The Guidance Center

Financial Report

September 30, 2017

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Independent Auditor's Report

To the Board of Directors
The Guidance Center

Report on the Financial Statements

We have audited the accompanying financial statements of The Guidance Center (the "Organization"), which comprise the statement of financial position as of September 30, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Guidance Center as of September 30, 2017 and 2016 and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
The Guidance Center

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018 on our consideration of The Guidance Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Guidance Center's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 11, 2018

Statement of Financial Position

September 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 4,811,168	$ 5,897,940
Accounts and other receivables - Net (Note 3)	3,436,165	2,856,840
Due from affiliates (Note 5)	36,161	50,927
Contributions receivable (Note 4)	150,684	318,992
Prepaid expenses and other current assets	442,980	428,418
Total current assets	8,877,158	9,553,117
Property and Equipment - Net (Note 6)	917,718	1,010,724
Investment in Joint Venture (Note 9)	1,592,630	692,219
Beneficial Interest in Community Foundation Endowment (Notes 12 and 13)	498,365	466,530
Total assets	**$ 11,885,871**	**$ 11,722,590**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 322,499	$ 454,497
Accrued employee expenses	1,775,255	2,108,195
Deferred revenue	13,478	42,758
Due to affiliates (Note 5)	-	1,751
Total current liabilities	2,111,232	2,607,201
Net Assets		
Unrestricted	8,747,409	7,678,961
Temporarily restricted	1,027,230	1,436,428
Total net assets	9,774,639	9,115,389
Total liabilities and net assets	**$ 11,885,871**	**$ 11,722,590**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2017 and 2016

	2017	2016
Changes in Unrestricted Net Assets		
Support, revenue, and other:		
Mental health services	$ 16,798,929	$ 18,036,851
Early learning education	7,404,719	9,076,631
Intellectual and developmental disabilities and autism services	3,006,388	2,038,051
Juvenile justice services	2,531,050	1,905,790
Substance abuse services	217,275	184,681
Grants	6,632,624	8,550,808
Other revenue	1,040,590	1,168,887
Contributions	484,272	526,164
Change in beneficial interest of Community Foundation Endowment	31,835	31,527
Net assets released from restrictions	563,310	1,306,945
Total support, revenue, and other	38,710,992	42,826,335
Expenses		
Program services	33,423,827	37,051,850
Administrative	4,459,268	4,468,030
Development costs	659,860	659,166
Total expenses	38,542,955	42,179,046
Increase in Unrestricted Net Assets from Operations	168,037	647,289
Equity Gain (Loss) on Investment in Joint Venture (Note 9)	900,411	(14,434)
Increase in Unrestricted Net Assets	1,068,448	632,855
Changes in Temporarily Restricted Net Assets		
Contributions	154,112	976,388
Net assets released from restrictions	(563,310)	(1,306,945)
Decrease in Temporarily Restricted Net Assets	(409,198)	(330,557)
Increase in Net Assets	659,250	302,298
Net Assets - Beginning of year	9,115,389	8,813,091
Net Assets - End of year	**$ 9,774,639**	**$ 9,115,389**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2017

	Program Services	Administrative	Development	Total
Salaries	$ 18,977,547	$ 2,349,731	$ 315,100	$ 21,642,378
Fringe benefits	6,164,640	931,209	127,530	7,223,379
Contractual services	1,992,957	13,404	600	2,006,961
Travel	499,909	17,780	1,402	519,091
Supplies	364,291	42,279	79,801	486,371
Occupancy costs	3,225,664	363,458	39,707	3,628,829
Equipment rental	150,413	19,442	3,912	173,767
Communication	331,872	40,248	14,233	386,353
Meals	436,272	4,493	2,695	443,460
Training	116,791	7,302	4,793	128,886
Purchased equipment	117,369	-	-	117,369
Depreciation	160,640	21,216	2,788	184,644
Insurance, audit, and legal fees	285,912	116,527	6,473	408,912
Bad debt expense	-	427,788	-	427,788
Data processing	414,165	55,012	7,265	476,442
Miscellaneous	185,385	49,379	53,561	288,325
Total functional expenses	**$ 33,423,827**	**$ 4,459,268**	**$ 659,860**	**$ 38,542,955**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2016

