

Turning Point, Inc.

Financial Statements

September 30, 2023 and 2022

Turning Point, Inc.

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September 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Turning Point, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Turning Point, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, on October 1, 2022, the Organization adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024 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
June 17, 2024

Turning Point, Inc.

Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 739,183	\$ 1,022,248
Grants receivable	373,609	554,524
Service fees receivable	44,915	24,600
Pledges receivable	42,000	190,000
Prepaid expenses	132,861	117,766
Contributed inventories	<u>51,229</u>	<u>50,072</u>
Total current assets	1,383,797	1,959,210
Operating Lease Right-of-Use Assets	1,194,108	-
Property and Equipment, Net	<u>3,468,984</u>	<u>3,290,537</u>
Total assets	<u>\$ 6,046,889</u>	<u>\$ 5,249,747</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ -	\$ 6,293
Accounts payable	60,912	110,423
Accrued liabilities	194,818	186,532
Current maturities of operating lease liabilities	<u>305,838</u>	<u>-</u>
Total current liabilities	561,568	303,248
Long-Term Liabilities		
Long-term debt, net of current maturities	-	5,695
Operating lease liabilities, net of current maturities	<u>888,270</u>	<u>-</u>
Total liabilities	<u>1,449,838</u>	<u>308,943</u>
Net Assets		
Net assets without donor restrictions	4,452,874	4,662,844
Net assets with donor restrictions	<u>144,177</u>	<u>277,960</u>
Total net assets	<u>4,597,051</u>	<u>4,940,804</u>
Total liabilities and net assets	<u>\$ 6,046,889</u>	<u>\$ 5,249,747</u>

See notes to financial statements

Turning Point, Inc.

Statements of Activities

Years Ended September 30, 2023 and 2022

	2023			2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue						
Second Hand Rose						
Retail sales	\$ 307,931	\$ -	\$ 307,931	\$ 300,299	\$ -	\$ 300,299
In-kind merchandise contributions	256,279	-	256,279	255,048	-	255,048
Less cost of goods sold	<u>(255,121)</u>	<u>-</u>	<u>(255,121)</u>	<u>(249,356)</u>	<u>-</u>	<u>(249,356)</u>
Net revenue	309,089	-	309,089	305,991	-	305,991
Contributions	1,540,499	128,501	1,669,000	1,123,909	238,710	1,362,619
Special events (net of expenses of \$81,644 and \$74,672 for 2023 and 2022, respectively)	149,502	-	149,502	153,130	-	153,130
Governmental agency and other grants	3,890,877	15,676	3,906,553	3,410,241	39,250	3,449,491
Interest income	4,829	-	4,829	991	-	991
In-kind contributions	<u>199,826</u>	<u>-</u>	<u>199,826</u>	<u>205,273</u>	<u>-</u>	<u>205,273</u>
Total support and revenue before releases	6,094,622	144,177	6,238,799	5,199,535	277,960	5,477,495
Net assets released from restrictions	<u>277,960</u>	<u>(277,960)</u>	<u>-</u>	<u>39,500</u>	<u>(39,500)</u>	<u>-</u>
Total support and revenue	<u>6,372,582</u>	<u>(133,783)</u>	<u>6,238,799</u>	<u>5,239,035</u>	<u>238,460</u>	<u>5,477,495</u>
Expenses						
Program	5,274,663	-	5,274,663	4,483,216	-	4,483,216
Management and general	1,082,980	-	1,082,980	732,614	-	732,614
Fundraising	<u>224,909</u>	<u>-</u>	<u>224,909</u>	<u>168,974</u>	<u>-</u>	<u>168,974</u>
Total expenses	<u>6,582,552</u>	<u>-</u>	<u>6,582,552</u>	<u>5,384,804</u>	<u>-</u>	<u>5,384,804</u>
Change in net assets	(209,970)	(133,783)	(343,753)	(145,769)	238,460	92,691
Net Assets, Beginning	<u>4,662,844</u>	<u>277,960</u>	<u>4,940,804</u>	<u>4,808,613</u>	<u>39,500</u>	<u>4,848,113</u>
Net Assets, Ending	<u>\$ 4,452,874</u>	<u>\$ 144,177</u>	<u>\$ 4,597,051</u>	<u>\$ 4,662,844</u>	<u>\$ 277,960</u>	<u>\$ 4,940,804</u>

See notes to financial statements

Turning Point, Inc.

Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (343,753)	\$ 92,691
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	213,533	177,122
Increase in contributed inventories	(1,157)	(4,892)
Changes in assets and liabilities:		
Grants receivable	180,915	(126,307)
Service fees receivable	(20,315)	32,987
Pledges receivable	148,000	(190,000)
Prepaid expenses	(15,095)	5,588
Accounts payable	(49,511)	14,412
Accrued liabilities	<u>8,286</u>	<u>25,114</u>
Net cash flows from operating activities	120,903	26,715
Cash Flows From Investing Activities		
Capital expenditures	(391,980)	(288,166)
Cash Flows From Financing Activities		
Principal payments on long-term debt	<u>(11,988)</u>	<u>(22,596)</u>
Net change in cash and cash equivalents	(283,065)	(284,047)
Cash and Cash Equivalents, Beginning	<u>1,022,248</u>	<u>1,306,295</u>
Cash and Cash Equivalents, Ending	<u>\$ 739,183</u>	<u>\$ 1,022,248</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	<u>\$ 2,152</u>	<u>\$ 3,190</u>
Noncash Operating Activities		
Right-of-use assets obtained in exchange for operating lease liabilities, net at October 1, 2022	<u>\$ 1,426,169</u>	<u>\$ -</u>
Right-of-use assets financed with operating lease liabilities	<u>\$ 157,661</u>	<u>\$ -</u>

See notes to financial statements

Turning Point, Inc.

Statement of Functional Expenses

Year Ended September 30, 2023

	<u>Community Development</u>	<u>SANE</u>	<u>Survivor Support</u>	<u>PPO/Legal Services</u>	<u>Shelter</u>	<u>Second Hand Rose</u>	<u>Human Trafficking</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 229,675	\$ 228,291	\$ 410,892	\$ 165,034	\$ 1,021,794	\$ 300,694	\$ 86,175	\$ 2,442,555	\$ 458,066	\$ 140,606	\$ 3,041,227
Payroll taxes and benefits	<u>27,807</u>	<u>45,377</u>	<u>100,089</u>	<u>55,349</u>	<u>220,440</u>	<u>45,266</u>	<u>10,835</u>	<u>505,163</u>	<u>111,116</u>	<u>8,885</u>	<u>625,164</u>
Total salaries and related expenses	257,482	273,668	510,981	220,383	1,242,234	345,960	97,010	2,947,718	569,182	149,491	3,666,391
Cost of goods sold	-	-	-	-	-	255,121	-	255,121	-	-	255,121
Contract services	23,797	100,254	61,946	3,603	119,710	17,957	9,231	336,498	236,768	27,002	600,268
Dues, licenses and fees	657	1,380	217	7	1,816	6,671	49	10,797	13,402	2,916	27,115
Equipment purchase and rental	631	15,243	-	-	61,380	60,958	-	138,212	21,084	-	159,296
In-kind expenses	-	680	11,855	-	152,522	-	-	165,057	14,502	20,267	199,826
Insurance	3,971	9,706	4,338	49	17,393	5,869	5,319	46,645	21,194	372	68,211
Interest	-	-	-	-	13	-	-	13	2,852	-	2,865
Occupancy	40,505	2,790	77,445	1,211	104,362	249,578	4,413	480,304	81,947	8,218	570,469
Special events	-	-	-	-	-	-	-	-	-	81,644	81,644
Printing, publications and conferences	9,416	3,679	2,362	771	11,916	1,145	376	29,665	31,185	11,639	72,489
Specific assistance	9,680	1,907	134,179	761	608,380	16	18,745	773,668	-	-	773,668
Supplies and materials	5,706	9,525	5,174	1,645	39,526	30,483	12,511	104,570	36,942	2,526	144,038
Telephone and communications	3,115	10,432	2,898	257	13,003	4,280	-	33,985	10,915	-	44,900
Travel and transportation	7,149	808	564	2,205	8,209	3,114	882	22,931	14,074	-	37,005
Miscellaneous	-	-	-	-	-	-	-	-	-	2,478	2,478
Expenses before depreciation and amortization	362,109	430,072	811,959	230,892	2,380,464	981,152	148,536	5,345,184	1,054,047	306,553	6,705,784
Depreciation and amortization	-	10,303	-	-	98,089	67,230	8,978	184,600	28,933	-	213,533
Less special events	-	-	-	-	-	-	-	-	-	(81,644)	(81,644)
Less cost of goods sold	-	-	-	-	-	(255,121)	-	(255,121)	-	-	(255,121)
Total expenses	<u>\$ 362,109</u>	<u>\$ 440,375</u>	<u>\$ 811,959</u>	<u>\$ 230,892</u>	<u>\$ 2,478,553</u>	<u>\$ 793,261</u>	<u>\$ 157,514</u>	<u>\$ 5,274,663</u>	<u>\$ 1,082,980</u>	<u>\$ 224,909</u>	<u>\$ 6,582,552</u>

