

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**FINANCIAL STATEMENTS**  
**(With Supplementary Information)**

**September 30, 2019 and 2018**

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

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## **INDEPENDENT AUDITOR'S REPORT**

March 3, 2020

To the Board of Directors  
CARE of Southeastern Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CARE of Southeastern Michigan ("CARE," a Michigan non-profit Corporation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, as well as the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

CARE's 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.

### **Auditor's 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 auditor's 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 CARE'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 CARE's internal control. Accordingly, we express no such opinion.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Auditor's Responsibility (continued)**

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**

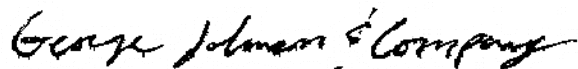
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARE as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Pronouncements**

As discussed in Note A, effective October 1, 2018, CARE has adopted the disclosure provisions contained in Accounting Standards Update 2016-14, *Presentation of Financial Statements in Not-for-Profit Entities*.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 3, 2020, on our consideration of CARE'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 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 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 CARE's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS  
Detroit, Michigan

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF FINANCIAL POSITION**

**September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 199,152	\$ 273,072
Grants receivable (no allowance considered necessary)	757,462	941,191
Accounts receivable (no allowance considered necessary)	11,750	22,651
Prepaid expenses	<u>65,610</u>	<u>77,217</u>
<b>Total Current Assets</b>	<b><u>1,033,974</u></b>	<b><u>1,314,131</u></b>
<b>Other Assets:</b>		
Investments (Note C)	138,377	27,052
Fixed assets, net (Note D)	<u>465,081</u>	<u>406,516</u>
<b>Total Other Assets</b>	<b><u>603,458</u></b>	<b><u>433,568</u></b>
<b>Total Assets</b>	<b><u>\$ 1,637,432</u></b>	<b><u>\$ 1,747,699</u></b>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 240,762	\$ 129,580
Accrued payroll and related liabilities	157,699	133,602
Line of credit (Note F)	-0-	200,000
Deferred grants	91,001	133,011
	<u>489,462</u>	<u>596,193</u>
<b>Total Liabilities</b>		
<b>Net Assets:</b>		
Net assets without donor restrictions	1,077,364	998,514
Net assets with donor restrictions (Note B)	70,606	152,992
	<u>1,147,970</u>	<u>1,151,506</u>
<b>Total Net Assets</b>		
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,637,432</u></u>	<u><u>\$ 1,747,699</u></u>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Changes in Net Assets without Donor Restrictions:</b>		
<b>Revenue and gains, net of losses:</b>		
Grants and awards:		
Governmental grants:		
Macomb County Office of Substance Abuse ("MCOSA")	\$ 3,133,711	\$ 2,457,828
Other governmental grants	890,994	710,352
Other grants and awards	<u>589,501</u>	<u>443,904</u>
Total Grants and Awards	4,614,206	3,612,084
Other revenue and gains, net of losses:		
Fees:		
MCOSA participant fees and collections	33,723	69,312
Other fees	407,089	369,046
Miscellaneous income	117,624	120,386
Interest income	4,842	6,395
Net realized and unrealized gain (loss) on investments	<u>6,557</u>	<u>(4,214)</u>
Total Revenue and Gains without Donor Restrictions, Net of Losses	5,184,041	4,173,009
Net assets released from restrictions (Note B)	<u>94,978</u>	<u>119,196</u>
<b>Total Revenue, Gains, and Other Support without Donor Restrictions, Net of Losses</b>	<b><u>5,279,019</u></b>	<b><u>4,292,205</u></b>
<b>Expenses:</b>		
Program services:		
Recovery United	2,002,168	1,246,489
Prevention Services	967,393	1,028,308
Clinical and Treatment Services	877,238	777,534
Parenting	476,221	423,268
WorkLife Solutions	<u>265,087</u>	<u>220,810</u>
Total Program Services	<u>\$ 4,588,107</u>	<u>\$ 3,696,409</u>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF ACTIVITIES (CONTINUED)**

