

**TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES**  
**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS  
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TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES  
TRAVERSE CITY, MICHIGAN

SEPTEMBER 30, 2022

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www.bcbcpa.com

January 5, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Traverse Bay Children's Advocacy Center and Affiliates  
Traverse City, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Traverse Bay Children's Advocacy Center (a nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Traverse Bay Children's Advocacy Center and Affiliates as of September 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Traverse Bay Children's Advocacy Center and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Traverse Bay Children's Advocacy Center and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards 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 Traverse Bay Children's Advocacy Center and Affiliates' 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 Traverse Bay Children's Advocacy Center and Affiliates' 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 January 5, 2023, on our consideration of the Traverse Bay Children's Advocacy Center and Affiliates' 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 Traverse Bay Children's Advocacy Center and Affiliates' 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 Traverse Bay Children's Advocacy Center and Affiliates' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES  
TRAVERSE CITY, MICHIGAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2022

	TRAVERSE BAY CHILDREN'S ADVOCACY CENTER	2000 CHARTWELL, LLC	ELIMINATION OF INTERCOMPANY TRANSACTIONS	CONSOLIDATED TOTAL
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,479,765	\$ 248,616	\$ 0	\$ 1,728,381
Accounts Receivable	61,956	0	0	61,956
Prepaid Expenses	13,573	0	0	13,573
Due From Chartwell	11,303	0	(11,303)	0
Total Current Assets	1,566,597	248,616	(11,303)	1,803,910
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment, Net				
Land	0	28,000	0	28,000
Buildings and Improvements	0	1,408,181	0	1,408,181
Furniture and Equipment	70,404	0	0	70,404
Vehicles	60,629	0	0	60,629
Less: Accumulated Depreciation	(32,658)	(203,142)	0	(235,800)
Total Non-Current Assets	98,375	1,233,039	0	1,331,414
TOTAL ASSETS	\$ 1,664,972	\$ 1,481,655	\$ (11,303)	\$ 3,135,324
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Due to Traverse Bay Children's Advocacy Center	\$ 0	\$ 11,303	\$ (11,303)	\$ 0
Security Deposits	0	1,776	0	1,776
Accrued Compensated Absences	35,593	0	0	35,593
Accrued Payroll Liabilities	4,416	0	0	4,416
Deferred Revenue	31,250	0	0	31,250
Total Current Liabilities	71,259	13,079	(11,303)	73,035
TOTAL LIABILITIES	71,259	13,079	(11,303)	73,035
<b>NET ASSETS</b>				
Without Donor Restrictions	1,069,632	1,076,810	0	2,146,442
With Donor Restrictions	915,847	0	0	915,847
Total Net Assets	1,985,479	1,076,810	0	3,062,289
TOTAL LIABILITIES AND NET ASSETS	\$ 2,056,738	\$ 1,089,889	\$ (11,303)	\$ 3,135,324

The accompanying notes are an integral part of these financial statements.

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES  
TRAVERSE CITY, MICHIGAN

CONSOLIDATED STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2022

	TRAVERSE BAY CHILDREN'S ADVOCACY CENTER			2000 CHARTWELL, LLC			CONSOLIDATED TOTAL			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Elimination of Intercompany Transactions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>										
Grants	\$ 127,000	\$ 881,965	\$ 1,008,965	\$ 0	\$ 0	\$ 0	\$ 127,000	\$ 881,965	\$ 0	\$ 1,008,965
Contributions	269,214	0	269,214	0	0	0	269,214	0	0	269,214
Rental Income	0	0	0	162,881	0	162,881	162,881	0	(127,000)	35,881
Interest Income	3,992	0	3,992	573	0	573	4,565	0	0	4,565
Net Assets Released from Restriction	877,862	(877,862)	0	0	0	0	877,862	(877,862)	0	0
Total Revenues, Gains, and Other Support	1,278,068	4,103	1,282,171	163,454	0	163,454	1,441,522	4,103	(127,000)	1,318,625
<b>EXPENSES</b>										
Program Services	1,174,400	0	1,174,400	0	0	0	1,174,400	0	0	1,174,400
Supporting Services										
Management and General	206,923	0	206,923	66,770	0	66,770	273,693	0	(127,000)	146,693
Fundraising	66,470	0	66,470	0	0	0	66,470	0	0	66,470
Total Expenses	1,447,793	0	1,447,793	66,770	0	66,770	1,514,563	0	(127,000)	1,387,563
Change in Net Assets	(169,725)	4,103	(165,622)	96,684	0	96,684	(73,041)	4,103	0	(68,938)
<b>NET ASSETS - Beginning of Year</b>	1,239,357	911,744	2,151,101	980,126	0	980,126	2,219,483	911,744	0	3,131,227
<b>NET ASSETS - End of Year</b>	\$ 1,069,632	\$ 915,847	\$ 1,985,479	\$ 1,076,810	\$ 0	\$ 1,076,810	\$ 2,146,442	\$ 915,847	\$ 0	\$ 3,062,289