See notes to financial statements

Turning Point, Inc.

Statement of Functional Expenses Year Ended September 30, 2022

	<u>Community Development</u>	<u>SANE</u>	<u>Survivor Support</u>	<u>PPO/Legal Services</u>	<u>Shelter</u>	<u>Second Hand Rose</u>	<u>Human Trafficking</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 229,279	\$ 250,356	\$ 536,085	\$ 152,532	\$ 828,402	\$ 206,500	\$ 4,904	\$ 2,208,058	\$ 337,437	\$ 88,261	\$ 2,633,756
Payroll taxes and benefits	<u>37,567</u>	<u>48,189</u>	<u>125,807</u>	<u>53,458</u>	<u>144,255</u>	<u>35,664</u>	<u>793</u>	<u>445,733</u>	<u>56,111</u>	<u>12,975</u>	<u>514,819</u>
Total salaries and related expenses	266,846	298,545	661,892	205,990	972,657	242,164	5,697	2,653,791	393,548	101,236	3,148,575
Cost of goods sold	-	-	-	-	-	249,356	-	249,356	-	-	249,356
Contract services	27,180	93,781	65,595	7,946	69,109	8,011	49	271,671	107,113	17,046	395,830
Dues, licenses and fees	987	750	1,289	230	6,495	6,161	65	15,977	2,982	9,068	28,027
Equipment purchase and rental	2,099	2,001	525	133	45,421	16,579	643	67,401	8,556	882	76,839
In-kind expenses	-	1,800	12,826	-	167,169	-	-	181,795	11,626	11,852	205,273
Insurance	3,312	3,626	7,750	2,108	25,633	4,922	(400)	46,951	6,934	932	54,817
Interest	-	-	-	-	-	-	-	-	3,190	-	3,190
Occupancy	34,939	1,473	70,559	1,237	78,771	223,457	-	410,436	97,209	7,876	515,521
Special events	-	-	-	-	-	-	-	-	-	74,672	74,672
Printing, publications and conferences	7,722	4,795	5,607	1,160	4,493	1,537	5,371	30,685	3,179	10,518	44,382
Specific assistance	970	2,561	58,021	1,663	459,508	388	2,700	525,811	164	-	525,975
Supplies and materials	11,024	7,579	8,864	2,900	68,557	2,993	11,338	113,255	22,562	3,717	139,534
Telephone and communications	3,064	5,561	2,659	255	15,754	4,422	-	31,715	10,192	-	41,907
Travel and transportation	4,190	-	90	1,544	1,486	164	-	7,474	14,491	921	22,886
Miscellaneous	-	-	-	-	-	-	-	-	-	4,926	4,926
Expenses before depreciation and amortization	362,333	422,472	895,677	225,166	1,915,053	760,154	25,463	4,606,318	681,746	243,646	5,531,710
Depreciation and amortization	-	10,303	-	-	96,522	14,940	4,489	126,254	50,868	-	177,122
Less special events	-	-	-	-	-	-	-	-	-	(74,672)	(74,672)
Less cost of goods sold	-	-	-	-	-	(249,356)	-	(249,356)	-	-	(249,356)
Total expenses	<u>\$ 362,333</u>	<u>\$ 432,775</u>	<u>\$ 895,677</u>	<u>\$ 225,166</u>	<u>\$ 2,011,575</u>	<u>\$ 525,738</u>	<u>\$ 29,952</u>	<u>\$ 4,483,216</u>	<u>\$ 732,614</u>	<u>\$ 168,974</u>	<u>\$ 5,384,804</u>

See notes to financial statements

Turning Point, Inc.