**For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Changes in Net Assets without Donor Restrictions</b> <b>(continued):</b>		
<b>Expenses (continued):</b>		
Supporting services:		
Management and general	\$ 419,512	\$ 368,071
Fund raising	192,550	181,977
	<u>612,062</u>	<u>550,048</u>
<b>Total Supporting Services</b>	<u>612,062</u>	<u>550,048</u>
<b>Total Expenses</b>	<u>5,200,169</u>	<u>4,246,457</u>
<b>Change in Net Assets</b> <b>    without Donor Restrictions</b>	<u>78,850</u>	<u>45,748</u>
<b>Changes in Net Assets with Donor Restrictions:</b>		
Contributions	12,592	101,289
Net assets released from restrictions (Note B)	(94,978)	(119,196)
	<u>(82,386)</u>	<u>(17,907)</u>
<b>Change in Net Assets</b> <b>    with Donor Restrictions</b>	<u>(82,386)</u>	<u>(17,907)</u>
<b>Change in Net Assets</b>	<u>(3,536)</u>	<u>27,841</u>
Net Assets, Beginning of Year	<u>1,151,506</u>	<u>1,123,665</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,147,970</u></u>	<u><u>\$ 1,151,506</u></u>

See notes to financial statements.



CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2019  
(With Comparative Totals for the Year Ended September 30, 2018)**

	2019				Total Expenses	
	Program Services (from page 8)	Supporting Services			2019	2018
		Management and General	Fund Raising	Total Supporting Services		
<b>Employee Compensation:</b>						
Salaries and wages	\$ 2,884,638	\$ 335,865	\$ 90,721	\$ 426,586	\$ 3,311,224	\$ 2,816,315
Employee benefits	578,420	66,353	13,013	79,366	657,786	531,896
<b>Total Employee Compensation</b>	<b>3,463,058</b>	<b>402,218</b>	<b>103,734</b>	<b>505,952</b>	<b>3,969,010</b>	<b>3,348,211</b>
<b>Supplies and Materials:</b>						
Office	324,704	2,109	23,691	25,800	350,504	236,567
Education and training	41,750				41,750	50,274
Printing	21,698		8,333	8,333	30,031	19,296
Cleaning supplies	9,055		494	494	9,549	8,911
Postage	3,297		1,501	1,501	4,798	4,812
<b>Total Supplies and Materials</b>	<b>400,504</b>	<b>2,109</b>	<b>34,019</b>	<b>36,128</b>	<b>436,632</b>	<b>319,860</b>
<b>Travel and Conferences:</b>						
Mileage and parking	130,185	1,173	1,111	2,284	132,469	103,536
Conferences	44,649		193	193	44,842	24,099
Lodging and other	5,731	6	11	17	5,748	16,410
<b>Total Travel and Conferences</b>	<b>180,565</b>	<b>1,179</b>	<b>1,315</b>	<b>2,494</b>	<b>183,059</b>	<b>144,045</b>
<b>Other Expenses:</b>						
Affiliate network	20,783				20,783	26,610
Assistance to clients	24,005				24,005	13,643
Organizational expenses	37,613	4,578	1,781	6,359	43,972	31,405
Contractual labor	47,092	319	1,550	1,869	48,961	18,609
Computer expenses	205,518		11,798	11,798	217,316	125,099
Insurance	27,060		802	802	27,862	24,834
Rent	32,770		334	334	33,104	6,341
Trainer	11,182		4	4	11,186	13,583
Utilities	18,723		1,028	1,028	19,751	19,279
Repairs and maintenance	15,665		716	716	16,381	28,280
Depreciation	15,508	5,993	951	6,944	22,452	23,358
Miscellaneous expenses	88,061	3,116	34,518	37,634	125,695	103,300
<b>Total Other Expenses</b>	<b>543,980</b>	<b>14,006</b>	<b>53,482</b>	<b>67,488</b>	<b>611,468</b>	<b>434,341</b>
<b>Total Expenses</b>	<b>\$ 4,588,107</b>	<b>\$ 419,512</b>	<b>\$ 192,550</b>	<b>\$ 612,062</b>	<b>\$ 5,200,169</b>	<b>\$ 4,246,457</b>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

