218,262
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
In-kind property received	-	(125,000)
Depreciation	139,301	128,295
Loss on disposal of property and equipment	-	683
(Increase) decrease in contributed inventory	(12,377)	19,421
Changes in assets and liabilities:		
Grants receivable	(92,429)	(59,126)
Service fees receivable	(7,343)	(11,145)
Prepaid expenses	(72,024)	(16,287)
Accounts payable	37,680	2,728
Accrued liabilities	(60,460)	78,099
Advances from the State of Michigan	-	(97,572)
Refundable advance	(487,925)	500,000
Net cash flows from operating activities	<u>339,033</u>	<u>638,358</u>
Cash Flows From Investing Activities		
Capital expenditures	<u>(381,421)</u>	<u>(7,199)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(19,599)	(17,027)
Proceeds from long-term debt	<u>-</u>	<u>32,399</u>
Net cash flows from financing activities	<u>(19,599)</u>	<u>15,372</u>
Net change in cash and cash equivalents	(61,987)	646,531
Cash and Cash Equivalents, Beginning	<u>1,368,282</u>	<u>721,751</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,306,295</u>	<u>\$ 1,368,282</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ 2,135	\$ 2,649
Non-Cash Operating and Financing Activities		
Accounts payable paid through proceeds from long-term debt	\$ -	\$ 26,736
Refundable advance converted to long-term debt	12,075	-

See notes to financial statements

Turning Point, Inc.

Statement of Functional Expenses Year Ended September 30, 2021

	Community Development	SANE	Survivor Support	PPO/Legal Services	Shelter	Second Hand Rose	Total Program	Management and General	Fundraising	Total
Salaries	\$ 265,938	\$ 270,994	\$ 578,324	\$ 160,457	\$ 831,786	\$ 157,378	\$ 2,264,877	\$ 224,766	\$ 79,276	\$ 2,568,919
Payroll taxes and benefits	53,585	50,169	148,778	48,029	162,494	28,748	491,803	47,377	14,219	553,399
Total salaries and related expenses	319,523	321,163	727,102	208,486	994,280	186,126	2,756,680	272,143	93,495	3,122,318
Cost of goods sold	-	-	-	-	-	224,995	224,995	-	-	224,995
Contract services	19,879	77,430	62,433	3,662	48,698	7,129	219,231	20,924	28,231	268,386
Dues, licenses, and fees	918	551	833	229	10,397	7,320	20,248	4,197	6,627	31,072
Equipment purchase and rental	3,919	21,398	1,426	639	40,200	7,396	74,978	27,793	755	103,526
Insurance	1,837	2,131	4,419	1,181	18,792	4,172	32,532	1,859	517	34,908
Interest	-	-	-	-	-	-	-	2,135	-	2,135
Occupancy	13,228	3,134	60,415	2,909	73,309	97,771	250,766	83,923	3,399	338,088
Special events	-	-	-	-	-	-	-	-	47,395	47,395
Printing, publications, and conferences	2,445	4,897	5,308	97	2,990	377	16,114	3,805	8,905	28,824
Specific assistance	213	533	40,922	12,255	256,717	44,954	355,594	900	-	356,494
Supplies and materials	8,315	15,515	5,249	1,614	46,764	3,438	80,895	8,305	2,954	92,154
Telephone and communications	4,971	10,393	2,299	610	24,497	4,604	47,374	8,859	-	56,233
Travel and transportation	2,493	500	66	30	2,374	161	5,624	841	1,732	8,197
Total functional expenses before depreciation	377,741	457,645	910,472	231,712	1,519,018	588,443	4,085,031	435,684	194,010	4,714,725
Depreciation	600	5,139	-	-	91,488	11,140	108,367	30,934	-	139,301
Less Special events	-	-	-	-	-	-	-	-	(47,395)	(47,395)
Less Cost of goods sold	-	-	-	-	-	(224,995)	(224,995)	-	-	(224,995)
Total expenses	<u>\$ 378,341</u>	<u>\$ 462,784</u>	<u>\$ 910,472</u>	<u>\$ 231,712</u>	<u>\$ 1,610,506</u>	<u>\$ 374,588</u>	<u>\$ 3,968,403</u>	<u>\$ 466,618</u>	<u>\$ 146,615</u>	<u>\$ 4,581,636</u>

See notes to financial statements

Turning Point, Inc.