	Program Services	Administrative	Development	Total
Salaries	$ 19,123,390	$ 2,418,264	$ 323,051	$ 21,864,705
Fringe benefits	6,489,146	806,292	114,742	7,410,180
Contractual services	3,582,831	66,695	44,110	3,693,636
Travel	499,684	22,187	2,919	524,790
Supplies	797,190	65,464	13,380	876,034
Occupancy costs	3,764,414	358,551	41,115	4,164,080
Equipment rental	172,142	28,555	3,671	204,368
Communication	347,510	77,750	18,084	443,344
Meals	691,028	5,026	1,886	697,940
Training	107,668	32,191	3,506	143,365
Purchased equipment	239,142	38,264	145	277,551
Depreciation	164,842	22,478	-	187,320
Insurance, audit, and legal fees	288,396	88,786	5,864	383,046
Bad debt expense	-	326,096	-	326,096
Data processing	416,597	50,107	7,392	474,096
Miscellaneous	367,870	61,324	79,301	508,495
Total functional expenses	**$ 37,051,850**	**$ 4,468,030**	**$ 659,166**	**$ 42,179,046**

Statement of Cash Flows

Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	$ 659,250	$ 302,298
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	184,644	187,320
Bad debt expense	427,788	326,096
(Gain) loss from joint venture	(900,411)	14,434
Change in beneficial interest in endowment	(31,835)	(31,527)
Changes in operating assets and liabilities which (used) provided cash:		
Accounts and other receivables	(1,007,113)	597,537
Contributions receivable	168,308	(56,016)
Prepaid expenses and other assets	(14,562)	48,457
Accounts payable and accrued expenses	(131,998)	(521,899)
Due from (to) affiliates	13,015	(80,838)
Accrued employee expenses	(332,940)	270,943
Refundable advances	-	(978,011)
Deferred revenue	(29,280)	(116,389)
Net cash used in operating activities	(995,134)	(37,595)
Cash Flows Used in Investing Activities - Purchase of property and equipment	(91,638)	(163,719)
Net Decrease in Cash	(1,086,772)	(201,314)
Cash - Beginning of year	5,897,940	6,099,254
Cash - End of year	**$ 4,811,168**	**$ 5,897,940**

Note 1 - Nature of Business

The Guidance Center (the "Organization"), a not-for-profit organization established in 1958, is committed to providing comprehensive outpatient mental health, vocational, substance abuse, juvenile justice, early childhood intervention, and educational services to children, adults, and families for all of Wayne County, concentrating in the downriver communities. The Organization is a subsidiary of Guidance Center System, a not-for-profit organization.

The Organization is also related to the following two entities: The Guidance Center Adult and Family Services, Inc. (Adult and Family) and Southgate Properties Corporation (Properties). Adult and Family and Properties are also subsidiaries of Guidance Center System. The accompanying financial statements include only the financial information of the Organization. Additional information regarding the related parties is found in Note 5.

Note 2 - Significant Accounting Policies

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a contractual valuation allowance is established for other accounts receivable based on historical payment experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Contributions Receivable

Contributions receivable at year end consist of contributions designated by donors for organization programs.

Property and Equipment

Property and equipment are recorded at cost when purchased or if donated, at fair value at the date of donation. The Organization capitalizes assets when individual costs exceed $5,000 and the useful life is greater than one year. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Deferred Revenue

Deferred revenue is recorded for amounts received for services to be performed during subsequent years.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Temporarily restricted net assets of the Organization consist of amounts received from donors who have specified the purpose for which or the timing of when the funds are to be spent. The Organization has interpreted donor restrictions to also include related earnings as restricted for the intended purpose of the original donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Note 2 - Significant Accounting Policies (Continued)

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Donated Services

Certain donated items are recognized as support in the statement of activities and changes in net assets. The value of these items is determined based on estimated fair value.

A number of volunteers have contributed their time to the activities of the Organization without compensation; however, these volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Expenses and support services that can be identified with a specific function are charged directly according to their natural classification. Other expenses that are common to several functions are allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 11, 2018, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use. The Organization does not believe that the new standard will have a significant impact on the pattern of revenue recognition.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending September 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Organization’s financial statements as a result of the lease for space classified as operating lease. Management has estimated that the current impact would be an addition of a right-of-use asset of approximately $5,500,000 and a related lease liability of approximately $5,400,000. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization’s year ending September 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization expects there to be a change in net asset descriptions and additional disclosures related to liquidity and availability.