For the Year Ended September 30, 2019

	Recovery United	Prevention Services	Clinical and Treatment Services	Parenting	WorkLife Solutions	Total Program Services (to page 7)
<b>Employee Compensation:</b>						
Salaries and wages	\$ 1,197,778	\$ 598,001	\$ 614,221	\$ 313,839	\$ 160,799	\$ 2,884,638
Employee benefits	254,950	116,627	110,812	62,243	33,788	578,420
<b>Total Employee Compensation</b>	<b>1,452,728</b>	<b>714,628</b>	<b>725,033</b>	<b>376,082</b>	<b>194,587</b>	<b>3,463,058</b>
<b>Supplies and Materials:</b>						
Office	162,254	97,250	18,977	36,755	9,468	324,704
Education and training	8,322	25,950	570	6,233	675	41,750
Printing	6,782	10,077	2,723	749	1,367	21,698
Cleaning supplies	2,828	2,129	2,302	894	902	9,055
Postage	359	1,358	534	564	482	3,297
<b>Total Supplies and Materials</b>	<b>180,545</b>	<b>136,764</b>	<b>25,106</b>	<b>45,195</b>	<b>12,894</b>	<b>400,504</b>
<b>Travel and Conferences:</b>						
Mileage and parking	67,341	19,130	27,943	12,884	2,887	130,185
Conferences	34,742	2,107	5,060	1,409	1,331	44,649
Lodging and other	4,662	786	149	117	17	5,731
<b>Total Travel and Conferences</b>	<b>106,745</b>	<b>22,023</b>	<b>33,152</b>	<b>14,410</b>	<b>4,235</b>	<b>180,565</b>
<b>Other Expenses:</b>						
Affiliate network					20,783	20,783
Assistance to clients	16,823	574	5,976	632		24,005
Organizational expenses	19,099	6,798	7,031	2,861	1,824	37,613
Contractual labor	16,562	13,903	9,513	4,691	2,423	47,092
Computer expenses	123,658	25,949	38,033	12,766	5,112	205,518
Insurance	12,489	4,615	5,786	2,900	1,270	27,060
Rent	22,226	6,318	1,491	2,122	613	32,770
Trainer	9,061	41	2,044	24	12	11,182
Utilities	6,062	4,337	4,655	1,796	1,873	18,723
Repairs and maintenance	6,572	2,988	3,204	1,586	1,315	15,665
Depreciation	4,213	3,909	4,125	1,501	1,760	15,508
Miscellaneous expenses	25,385	24,546	12,089	9,655	16,386	88,061
<b>Total Other Expenses</b>	<b>262,150</b>	<b>93,978</b>	<b>93,947</b>	<b>40,534</b>	<b>53,371</b>	<b>543,980</b>
<b>Total Expenses</b>	<b>\$ 2,002,168</b>	<b>\$ 967,393</b>	<b>\$ 877,238</b>	<b>\$ 476,221</b>	<b>\$ 265,087</b>	<b>\$ 4,588,107</b>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2018**