Statement of Functional Expenses Year Ended September 30, 2020

	Community Development	SANE	Survivor Support	Shelter	Second Hand Rose	Total Program	Management and General	Fundraising	Total
Salaries	\$ 399,513	\$ 280,664	\$ 600,872	\$ 766,048	\$ 111,670	\$ 2,158,767	\$ 159,288	\$ 77,268	\$ 2,395,323
Payroll taxes and benefits	92,131	42,051	147,406	156,932	24,165	462,685	32,784	12,536	508,005
Total salaries and related expenses	491,644	322,715	748,278	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	65,393	31,292	3,309	156,678	8,821	17,861	183,360
Dues, licenses, and fees	1,215	526	850	3,115	8,689	14,395	2,633	8,233	25,261
Equipment purchase and rental	3,253	3,934	4,444	67,397	8,527	87,555	6,665	237	94,457
Insurance	2,544	2,065	4,807	17,318	3,607	30,341	1,453	495	32,289
Interest	-	-	-	-	-	-	2,649	-	2,649
Occupancy	10,031	255	55,941	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	2,006	2,088	428	7,045	270	6,014	13,329
Specific assistance	2,038	470	21,634	3,929	6,569	34,640	54	-	34,694
Supplies and materials	5,741	9,755	20,330	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	-	5,473	1,434	3	11,088	1,698	776	13,562
Miscellaneous	-	-	-	-	-	-	-	14,296	14,296
Total functional expenses before depreciation	539,956	395,065	929,156	1,121,498	432,297	3,417,972	249,935	158,988	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>\$ 929,156</u>	<u>\$ 1,212,781</u>	<u>\$ 272,219</u>	<u>\$ 3,354,671</u>	<u>\$ 278,174</u>	<u>\$ 143,964</u>	<u>\$ 3,776,809</u>

See notes to financial statements

Turning Point, Inc.

Notes to Financial Statements
September 30, 2021 and 2020

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, PPO "Personal Protection Order" / legal advisory services, 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020

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.

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, 2021 and 2020.

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, 2021 and 2020

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 \$293,556 and \$151,468 as merchandise and other in-kind contributions in the accompanying statements of activities for the years ended September 30, 2021 and 2020, respectively. Selling and administration expense incurred to operate Second Hand Rose of \$374,588 and \$272,219 were also recorded for the years ended September 30, 2021 and 2020. Net proceeds (deficit) from these activities, prior to depreciation of \$11,140 for 2021 was \$(69,892). Net proceeds (deficit) from these activities, prior to depreciation of \$3,279, for 2020 was \$(83,628).

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, 2021 and 2020

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 2021 and 2020. The number of hours of service was approximately 9,500 and 10,000 for the years ended September 30, 2021 and 2020, respectively. The Organization estimates that it would pay approximately \$167,000 and \$173,000 for such services in 2021 and 2020, respectively, if not donated. The Organization has applied no volunteer time to matching grants for the years ended September 30, 2021 and 2020.

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 donated marketable securities or other non-cash donations in 2021. There were donated marketable securities and other non-cash donations of \$125,000 in 2020.

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, 2021 and 2020.

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, 2021 and 2020

Reclassification

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Organization has evaluated subsequent events through March 21, 2022, 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	2021	2020
Land	N/A	\$ 36,600	\$ 36,600
Buildings and building improvements	40 yrs.	3,433,473	3,395,112
Motor vehicles	5 yrs.	84,493	32,953
Equipment	5 yrs.	184,427	135,972
Furniture and fixtures	5 - 7 yrs.	81,137	81,137
Leasehold improvements	15 - 20 yrs.	<u>606,902</u>	<u>373,667</u>
Total property and equipment		4,427,032	4,055,441
Less accumulated depreciation		<u>(1,247,539)</u>	<u>(1,118,068)</u>
Net property and equipment		<u>\$ 3,179,493</u>	<u>\$ 2,937,373</u>

Depreciation for the years ended September 30, 2021 and 2020 was \$139,301 and \$128,295, respectively.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2021 and 2020

3. Paycheck Protection Program

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 percent during the covered period. The Organization recorded the funds as a refundable advance and forgiveness is recorded 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 percent 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.

During the year ended September 30, 2021, the Organization met the PPP's loan forgiveness requirements for a portion of the loan, and therefore, applied for forgiveness during June of 2021. Legal release was received during July of 2021, therefore, the Organization recorded forgiveness income of \$487,925 within its statement of activities for the year ended September 30, 2021. A portion of the loan, \$12,075, was not forgiven, therefore, it will be required to be repaid with interest at 1 percent, over 3.5 years in installments of \$293 beginning on November 10, 2021. The outstanding PPP loan balance was \$12,075 at September 30, 2021 and is included in long-term debt on the statements of financial position.

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 was forgiven or repaid in full and to provide that documentation to the SBA upon request.

4. Line of Credit

At September 30, 2021 and 2020, 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, 2021). The line of credit is due on demand. There was no balance outstanding at September 30, 2021 and 2020. Collateral consists of substantially all of the Organization's assets.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2021 and 2020

5. Debt

Debt consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
Equipment financing due in monthly installments of \$1,789, including 5.16% interest, due October 2022.	\$ 22,509	\$ 42,108
Paycheck Protection Program loan (Note 3)	<u>12,075</u>	<u>-</u>
Total	34,584	42,108
Less current maturities	<u>(23,851)</u>	<u>(19,599)</u>
Long-term maturities	<u>\$ 10,733</u>	<u>\$ 22,509</u>

Principal requirements on debt for years ending after September 30, 2021 are as follows:

2022	\$ 23,851
2023	5,218
2024	3,473
2025	<u>2,042</u>
Total	<u>\$ 34,584</u>

Debt interest charged to expense was \$2,135 and \$2,649 for the years ended September 30, 2021 and 2020, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of a United Way shelter grant for \$37,500 and other donor restricted funds of \$2,000 as of September 30, 2021. Net assets with donor restrictions are comprised of a United Way shelter grant for \$50,000 as of September 30, 2020.