The accompanying notes are an integral part of these financial statements.



TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES  
TRAVERSE CITY, MICHIGAN

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
SEPTEMBER 30, 2022

	TRAVERSE BAY CHILDREN'S ADVOCACY CENTER				2000 CHARTWELL, LLC				CONSOLIDATED TOTAL					
	SUPPORTING SERVICES				SUPPORTING SERVICES				SUPPORTING SERVICES				ELIMINATION OF	
	PROGRAM	AND	FUND	TOTAL	PROGRAM	AND	FUND	TOTAL	PROGRAM	AND	FUND	INTERCOMPANY	TOTAL	
	SERVICES	GENERAL	RAISING		SERVICES	GENERAL	RAISING		SERVICES	GENERAL	RAISING	TRANSACTIONS		
Wages	\$ 764,175	\$ 123,069	\$ 45,431	\$ 932,675	\$ 0	\$ 0	\$ 0	\$ 0	\$ 764,175	\$ 123,069	\$ 45,431	\$ 0	\$ 932,675	
Payroll Taxes	63,363	9,445	3,506	76,314	0	0	0	0	63,363	9,445	3,506	0	76,314	
Employee Benefits	67,575	15,160	8,361	91,096	0	0	0	0	67,575	15,160	8,361	0	91,096	
Contract Labor	28,600	0	3,300	31,900	0	1,155	0	1,155	28,600	1,155	3,300	0	33,055	
Supplies	34,572	2,412	2,302	39,286	0	0	0	0	34,572	2,412	2,302	0	39,286	
Depreciation Expense	0	15,485	0	15,485	0	39,932	0	39,932	0	55,417	0	0	55,417	
Dues and Subscriptions	19,355	25	0	19,380	0	0	0	0	19,355	25	0	0	19,380	
Insurance	0	6,554	0	6,554	0	10,829	0	10,829	0	17,383	0	0	17,383	
Marketing	18,473	8,140	856	27,469	0	0	0	0	18,473	8,140	856	0	27,469	
Miscellaneous	3,963	500	0	4,463	0	0	0	0	3,963	500	0	0	4,463	
Repairs and Maintenance	11,162	0	0	11,162	0	8,701	0	8,701	11,162	8,701	0	0	19,863	
Rent	127,000	0	0	127,000	0	0	0	0	127,000	0	0	(127,000)	0	
Professional Fees	830	25,635	349	26,814	0	0	0	0	830	25,635	349	0	26,814	
Property Taxes	0	0	0	0	0	4,473	0	4,473	0	4,473	0	0	4,473	
Research and Development	1,134	0	0	1,134	0	0	0	0	1,134	0	0	0	1,134	
Travel	14,420	498	2,365	17,283	0	0	0	0	14,420	498	2,365	0	17,283	
Utilities	19,778	0	0	19,778	0	1,680	0	1,680	19,778	1,680	0	0	21,458	
Total Expenses	\$ 1,174,400	\$ 206,923	\$ 66,470	\$ 1,447,793	\$ 0	\$ 66,770	\$ 0	\$ 66,770	\$ 1,174,400	\$ 273,693	\$ 66,470	\$ (127,000)	\$ 1,387,563	

The accompanying notes are an integral part of these financial statements.