	Program Services (from page 10)	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting Services	
<b>Employee Compensation:</b>					
Salaries and wages	\$ 2,417,571	\$ 298,311	\$ 100,433	\$ 398,744	\$ 2,816,315
Employee benefits	462,981	55,313	13,602	68,915	531,896
<b>Total Employee Compensation</b>	<b>2,880,552</b>	<b>353,624</b>	<b>114,035</b>	<b>467,659</b>	<b>3,348,211</b>
<b>Supplies and Materials:</b>					
Office	220,337	5,179	11,051	16,230	236,567
Education and training	50,274				50,274
Printing	9,471		9,825	9,825	19,296
Cleaning supplies	8,389		522	522	8,911
Postage	3,456		1,356	1,356	4,812
<b>Total Supplies and Materials</b>	<b>291,927</b>	<b>5,179</b>	<b>22,754</b>	<b>27,933</b>	<b>319,860</b>
<b>Travel and Conferences:</b>					
Mileage and parking	102,295		1,241	1,241	103,536
Conferences	19,135	1,212	3,752	4,964	24,099
Lodging and other	16,410				16,410
<b>Total Travel and Conferences</b>	<b>137,840</b>	<b>1,212</b>	<b>4,993</b>	<b>6,205</b>	<b>144,045</b>
<b>Other Expenses:</b>					
Affiliate network	26,610				26,610
Assistance to clients	13,643				13,643
Organizational expenses	30,022		1,383	1,383	31,405
Contractual labor	18,609				18,609
Computer expenses	121,525		3,574	3,574	125,099
Insurance	23,942		892	892	24,834
Rent	6,083		258	258	6,341
Trainer	13,573		10	10	13,583
Utilities	18,153		1,126	1,126	19,279
Repairs and maintenance	26,788		1,492	1,492	28,280
Depreciation	15,507	6,901	950	7,851	23,358
Miscellaneous expenses	71,635	1,155	30,510	31,665	103,300
<b>Total Other Expenses</b>	<b>386,090</b>	<b>8,056</b>	<b>40,195</b>	<b>48,251</b>	<b>434,341</b>
<b>Total Expenses</b>	<b>\$ 3,696,409</b>	<b>\$ 368,071</b>	<b>\$ 181,977</b>	<b>\$ 550,048</b>	<b>\$ 4,246,457</b>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

For the Year Ended September 30, 2018

	Recovery United	Prevention Services	Clinical and Treatment Services	Parenting	WorkLife Solutions	Total Program Services (to page 9)
<b>Employee Compensation:</b>						
Salaries and wages	\$ 823,210	\$ 608,808	\$ 556,488	\$ 297,650	\$ 131,415	\$ 2,417,571
Employee benefits	160,855	119,550	103,696	53,702	25,178	462,981
<b>Total Employee Compensation</b>	<b>984,065</b>	<b>728,358</b>	<b>660,184</b>	<b>351,352</b>	<b>156,593</b>	<b>2,880,552</b>
<b>Supplies and Materials:</b>						
Office	74,231	101,944	14,570	22,818	6,774	220,337
Education and training	1,229	47,244	744		1,057	50,274
Printing	2,159	5,317	1,409	441	145	9,471
Cleaning supplies	1,839	2,233	2,254	1,060	1,003	8,389
Postage	247	1,607	720	251	631	3,456
<b>Total Supplies and Materials</b>	<b>79,705</b>	<b>158,345</b>	<b>19,697</b>	<b>24,570</b>	<b>9,610</b>	<b>291,927</b>
<b>Travel and Conferences:</b>						
Mileage and parking	46,629	18,912	23,134	11,806	1,814	102,295
Conferences	9,557	5,326	3,773	217	262	19,135
Lodging and other	4,696	9,612	2,102			16,410
<b>Total Travel and Conferences</b>	<b>60,882</b>	<b>33,850</b>	<b>29,009</b>	<b>12,023</b>	<b>2,076</b>	<b>137,840</b>
<b>Other Expenses:</b>						
Affiliate network					26,610	26,610
Assistance to clients	6,186		7,182	275		13,643
Organizational expenses	11,453	7,449	6,609	2,689	1,822	30,022
Contractual labor		18,200	308	101		18,609
Computer expenses	57,445	20,246	24,142	16,721	2,971	121,525
Insurance	9,067	5,561	5,501	2,563	1,250	23,942
Rent	1,045	2,793	1,151	575	519	6,083
Trainer	7,320	6,136	54	21	42	13,573
Utilities	4,030	4,849	4,900	2,299	2,075	18,153
Repairs and maintenance	6,613	6,890	7,023	3,226	3,036	26,788
Depreciation	3,448	4,104	4,134	1,963	1,858	15,507
Miscellaneous expenses	15,230	31,527	7,640	4,890	12,348	71,635
<b>Total Other Expenses</b>	<b>121,837</b>	<b>107,755</b>	<b>68,644</b>	<b>35,323</b>	<b>52,531</b>	<b>386,090</b>
<b>Total Expenses</b>	<b>\$ 1,246,489</b>	<b>\$ 1,028,308</b>	<b>\$ 777,534</b>	<b>\$ 423,268</b>	<b>\$ 220,810</b>	<b>\$ 3,696,409</b>