Note 3 - Accounts Receivable

The following is the detail of accounts and grants receivable:

	2017	2016
CareLink Network, Inc.	$ 1,461,448	$ -
U.S. Department of HHS-Head Start	748,280	613,317
Detroit Wayne Mental Health Authority	504,900	1,165,097
ConsumerLink Network, Inc.	380,655	226,543
Bridgeway Services, Inc.	345,930	276,120
Private fees and insurance	266,639	164,341
Other grants receivable	227,002	298,694
Wayne County	166,085	208,256
Medicare and Blue Cross	124,931	110,078
Miscellaneous	71,005	119,493
Michigan Children and Adult Care Food Program	50,895	53,144
State of Michigan Children's Waiver Program	35,680	14,796
Medicaid	25,194	32,566
Wayne County Head Start	-	144,086
Total accounts and grants receivable	4,408,644	3,426,531
Less allowance for doubtful accounts and contractual allowances	(972,479)	(569,691)
Total accounts receivable	$ 3,436,165	$ 2,856,840

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give. They are due as follows:

	2017	2016
Amounts due in:		
Less than one year	$ 110,684	$ 168,308
One to three years	40,000	150,684
Total	$ 150,684	$ 318,992

Note 5 - Related Party Transactions

The Organization incurs monthly phone, postage, rent, and employee expenses for Adult and Family and Properties, which are reimbursed to the Organization. The amounts of reimbursed costs for Adult and Family and Properties were approximately $486,000 and $446,000 for the years ended September 30, 2017 and 2016, respectively, and are included in other revenue on the statement of activities and changes in net assets. As of September 30, 2017 and 2016, the Organization received approximately $14,000 and $50,000, respectively, of building and maintenance services from Properties. The Organization also reimbursed costs to Adult and Family for a grant which Adult and Family is administering. Amounts related to these payments totaled approximately $0 and $12,500 for the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, the net amount due from (to) Adult and Family was $11,910 and $(1,751), respectively. As of September 30, 2017 and 2016, the net amount due from Properties was $24,251 and $50,927, respectively.

The Organization leases facilities from Properties under various agreements that expire on December 31, 2019 and September 30, 2020 and have required monthly rental payments totaling $125,823. Rent expense approximated $1,583,000 and $1,730,000 for the years ended September 30, 2017 and 2016, respectively. Minimum future lease payments for 2018, 2019, and 2020 are $1,509,876, $1,386,662, and $1,252,591, respectively.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2017	2016
Vehicles	$ 418,232	$ 418,232
Equipment, furniture, fixtures, and software	3,417,353	3,305,715
Leasehold improvements	1,153,259	1,153,259
Construction in progress	-	20,000
Total property and equipment	4,988,844	4,897,206
Accumulated depreciation and amortization	4,071,126	3,886,482
Net property and equipment	$ 917,718	$ 1,010,724

Depreciation and amortization are provided on the straight-line basis over their estimated useful lives, which range from 3 to 39 years. Depreciation and amortization expense for 2017 and 2016 was $184,644 and $187,320, respectively.

Note 7 - Line of Credit

The Organization has a $1,500,000 line of credit with an interest rate based upon the bank's prime rate. The rate was 4.25 and 3.50 percent at September 30, 2017 and 2016, respectively. The line of credit expires on May 15, 2018. There were no outstanding balances at September 30, 2017 and 2016.

Note 8 - Contingencies

Loan Agreement Guarantee - The Organization has guaranteed variable rate demand obligation revenue and refunding bonds issued by Properties. The outstanding loan amount on the Series 2002 bonds was $2,715,000 and $3,115,000 as of September 30, 2017 and 2016, respectively. The outstanding loan amount on the Series 2007 bonds was $227,813 and $248,063 as of September 30, 2017 and 2016, respectively. In the event the Organization is required to make payments under this guarantee, it could seek to recover those amounts from the affiliate; however, it does not hold specific recourse or collateral rights in connection with this guarantee.