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES  
TRAVERSE CITY, MICHIGAN

CONSOLIDATED STATEMENT OF CASH FLOWS  
SEPTEMBER 30, 2022

	CHILDREN'S ADVOCACY CENTER	2000 CHARTWELL, LLC	CONSOLIDATED TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Change in Net Assets	\$ (165,622)	\$ 96,684	\$ (68,938)
Adjustments to Reconcile Change in Net Assets to Net Cash			
Depreciation	15,485	39,932	55,417
(Increase) Decrease in Operating Assets:			
Accounts Receivable	119,660	0	119,660
Due From Chartwell	(12,940)	0	(12,940)
Prepaid Expenses	(179)	0	(179)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(3,877)	0	(3,877)
Security Deposit	0	(750)	(750)
Compensated Absences	15,127	0	15,127
Accrued Payroll Liabilities	1,870	0	1,870
Due to Traverse Bay Children's Advocacy Center	0	12,940	12,940
Deferred Revenue	(6,250)	0	(6,250)
Net Cash Provided (Used) by Operating Activities	<u>(36,726)</u>	<u>148,806</u>	<u>112,080</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Purchase of Land	<u>0</u>	<u>(3,000)</u>	<u>(3,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>(3,000)</u>	<u>(3,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(36,726)	145,806	109,080
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>1,516,491</u>	<u>102,810</u>	<u>1,619,301</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>\$ 1,479,765</u>	<u>\$ 248,616</u>	<u>\$ 1,728,381</u>

The accompanying notes are an integral part of these financial statements.

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES

TRAVERSE CITY, MICHIGAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporation and Nature of Activities

The Traverse Bay Children's Advocacy Center ("the Children's Advocacy Center") is dedicated to the identification, treatment, awareness, and prevention of the sexual and physical abuse of children. Its mission is to protect children by providing prevention and multi-disciplinary intervention in investigation, assessment, and treatment of child sexual and physical abuse in an environment that is child-sensitive, supportive, and safe. The Organization serves children and families in Grand Traverse, Kalkaska, Leelanau, Antrim, Benzie, and Wexford counties.

The Children's Advocacy Center is a Michigan nonprofit corporation as described in Section 501(C)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

2000 Chartwell, LLC ("Chartwell"), a single member 501(C)(3) LLC, was formed on December 31, 2013, to hold title to real estate used for operations by the Children's Advocacy Center. Chartwell's sole member is the Children's Advocacy Center.

Consolidated Financial Statements

The financial statements reported at September 30, 2022, include the Traverse Bay Children's Advocacy Center and 2000 Chartwell, LLC on a consolidated basis. As required by GAAP, all inter-organization transactions and balances have been eliminated. Hereafter, references to the "Children's Advocacy Center" or "Organization" represent the consolidated entities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America as contained in the Accounting Standards Codification (ASC) issued by the Financial Standards Accounting Board (FASB), and have been consistently applied.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets without Donor Restrictions** – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Net Assets with Donor Restrictions** – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished, the net assets are restricted.

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES

TRAVERSE CITY, MICHIGAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Public Support and Revenues

Revenues from fundraising events and contributions are generally available for unrestricted use in the related fiscal year unless specifically restricted by the donor. Unconditional promises to give are recorded at the time the promise is made. Unconditional promises to give due in the next year are reflected as accounts receivable and are recorded at net realizable value. The majority of the promises to give are received from a broad base of Grand Traverse Region contributors as a result of the fundraising events. There were no unconditional promises to give as of September 30, 2022.

Grants and other contributions of cash and other assets are reported as donor 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, donor restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided through donation, are recorded at fair value in the period received.

In addition, a number of volunteers donated significant amounts of time to the Organization and its programs. These donated services are not reflected in the accompanying financial statements since the activities do not meet the criteria for recognition of contributed services.

Revenue Recognition

Revenue from the Organization's reciprocal grants is recognized after the customers receive the services associated with these grants, as the performance obligation under these contracts are satisfied after the customer has obtained the right to use/benefit from the associated services, which is generally as allowable expenses are incurred. Any amounts received prior to the beginning of the applicable period is recorded as deferred revenue in the accompanying Statement of Financial Position. In addition, any revenues earned but not yet received by the Organization by the end of the applicable period are recorded as accounts receivable in the accompanying Statement of Financial Position.

Revenue from all other significant sources is recognized either when the associated performance obligation is satisfied, or at a single point in time when ownership, risks, and rewards transfer.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all investments available for current use to be cash equivalents. The Organization normally maintains sufficient cash to meet its anticipated working capital needs.

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES

TRAVERSE CITY, MICHIGAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Deferred Revenue

Deferred revenue consists of grant money received in advance for reimbursement of program expenses and is recognized once earned.