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF CASH FLOWS**

**For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (3,536)	\$ 27,841
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	22,452	23,358
Net realized and unrealized (gain) loss on investments	(6,557)	4,214
Changes in:		
Grants receivable	183,729	(513,893)
Accounts receivable	10,901	(10,465)
Prepaid expenses	11,607	(38,292)
Accounts payable	111,182	36,466
Accrued payroll and payroll liabilities	24,097	46,165
Deferred grants	(42,010)	37,784
	<u>311,865</u>	<u>(386,822)</u>
<b>Net Cash Flows from Operating Activities</b>		
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(104,768)	(114,694)
Proceeds from sales of investments	-0-	304,724
Acquisition of fixed assets	(81,017)	-0-
	<u>(185,785)</u>	<u>190,030</u>
<b>Net Cash Flows from Investing Activities</b>		
<b>Cash Flows from Financing Activities:</b>		
Proceeds issued on line of credit	685,000	495,000
Payments on line of credit	(885,000)	(295,000)
	<u>\$ (200,000)</u>	<u>\$ 200,000</u>
<b>Net Cash Flows from Financing Activities</b>		

See notes to financial statements.

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**For the Years Ended September 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>Change in Cash and Cash Equivalents</b>	<b>\$ (73,920)</b>	<b>\$ 3,208</b>
Cash and Cash Equivalents, Beginning of Year	<u>273,072</u>	<u>269,864</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 199,152</u></b>	<b><u>\$ 273,072</u></b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 3,495</u>	<u>\$ 546</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The mission of CARE of Southeastern Michigan (“CARE”) is to strengthen resiliency in people and their communities through prevention, education, and services that improve the quality of life. A description of the types of programs provided by CARE is as follows:

**Recovery United**

This program provides professional recovery support by a team of peer recovery coaches. A peer recovery coach is a person in long-term recovery from a substance use disorder that is matched to individuals to act as a mentor, motivator, ally, role model, problem solver, and advocate to the individual being served to better develop and enhance the individual’s resources and skills to manage his or her recovery.

**Prevention Services**

This program offers a number of substance use disorder prevention programs to reduce the misuse and abuse of alcohol, tobacco, and other drugs. Programming is available for people of all ages and includes classes, groups, workshops, skill building, summer camps, and technical assistance to local coalitions.

**Clinical and Treatment Services**

This program provides a wide range of clinical and treatment related services to youth and adults. Specific programming includes outpatient treatment, marital and family counseling, substance use disorder evaluations, student assistance, and crisis response.

**Parenting**

This program provides a valuable resource for parents and caregivers of a child at any stage of development. CARE provides classes, workshops, case management, and home-based programming to support the positive development of children and teens.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Activities (continued)**

**WorkLife Solutions**

This program provides local businesses, municipalities, and other government entities with an Employee Assistance Program. Services include counseling, referrals, professional development, crisis response, human resources consultation, and other support services.

**Principles of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Adoption of New Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 modifies the requirements related to financial statement presentation for non-profit organizations. The major provisions of ASU 2016-14 are as follows:

- Information about net assets and changes in net assets is reported for two classes of net assets: *net assets with donor restrictions* and *net assets without donor restrictions*.
- Reporting of expenses by both function and nature in one location is required for all non-profit organizations.
- Either the direct method or the indirect method for presenting operating cash flows may continue to be used, but the requirement for those entities using the direct method to prepare a reconciliation with the indirect method is eliminated.
- Quantitative information that communicates the availability of the organization’s financial assets as of the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statements or in the notes to the financial statements.
- Qualitative information on how the organization manages its liquid available resources and liquidity risks is required to be disclosed in the notes to the financial statements.
- Reporting of the “underwater” amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about “underwater” endowments are required.
- Other enhanced disclosures regarding board designations and appropriations, the nature of net assets with donor restrictions, and functional expense allocation methods are required.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Pronouncements (continued)**

CARE adopted the provisions of ASU 2016-14 as of October 1, 2018. These provisions have been retrospectively applied to the disclosures in the accompanying financial statements as of, and for the year ended, September 30, 2018, except for including disclosures regarding liquidity and availability of resources as of October 1, 2018, as permitted by ASU 2016-14. The adoption of this pronouncement did not impact CARE's net assets.