The Organization has also guaranteed a separate Properties mortgage. The outstanding loan amount was $2,406,454 and $2,568,050 as of September 30, 2017 and 2016, respectively. In the event the Organization is required to make payments under this guarantee, it could seek to recover those amounts from the affiliate; however, it does not hold specific recourse or collateral rights in connection with this guarantee.

Note 9 - Joint Venture

The Organization has a 50 percent interest in a joint venture with Southwest Counseling Solutions called Bridgeway Services, Inc. (Bridgeway) accounted for using the equity method. Bridgeway was formed to provide programs of supervision and care for delinquent juveniles assigned to the Wayne County Juvenile Justice System. Bridgeway has a care management contract with the Wayne County Juvenile Justice Agency through September 30, 2018.

Note 9 - Joint Venture (Continued)

The following is a summary of financial position and results of operations of Bridgeway's activities as of and for the years ended September 30:

	2017	2016
Total assets	$ 4,558,146	$ 2,503,072
Total liabilities	1,372,887	1,118,635
Net assets	3,185,259	1,384,437
Revenue	13,059,928	12,133,024
Expenses	11,259,106	12,161,894
Net increase (decrease) in net assets	1,800,822	(28,870)

Note 10 - Concentrations of Credit Risk

The Organization receives a significant portion of its revenue from grants/contracts of government agencies. Approximately 30 and 20 percent of total support, revenue, and other is received from contracts related to Behavioral Health Professionals, Inc., and U.S. Department of Health and Human Services - Head Start, respectively. The Organization is subject to possible cutbacks due to changes in funding priorities.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. At September 30, 2017, the Organization had a bank deposit balance of $5,086,315, of which $4,836,315 was uninsured and uncollateralized. The Organization believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Organization evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 11 - Retirement Plans

The Organization sponsors a 401(k) plan for eligible employees. The plan provides for the Organization to make a discretionary matching contribution. Contributions to the plan totaled $800,671 and $746,558 for the years ended September 30, 2017 and 2016, respectively.

Note 12 - Community Foundation Endowment fund

The Organization participates in permanent endowment programs held and managed by the Community Foundation for Southeastern Michigan (CFSM), an unrelated nonprofit foundation. The Organization established The Guidance Center Endowment Fund in 2011 and The Budd Lynch Endowment Fund for Children in 2012. The purpose of the endowment funds is to provide unrestricted operating support for the Organization from endowment earnings. Distributions from the funds are made at the discretion of CFSM and can be used for operations.

Both funds allow contributions by the Organization and by outside donors for the benefit of the Organization. CFSM has variance power over the funds. Accounting standards require that only the Organization's beneficial interest in the reciprocal transfer portion of the funds (the Organization's cumulative contributions plus net earnings) be shown on the financial statements. This beneficial interest in the funds is recorded at fair value.

Note 12 - Community Foundation Endowment fund (Continued)

The Guidance Center Endowment Fund

The Organization did not contribute to The Guidance Center Endowment Fund during 2017 or 2016. The fair value of the Organization's beneficial interest in the reciprocal transfer portion of the fund was $497,736 and $466,143 at September 30, 2017 and 2016, respectively. During 2017 and 2016, there were no contributions from outside donors to The Guidance Center Endowment Fund. The fair value of this portion of the fund was $21,805 and $20,502 at September 30, 2017 and 2016, respectively. The total fair value of the fund was $519,541 and $486,645 at September 30, 2017 and 2016, respectively.

The Budd Lynch Endowment Fund for Children

The Organization did not contribute to The Budd Lynch Endowment Fund for Children during 2017 or 2016. The fair value of the Organization's reciprocal transfer portion of the fund was $629 and $387 at September 30, 2017 and 2016, respectively. During 2017 and 2016, outside donors contributed $1,000 and $1,635, respectively, to the fund. The fair value of this portion of the fund was $49,254 and $45,169 at September 30, 2017 and 2016, respectively. The total fair value of the fund was $49,883 and $45,557 at September 30, 2017 and 2016, respectively.