Accounts Receivable

Accounts receivable consists mainly of receivables due from grants, contracts, or unconditional promises to give. Management believes all material accounts receivable are collectible, and therefore there is no allowance for doubtful accounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Advertising

The Organization uses advertising to promote its fundraising efforts and its programs. The cost of advertising is expensed as incurred. During the year ended September 30, 2022, \$27,469 of costs were incurred.

Accounts Payable

Accounts Payable include expenses incurred by the Organization that were not paid by year end.

Security Deposits

2000 Chartwell, LLC rents apartments in the building and collects security and cleaning deposits that are reported as liabilities as they are potentially refundable upon termination of tenant leases.

Property and Equipment

Buildings are carried at acquisition cost (donated buildings at estimated fair value at date of donation) plus costs of restoration. All other classes of property and equipment are carried at cost (donated property and equipment at estimated fair value at date of donation). Maintenance and repair costs, other than building restoration and renovation, are charged to expense as incurred. The Organization typically capitalizes purchases over \$2,500. The Organization depreciates all classes of property and equipment on the straight-line method over their estimated useful lives, generally thirty to forty years for buildings and seven to ten years for equipment.

Use of 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

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES

TRAVERSE CITY, MICHIGAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, other short-term assets, accounts payable, and other accrued expenses. As of September 30, 2022, none of the assets or liabilities were required to be reported at fair value on a recurring basis. For these financial instruments, carrying values approximate fair values due to the short-term nature of these instruments. There were no changes in methods or assumptions during the year ended September 30, 2022.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Association maintains bank accounts in Traverse City, Michigan. As of September 30, 2022, none of the Organization's bank balance of \$1,738,027 was exposed to custodial credit risk because it was insured and collateralized through an Insured Cash Sweep (ISC) account.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary sources of revenues are grants, donations, and fundraising events. The following represents the Organization's financial assets as of September 30, 2022:

Cash and Cash Equivalents	\$	1,728,381
Less: Amounts not available for general expenses		<u>(915,847)</u>
Total Financial Assets Available to Meet Cash Needs in One Year:	\$	<u><u>812,534</u></u>

As part of the Organization's liquidity management plan, cash in excess of daily requirements is maintained in the checking account or insured cash sweep account to have liquid assets readily available.

NOTE 4 – FEDERAL INCOME TAXES

The Children's Advocacy Center has been determined to be an exempt organization under the Internal Revenue Code Section 501(c)(3). As of January 5, 2023 (the date the financial statements were available to be issued), the 2022 990-T had not been completed, and the amount of income tax on unrelated business income is immaterial to the financial statements as a whole. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Organization's tax returns remain subject to audit by the IRS for three years after filing. At September 30, 2022, the returns for years 2019, 2020, and 2021 remain open for examination.

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES

TRAVERSE CITY, MICHIGAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Depreciable fixed assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and Fixtures	7 years
Equipment	7-10 years
Land & Building Improvements	40 years

Property, plant, and equipment for the year ended September 30, 2022, consisted of the following:

<u>Property, Plant &amp; Equipment</u>	<u>September 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2022</u>
Land	\$ 25,000	\$ 3,000	\$ 0	\$ 28,000
Building and Improvements	1,408,181	0	0	1,408,181
Furniture and Equipment	70,404	0	0	70,404
Vehicles	60,629	0	0	60,629
	1,564,214	3,000	0	1,567,214
Accumulated Depreciation	(180,383)	(55,417)	0	(235,800)
	<u>\$ 1,383,831</u>	<u>\$ (52,417)</u>	<u>\$ 0</u>	<u>\$ 1,331,414</u>

NOTE 6 - ACCUMULATED COMPENSATED ABSENCES

The Children's Advocacy Center allows all employees to accumulate up to 40 hours of unused Earned-Time Off (ETO). Under ETO, time off is consolidated into a flexible plan that allows full-time and part-time staff to receive paid time away from work. As of September 30, 2022, the estimated liability for this accumulated time amounted to \$35,593. This has been recorded as a liability on the Organization's Statement of Financial Position.