7. Operating Leases

The Organization leases property under non-cancelable operating leases. Rent expense was \$227,308 and \$178,707 for the years ended September 30, 2021 and 2020, respectively, requiring monthly payments ranging from \$1,550 and \$13,000 with various expiration dates through May 2030. The 76 S. Main Street location is leased from a related party. Rental expense to the related party was \$64,000 and \$16,000 for the years ended September 30, 2021 and 2020, respectively. Total rent expense for building rental is included in occupancy expense.

Future minimum lease payments are as follows:

2022	\$ 279,836
2023	270,600
2024	270,600
2025	270,600
2026	265,950
2027 and thereafter	<u>404,000</u>
Total	<u>\$ 1,761,586</u>

Turning Point, Inc.

Notes to Financial Statements
September 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Total current assets, at year-end	\$ 1,960,633	\$ 1,838,447
Less non-financial assets:		
Prepaid expenses	123,354	51,330
Contributed inventory	<u>45,180</u>	<u>32,803</u>
Financial assets, at year-end	1,792,099	1,754,314
Less net assets with donor restrictions	<u>39,500</u>	<u>50,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,752,599</u>	<u>\$ 1,704,314</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. Concentrations and Contingencies

The Organization maintains cash balances in financial institutions which exceed the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk.

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

10. New Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 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

Turning Point, Inc.

Notes to Financial Statements
September 30, 2021 and 2020

During February 2016, 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.

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, 2021, 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 21, 2022.

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
March 21, 2022

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, 2021. 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, 2021.

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
March 21, 2022

Turning Point, Inc.

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor Pass-Through Grantor/Program Title	Assistance Listing 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	\$ 43,753
Total U.S. Department of Agriculture			<u>43,753</u>
U.S. Department of Housing and Urban Development			
Passed through Macomb County and Various Cities Community Development Block Grant	14.218	Various	<u>67,354</u>
Total CDBG - Entitlement Grants Cluster			67,354
Passed through Macomb County Emergency Solutions Grant Program	14.231	E-19-UC-26-005	1,721
Emergency Solutions Grant Program	14.231	E-20-US-26-005	8,455
COVID-19 Emergency Solutions Grant Program	14.231	E-20-UW-26-005	29,695
Passed through Michigan Department of Health and Human Services COVID-19 Emergency Solutions Grant Program	14.231	E20214419-00	<u>36,892</u>
Total Emergency Solutions Grant Program			76,763
Continuum of Care Program	14.267	MI01647D5F031 900	<u>8,645</u>
Total U.S. Department of Housing and Urban Development			<u>152,762</u>
U.S. Department of Justice			
Passed through Michigan Department of Health and Human Services Crime Victim Assistance	16.575	E20211425-00	957,969
Crime Victim Assistance	16.575	E20210587-00	634,774
Crime Victim Assistance	16.575	E2021175-00	<u>172,962</u>
Total Crime Victim Assistance			1,765,705
Violence Against Women Formula Grant	16.588	E20212757-00	<u>(2,117)</u>
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking or Sexual Assault	16.736	2020-WH-AX- 0066	<u>71,341</u>
Total U.S. Department of Justice			<u>1,834,929</u>
U.S. Department of the Treasury			
Passed through Michigan Department of Health and Human Services COVID-19 Coronavirus Relief Fund	21.019	E20214184-001	<u>35,664</u>
Total U.S Department of the Treasury			<u>35,664</u>

Turning Point, Inc.Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Michigan Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558	E20211959-00	\$ 85,349
Temporary Assistance for Needy Families	93.558	E20212483-00	<u>30,046</u>
Total 477 Cluster			115,395
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	E20211959-00	45,047
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	E20214421-00	<u>232,773</u>
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			<u>277,820</u>
Total U.S. Department of Health and Human Services			<u>393,215</u>
U.S. Department of Homeland Security			
Passed through United Way			
Emergency Food and Shelter National Board Program	97.024	474600-007	<u>102,732</u>
Total U.S. Department of Homeland Security			<u>102,732</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,563,055</u></u>

Turning Point, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

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, 2021. 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 2021 and 2020. The number of hours of service was 9,500 and 10,000 for the years ended September 30, 2021 and 2020, respectively. The Organization estimates that it would pay \$167,000 and \$173,000 for such services in 2021 and 2020, respectively. The Organization has applied no volunteer time to matching grants for the years ended September 30, 2021 and 2020, 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, 2021

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:

Assistance Listing 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?

_____ yes X 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, 2021

The previous audit of the Federal Awards Program was for the year ended September 30, 2020. There were no findings or questioned costs reported in the audit.