Notes to Financial Statements
September 30, 2023 and 2022

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, 2023 and 2022.

Pledge Receivable

Unconditional pledges receivable made to the Organization are recorded in the year the pledge is made at fair value. Current pledges receivable are expected to be collected during the next year. If a pledge is received that covers multiple years, the pledge is discounted and amortized over the life of the pledge using the rate of applicable U.S. Treasury notes at the time of the pledge. The amortization of this discount is recognized as contribution revenue in future periods. Pledges receivable are reviewed for collectability. An allowance for pledges receivable is determined based on experience. Management deemed no allowance was necessary at September 30, 2023 and 2022. All pledges are expected to be collected in the subsequent period.

Service Fees Receivable

Service fees receivable have been recorded at the amount that management expects to receive from the net transaction price. Historically, the Organization has collected substantially all consideration to which it is entitled under the receivables and no adjustments to the net transaction price were recorded during the years ending September 30, 2023 and 2022.

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.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2023 and 2022

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and right-of-use assets, 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 and support 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.

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, 2023 and 2022.

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.

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.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2023 and 2022

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.

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 \$256,279 and \$255,048 as in-kind merchandise contributions in the accompanying statements of activities for the years ended September 30, 2023 and 2022, respectively. Selling and administration expense incurred to operate Second Hand Rose was \$793,261 and \$525,738 for the years ended September 30, 2023 and 2022. The net deficit from these activities, prior to depreciation of \$67,230 was \$416,942 for 2023. The net deficit from these activities, prior to depreciation of \$14,940, was \$204,807 for 2022.

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.

As of September 30, 2023, the Organization had approximately \$2,250,000 of conditional support expected to be recognized in future periods.

Turning Point, Inc.

Notes to Financial Statements
September 30, 2023 and 2022

Donated Services

The Organization receives donated services from volunteers to perform first response and other duties. Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. 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 2023 and 2022. The number of hours of service was approximately 8,000 and 11,000 for the years ended September 30, 2023 and 2022, respectively. The Organization estimates that it would pay approximately \$135,000 and \$190,000 for such services in 2023 and 2022, respectively, if not donated. The Organization has applied no volunteer time to matching grants for the years ended September 30, 2023 and 2022. There are no donor restrictions associated with contributed services.

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 contract 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, 2023 and 2022.

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.

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Reclassification

Certain reclassifications have been made to the prior year's 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.

Adoption of Accounting Standards

Effective October 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Organization's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. All of the Organization's leases are operating leases. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of \$1,426,169. There was no cumulative adjustment to net assets upon the adoption of Topic 842 related to its leases that existed at the date of adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes;
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate based on U.S. Treasury notes or bond rates for a similar term for the initial and subsequent measurement of lease liabilities;
- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term;

Additional required disclosures for Topic 842 are contained in Note 7.

Subsequent Events

The Organization has evaluated subsequent events through June 17, 2024, which is the date that the financial statements were approved and available to be issued.

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2. Property and Equipment

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

	Depreciable Lives	2023	2022
Land	N/A	\$ 36,600	\$ 36,600
Buildings and building improvements	40 yrs.	3,667,833	3,625,680
Motor vehicles	5 yrs.	129,381	129,381
Equipment	5 yrs.	184,427	184,427
Furniture and fixtures	5-7 yrs.	81,137	81,137
Leasehold improvements	Life of lease	1,007,800	606,902
Construction in progress	N/A	-	51,071
		<u>5,107,178</u>	<u>4,715,198</u>
Total property and equipment		5,107,178	4,715,198
Less accumulated depreciation		<u>(1,638,194)</u>	<u>(1,424,661)</u>
Net property and equipment		<u>\$ 3,468,984</u>	<u>\$ 3,290,537</u>

Depreciation and amortization for the years ended September 30, 2023 and 2022 was \$213,533 and \$177,122, respectively.

3. Debt

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). 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.

Legal release from a portion of the loan 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 was required to be repaid with interest at 1%, over 3.5 years in installments of \$293 beginning on November 10, 2021. The outstanding PPP loan balance was \$9,132 at September 30, 2022, which was repaid in 2023.

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.

The Organization also had \$2,856 of an equipment financing loan outstanding as of September 30, 2022. The full outstanding amount was paid during the year ending September 30, 2023.