**Financial Statement Presentation**

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

**Cash Equivalents**

For purposes of the statements of cash flows, CARE considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Recognition of Contributions**

Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. CARE reports contributions of cash and other assets as support with donor restrictions 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 a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

**Grants**

Grants are recorded as receivable when earned. Grant revenue is deferred to the extent that the funds are restricted for use in future periods.

Grant revenue is reported at estimated net realizable amounts for services rendered and includes estimated retroactive adjustments due to future audits, reviews, and investigations.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants (continued)**

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

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

**Fixed Assets**

Fixed assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful lives range from three to 40 years. CARE capitalizes all expenditures for fixed assets in excess of \$5,000. For grant purposes, equipment purchases used specifically for funded programs are reported as an expense.

**Investments**

CARE's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Investments in registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by CARE as of the end of the year.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average costs. Dividend income is recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold, as well as held, during the year. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the fair value of investments during the year.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

No provision has been established for income taxes since CARE is exempt from income taxes under Internal Revenue Code section 501(c)(3) and is not classified as a private foundation by the Internal Revenue Service. CARE's management is not aware of any uncertain tax positions or unrecognized tax benefits as of September 30, 2019 or 2018.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain expenses, including salaries and related expenses, are allocated to program and supporting services on the basis of the actual or estimated time devoted to those activities. Other expenses, including occupancy costs, have been allocated based primarily on square footage.

**Fair Value Measurements**

CARE uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. CARE utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, CARE applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Financial assets and liabilities are categorized into a three-level fair value hierarchy based on the inputs to the valuations technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that CARE has the ability to access

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (continued)**

- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, in making fair value measurements is required. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

**Concentration of Credit Risk**

Financial instruments which potentially subject CARE to concentrations of credit risk consist principally of cash, cash equivalents, grants receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit of \$250,000 per depositor at each financial institution. Cash and cash equivalents on deposit did not exceed the federally insured limit as of September 30, 2019. Grants receivable are due from various agencies as reimbursements to CARE for the costs of providing various program services. As discussed in Note C, investments are diversified among various registered investment companies.

**Significant Providers**

CARE's operations are concentrated in substance abuse programs funded by the Macomb County Office of Substance Abuse ("MCOSA"). MCOSA grants and fees totaled \$3,167,434 and \$2,527,140 for the years ended September 30, 2019 and 2018, respectively, or 61 percent and 59 percent of total revenue for the years ended September 30, 2019 and 2018, respectively. Amounts receivable from MCOSA were \$530,904 and \$704,439 as of September 30, 2019 and 2018, respectively.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, September 30, 2018 to conform to classifications used as of, and for the year ended, September 30, 2019.

**Subsequent Events**

CARE has evaluated subsequent events through March 3, 2020, the date that the accompanying financial statements were available to be issued.

**NOTE B — NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available as of September 30, 2019 and 2018 for the following programs:

	<u>2019</u>	<u>2018</u>
Restricted for program activities:		
Building for the Future	\$ 36,267	\$ 36,267
Financial stability	25,000	25,000
Electronic health records	6,085	75,000
For clients	1,327	1,327
Project VOX	752	752
DW PV Coalition	670	-0-
Outpatient Program	505	13,764
Prevention T3	-0-	882
	<u>\$ 70,606</u>	<u>\$ 152,992</u>

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

**NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions during the years ended September 30, 2019 and 2018 by incurring expenses satisfying the restricted purposes specified by donors, or by occurrence of other events specified by donors, as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished for the following programs or purposes:		
Building for the Future	\$ -0-	\$ 18,957
Supportive Opportunities for Families	11,922	-0-
Electronic health records	68,916	-0-
For clients	-0-	401
Project VOX	-0-	1,157
Operation Rx	-0-	97,134
Outpatient Program	13,259	229
Prevention T3	881	1,318
	<u>\$ 94,978</u>	<u>\$ 119,196</u>

**NOTE C — INVESTMENTS AND FAIR VALUE**

CARE's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2019 and 2018 are summarized as follows:

	<u>Fair Value Measurements</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
<b>2019</b>				
<b>Assets:</b>				
Investments at fair value:				
Registered investment companies	<u>\$ 138,377</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 138,377</u>

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

**NOTE C — INVESTMENTS AND FAIR VALUE (CONTINUED)**

	<u>Fair Value Measurements</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
<b>2018</b>				
<b>Assets:</b>				
Investments at fair value:				
Registered investment companies	\$ 27,052	\$ -0-	\$ -0-	\$ 27,052

**NOTE D — FIXED ASSETS**

Fixed assets are summarized by major classifications as follows as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 785,271	\$ 785,271
Furniture and fixtures	54,126	54,126
Computer and software	109,123	28,106
	948,520	867,503
Less: Accumulated depreciation	<u>(483,439)</u>	<u>(460,987)</u>
	<u>\$ 465,081</u>	<u>\$ 406,516</u>

CARE OF SOUTHEASTERN MICHIGAN  
(A Michigan Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE E — LEASES**

CARE leases equipment and facilities under operating leases that expire at various dates through June 2024. Future payments on these leases as of September 30, 2019 are as follows:

<b>For the Years Ending September 30:</b>	
2020	\$ 92,739
2021	91,787
2022	87,648
2023	66,162
2024	<u>50,383</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 388,719</u></b>

Rental expense for the years ended September 30, 2019 and 2018 was \$41,438 and \$15,085, respectively.

**NOTE F — LINE OF CREDIT**

As of September 30, 2018, CARE had a \$200,000 line of credit with a bank. In October 2018, the line of credit was increased to \$400,000. The line of credit has a variable interest rate and is secured by the assets of CARE. The outstanding balance on the line of credit was \$-0- and \$200,000 as of September 30, 2019 and 2018, respectively.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE G — LIQUIDITY AND AVAILABILITY OF RESOURCES**

CARE has the following financial assets available for general expenditures within one year as of September 30, 2019:

<b>Financial Assets:</b>	
Cash and cash equivalents	\$ 199,152
Grants receivable	757,462
Accounts receivable	11,750
Investments	<u>138,377</u>
<b>Total Financial Assets</b>	<b>1,106,741</b>
Less:	
Donor-restricted assets	<u>(70,606)</u>
<b>Financial Assets Available to Meet General Expenditures within One Year</b>	<b><u>\$ 1,036,135</u></b>

As of September 30, 2019, CARE has certain donor-restricted assets that are limited as to use and are not available for general expenditures within the next year. As such, these assets are excluded from total financial assets to determine financial assets available to meet general expenditures within one year. As part of CARE's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, money market accounts, and savings accounts. Additionally, CARE maintains a \$400,000 line of credit, as discussed in more detail in Note F. As of September 30, 2019, \$400,000 remained available on CARE's line of credit.

**NOTE H — NEW ACCOUNTING PRONOUNCEMENTS**

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2019 and 2018**

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**NOTE H — NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

ASU 2014-09 applies to CARE's financial statements for the year ending September 30, 2020, with earlier implementation permitted, and is to be applied retrospectively. CARE's management has not determined the impact on its financial statements as a result of implementing ASU 2014-09.

The FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. ASU 2018-08 clarifies current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction by clarifying how an entity determines whether a resource provider is participating in an exchange transaction and clarifying the definition of "commensurate value". ASU 2018-08 also modifies the definition of a "donor-imposed condition" so that the determination is based on whether an agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. ASU 2018-08 also permits an organization to elect a policy in which contributions that are restricted by the donor and that were initially conditional contributions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized without also having to elect that policy for other contributions that are restricted by the donor. ASU 2018-08 applies to CARE's financial statements for the year ending September 30, 2020, with earlier implementation permitted, and is to be applied on a modified prospective basis. CARE's management has not determined the impact on its financial statements as a result of implementing ASU 2018-08.

The FASB issued ASU 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to CARE's financial statements for the year ending September 30, 2022, with earlier implementation permitted. CARE's management has not determined the impact on its financial statements as a result of implementing ASU 2016-02.