NOTE 7 - REVENUE RECOGNITION

The following table summarizes the Organization's revenues subject to FASB ASC 606 for the year ended September 30, 2022:

Sales by Type:	
Michigan State University Grant	\$ 131,250
Michigan Domestic Violence Prevention & Treatment Board	42,494
National Children's Alliance - Core & Program Improvement	55,691
Victims of Crime Act (VOCA)	465,483
	<u>\$ 694,918</u>

TRAVERSE BAY CHILDREN'S ADVOCACY CENTER AND AFFILIATES

TRAVERSE CITY, MICHIGAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

The beginning and ending contract balances were as follows:

	<u>September 30, 2021</u>	<u>September 30, 2022</u>
Accounts Receivable	\$ 0	\$ 61,956
Deferred Revenues	\$ 37,500	\$ 31,250

Deferred revenue of \$37,500 from the year ending September 30, 2021, was recognized as revenue in the year ended September 30, 2022.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The Organization has net assets with donor restrictions related to various programs at the Children's Advocacy Center. Donor restricted net assets are restricted as follows. Once the purpose of these donations has been met, \$915,847 will be released from restriction.

**Donor Restricted Net Assets as of September 30, 2022**

A.A. Van Elslander	\$ 54
Children's Foundation	2,869
Clark Family Foundation	32,677
Grand Traverse Regional Community Foundation (GTRCF) - Safe Team	8,853
Grand Traverse Regional Community Foundation (GTRCF) - Urgent Need	304
Grocer's Daughter	400
HP Foundation	187
IMO Delores Kowalcz	1,224
Michigan State University (MSU)	853,802
Nahikian Family	1,255
Optimist Youth Grant	222
Rotary Seed	10,000
Zonta	4,000
Total Net Assets with Donor Restrictions:	<u>\$ 915,847</u>

NOTE 9 - DONATED MATERIALS AND SERVICES

Donated Materials

Donated materials used within the Organization are recorded at their fair market value when received, if the material has an objective, clearly measurable basis for the value. If the nature of the material is such that valuations cannot be substantiated, the contribution is not recorded.

Donated Services

Donated services are recorded when:

- (1) The services are a normal part of the program.
- (2) The Organization exercises control over the duties of the donors of the services.



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- (3) There is a measurable basis of valuing the service.
- (4) The services would normally have to be purchased if not donated.

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are recorded accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

NOTE 11 - RETIREMENT PLAN

On August 1, 2019, the Children's Advocacy Center started a defined contribution SIMPLE plan under Internal Revenue Service (IRS) Code Section 408(p). The Organization matches all eligible employees' contributions up to 3% of their salary.

There was \$23,833 in matching contributions for the year ended September 30, 2022.

NOTE 12 – FACILITIES

On October 1, 2019, the Organization rented its office facilities under an operating lease expiring in October 2026. The monthly rent under the agreement was \$10,583. Rent expense amounted to \$127,000 for the year ending September 30, 2022.

The future minimum rent payments are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 127,000
2024	127,000
2025	127,000
2026	127,000
	<u>\$ 508,000</u>

NOTE 13 - NONCOMPLIANCE WITH GRANTOR OR DONOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities 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 date.

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NOTE 14 - CONCENTRATIONS OF SUPPORT AND REVENUE

The Organization received thirty-five percent of its total revenue from its Federal Victims of Crime Act Grant. The board is aware of the concentration and reliance on this funding and are working to obtain additional revenue streams.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 5, 2023, the date in which the financial statements were available to be issued.

Subsequent to year end, the Center was in the process of purchasing additional land to expand its facilities. The Center applied for and was in the process of receiving a \$500,000 loan to complete this purchase. No adjustments have been made to the accompanying financial statements as a result of this subsequent event.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENT

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization implemented ASU 2020-07 using the retrospective method. The adoption of ASU 2020-07 did not have a material impact on the Organization's financial position, activities, net assets, or cash flows as of the adoption date or for the year ended September 30, 2022. The adoption did not result in a restatement of previously reported net assets for the year ended September 30, 2021.

NOTE 17 – UPCOMING ACCOUNTING PRONOUNCEMENT

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. This new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the statement of financial position. The guidance will also require additional disclosures to better inform financial statement users of the amount, timing, and uncertainty of cash flows, arising from leases. The primary impact of this guidance, which will be effective for the Organization's year ending September 30, 2023, will be to record right-of-use assets and lease obligations for current operating leases. The impact of this standard on the Organization's financial statements is being evaluated.