4. Line of Credit

At September 30, 2023 and 2022, the Organization has a secured line of credit financing agreement with a bank and has available financing of \$300,000 and an interest rate of 0.9% above prime (total rate of 9.40% as of September 30, 2023). The line of credit is due on demand. There was no balance outstanding at September 30, 2023 and 2022. Collateral consists of substantially all of the Organization's assets.

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5. Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of a \$109,994 grant for the forensic nurse examiner program services for non-fatal strangulation, a United Way policy and advocacy grant for \$15,675, and other donor restricted funds of \$18,508 as of September 30, 2023. Net assets with donor restrictions are comprised of a United Way shelter grant for \$39,250, time restrictions of \$190,000 and other donor restricted funds of \$48,710 as of September 30, 2022.

6. Contributed Nonfinancial Assets

For the years ended September 30, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Second Hand Rose merchandise	\$ 256,279	\$ 255,048
Household goods and personal care items	179,559	194,071
Raffle and silent auction items	<u>20,267</u>	<u>11,202</u>
	<u>\$ 456,105</u>	<u>\$ 460,321</u>

The Organization recognized contributed nonfinancial assets within revenue, including the contributed merchandise. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed merchandise was utilized as inventory for the Second Hand Rose resale shop, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed household goods and personal care items were utilized in the following areas: SANE, Survivor Support, Shelter and Management and General. In valuing household goods and personal care items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Raffle and silent auction items were used as part of the raffle and silent auction that is part of the Organization's annual fundraising events. Items are recorded at fair market value when the contribution is made to the organization. If the items are later sold at a different price during the auction, an adjustment is made to the original contribution amount.

7. Leases

The Organization's leases consist of operating real estate leases utilized in the operation of programs.

Leases, Prior to October 1, 2022

The Organization leased property under noncancelable operating leases. Rent expense was \$376,158 for the year ended September 30, 2022. The Organization's main location was leased from a related party. Rental expense to the related party was approximately \$96,000 for the year ended September 30, 2022. Total rent expense for building rental is included in occupancy expense.

Leases, After October 1, 2022

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases; and
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The Organization leases real estate from a related party. Right-of-use assets and lease liabilities leased from related parties were approximately \$560,000 as of September 30, 2023.

Operating lease expenses incurred pertaining to leases during the year ended September 30, 2023 totaled \$434,187. Short term lease expenses totaled \$327,470 during the year ended September 30, 2023.

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 4.07%. As of September 30, 2023, the weighted average remaining lease term was approximately 4.71 years.

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The table below summarizes the Organization's scheduled future minimum lease payments for the years ending after September 30, 2023:

Years ending September 30:		
2024	\$	347,450
2025		293,037
2026		265,950
2027		147,581
2028		96,000
Thereafter		<u>160,000</u>
Total future undiscounted lease payments		1,310,018
Less present value discount		<u>(115,910)</u>
Present value of lease liabilities	\$	<u>1,194,108</u>

The following table includes supplemental cash flow and noncash information related to the operating leases:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	434,941

8. Related-Party Transactions

During the year ended September 30, 2023, the Organization purchased services and rented space from companies related to members of the Board. During the year ended September 30, 2022, the Organization rented space from companies related to members of the Board. Related-party purchases during 2023 totaled \$183,965 and rent was \$96,000. Rent expense with the related party was approximately \$96,000 for the year ended September 30, 2022

9. 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>2023</u>	<u>2022</u>
Total current assets, at year-end	\$ 1,383,797	\$ 1,959,210
Less nonfinancial assets:		
Prepaid expenses	132,861	117,766
Contributed inventories	<u>51,229</u>	<u>50,072</u>
Financial assets, at year-end	1,199,707	1,791,372
Less net assets with donor restrictions not available within one year	<u>144,177</u>	<u>277,960</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,055,530</u>	<u>\$ 1,513,412</u>

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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.

10. Concentrations and Contingencies

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.

11. New Accounting Pronouncements

FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. During 2018, an update was issued which clarifies the effective date for nonpublic entities and clarifies that receivables arising from operating leases are not within the scope of subtopic 326-20. ASU No. 2016-13, as amended, is effective for annual periods beginning after December 15, 2022 (2024). The Organization is currently assessing the effect that ASU No. 2016-13 will have on its financial statements.