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization’s assets measured at fair value on a recurring basis at September 30, 2017 and 2016 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2017
Beneficial interest in Community Foundation Endowment	$ -	$ -	$ 498,365	$ 498,365

Note 13 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2016
Beneficial interest in Community Foundation Endowment	$ -	$ -	$ 466,530	$ 466,530

The Organization's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event. There were no transfers between levels during 2017 and 2016.

The fair value of the beneficial interest in the CFSM endowment at September 30, 2017 was determined primarily based on Level 3 inputs. The Organization estimates the fair value of these investments based upon the Organization's relative share of assets held in the endowment fund and reported by CFSM unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

The beneficial interest in funds held at CFSM consists of a pooled investment portfolio, which consists of commonly traded mutual funds, stocks, and bonds for which an active and liquid market exists and investments in fund of funds, land, and partnerships which are not publicly traded.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Balance - Beginning of year	$ 466,530	$ 435,003
Change in value of funds held by others	31,835	31,527
Balance - End of year	$ 498,365	$ 466,530

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Guidance Center

Federal Awards Supplemental Information
September 30, 2017

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
The Guidance Center

We have audited the financial statements of The Guidance Center as of and for the year ended September 30, 2017 and have issued our report thereon dated January 11, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to January 11, 2018.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

January 11, 2018

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

Independent Auditor's Report

To Management and the Board of Directors
The Guidance Center

We have audited, 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, the financial statements of The Guidance Center (the "Organization"), which comprise the statement of financial position as of September 30, 2017 and the related statements of activities and changes in net assets, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management and the Board of Directors
The Guidance Center

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

January 11, 2018

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
The Guidance Center

Report on Compliance for Each Major Federal Program

We have audited The Guidance Center's (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

To the Board of Directors
The Guidance Center

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

January 11, 2018

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2017

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development -					
Community Development Block Grants/Entitlement Grants Cluster:					
Passed through City of Allen Park	14.218	N/A	$ 6,404	$ -	$ 6,404
Passed through Brownstown Township	14.218	N/A	4,520	-	4,520
Passed through City of Ecorse	14.218	N/A	1,200	-	1,200
Passed through City of Flat Rock	14.218	N/A	2,500	-	2,500
Passed through City of Gibraltar	14.218	N/A	1,200	-	1,200
Passed through City of Lincoln Park	14.218	N/A	2,500	-	2,500
Passed through City of River Rouge	14.218	N/A	1,200	-	1,200
Passed through City of Riverview	14.218	N/A	4,000	-	4,000
Passed through City of Trenton	14.218	N/A	8,000	-	8,000
Total U.S. Department of Housing and Urban Development					31,524
U.S. Department of Health and Human Services:					
Head Start and Early Head Start - 16/17	93.600	N/A	4,724,443	-	3,006,040
Head Start and Early Head Start - 15/16	93.600	N/A	6,869,479	-	3,930,117
Total Head Start					6,936,157
Substance Abuse and Mental Health Services Administration:					
Drug-free Community	93.276	N/A	125,000	-	125,000
Passed through Detroit Wayne Mental Health Authority - Systems of Care - SAMHSA	93.243	5U79SM061541-04	281,044	-	130,388
Comprehensive Systems Transformation Dialectical Behavioral Therapy	93.958	N/A	50,000	-	46,327
Systems of Care	93.958	N/A	253,357	-	249,609
Total Systems of Care					295,936
Substance Abuse Disorder Services Prevention Treatment	93.959	20170111-00	215,959	-	128,607
Passed through Michigan Department of Health and Human Services - Maternal and Child Health Services	93.994	B1MIMCHS(17)	10,000	-	10,000
Passed through Children's Trust Fund - CTF Local Council Designated	93.590	CTFLC16-82002	5,800	-	4,911
Total U.S. Department of Health and Human Services					7,630,999
U.S. Department of Justice - Passed through Michigan Department of Community Health - Crime Victim Assistance	16.575	2015VAGX0044(15)	1,110,000	-	1,106,716
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program (CACFP)	10.558	N/A	468,562	-	468,562
Total federal awards					**$ 9,237,801**

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

September 30, 2017 and 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of The Guidance Center (the "Organization") under programs of the federal government for the year ended September 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, functional expenses, and cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Organization has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ______ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
93.600	Head Start	Unmodified
16.575	Crime Victim Assistance	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ______ Yes __X__ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding
Current Year	None