The Guidance Center

Financial Report

September 30, 2018

Contents

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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, which comprise the statement of financial position as of September 30, 2018 and 2017 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.

Opinions

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, 2018 and 2017 and the changes in its net assets, functional expenses, and 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 15, 2019 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 15, 2019

Statement of Financial Position

September 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 6,300,174	$ 4,811,168
Accounts and other receivables - Net (Note 3)	2,635,177	3,436,165
Due from affiliates (Note 5)	41,862	36,161
Contributions receivable (Note 4)	40,000	150,684
Prepaid expenses and other current assets	338,590	442,980
Total current assets	9,355,803	8,877,158
Property and Equipment - Net (Note 6)	734,296	917,718
Investment in Joint Venture (Note 9)	2,420,450	1,592,630
Beneficial Interest in Community Foundation Endowment (Notes 12 and 13)	505,617	498,365
Total assets	**$ 13,016,166**	**$ 11,885,871**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 308,046	$ 322,499
Accrued employee expenses	2,099,721	1,775,255
Deferred revenue	11,728	13,478
Total current liabilities	2,419,495	2,111,232
Net Assets		
Unrestricted	9,475,280	8,747,409
Temporarily restricted	1,121,391	1,027,230
Total net assets	10,596,671	9,774,639
Total liabilities and net assets	**$ 13,016,166**	**$ 11,885,871**

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets		
Support, revenue, and other:		
Mental health services	$ 14,669,334	$ 16,798,929
Early learning education	7,232,085	7,404,719
Intellectual and developmental disabilities and autism services	3,387,965	3,006,388
Juvenile justice services	3,101,527	2,531,050
Substance abuse services	103,137	217,275
Grants	6,688,302	6,632,624
Other revenue	1,105,871	1,040,590
Contributions	1,016,105	484,272
Change in beneficial interest of Community Foundation Endowment	7,252	31,835
Net assets released from restrictions	424,305	563,310
Total support, revenue, and other	37,735,883	38,710,992
Expenses:		
Program services	32,805,141	33,423,827
Administrative	4,477,457	4,459,268
Development costs	553,234	659,860
Total expenses	37,835,832	38,542,955
(Decrease) Increase in Unrestricted Net Assets before Equity Gain on Investment in Joint Venture	(99,949)	168,037
Equity Gain on Investment in Joint Venture (Note 9)	827,820	900,411
Increase in Unrestricted Net Assets	727,871	1,068,448
Changes in Temporarily Restricted Net Assets		
Contributions	518,466	154,112
Net assets released from restrictions	(424,305)	(563,310)
Increase (Decrease) in Temporarily Restricted Net Assets	94,161	(409,198)
Increase in Net Assets	822,032	659,250
Net Assets - Beginning of year	9,774,639	9,115,389
Net Assets - End of year	**$ 10,596,671**	**$ 9,774,639**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2018

	Program Services	Administrative	Development	Total
Salaries	$ 18,802,335	$ 2,418,844	$ 218,286	$ 21,439,465
Fringe benefits	6,360,719	927,859	93,145	7,381,723
Contractual services	1,318,630	9,229	-	1,327,859
Travel	500,408	12,053	3,298	515,759
Supplies	370,197	41,406	68,215	479,818
Occupancy costs	3,019,582	352,810	23,391	3,395,783
Equipment rental	141,589	19,116	4,004	164,709
Communication	294,348	48,001	4,298	346,647
Meals	404,468	4,293	1,039	409,800
Training	121,446	15,800	2,988	140,234
Purchased equipment	121,350	18,333	-	139,683
Depreciation	160,360	20,311	2,751	183,422
Insurance, audit, and legal fees	288,401	84,562	3,875	376,838
Bad debt expense	-	389,349	-	389,349
Data processing	704,472	25,365	9,212	739,049
Miscellaneous	196,836	90,126	118,732	405,694
Total functional expenses	**$ 32,805,141**	**$ 4,477,457**	**$ 553,234**	**$ 37,835,832**

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**

Statement of Cash Flows

Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ 822,032	$ 659,250
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	183,422	184,644
Bad debt expense	389,349	427,788
Gain on investment in joint venture	(827,820)	(900,411)
Change in beneficial interest in Community Foundation Endowment	(7,252)	(31,835)
Changes in operating assets and liabilities which provided (used) cash and cash equivalents:		
Accounts and other receivables	411,639	(1,007,113)
Contributions receivable	110,684	168,308
Prepaid expenses and other assets	104,390	(14,562)
Accounts payable and accrued expenses	(14,453)	(131,998)
Due from affiliates	(5,701)	13,015
Accrued employee expenses	324,466	(332,940)
Deferred revenue	(1,750)	(29,280)
Net cash and cash equivalents provided by (used in) operating activities	1,489,006	(995,134)
Cash Flows Used in Investing Activities - Purchase of property and equipment	-	(91,638)
Net Increase (Decrease) in Cash and Cash Equivalents	1,489,006	(1,086,772)
Cash and Cash Equivalents - Beginning of year	4,811,168	5,897,940
Cash and Cash Equivalents - End of year	**$ 6,300,174**	**$ 4,811,168**

See notes to financial statements.

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 (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.

Investment in Joint Venture

Investment in joint ventures is accounted for using the equity method. Under the equity method, the investment is carried at cost, adjusted for the Organization's proportionate share of undistributed earnings or losses. Impairment losses due to a decline in the value of the investment that is other than temporary are recognized when incurred. No impairment losses were recognized for 2018.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

Temporarily restricted net assets are made up of the following purpose restrictions: $563,879 - Kids-TALK Children's Advocacy Center, $300,000 - Bridgeway Services grant, and $257,512 - other purpose restricted contributions as of September 30, 2018 and $847,085 - Kids-TALK Children's Advocacy Center and $180,145 - other purpose restricted contributions as of September 30, 2017.

Revenue Recognition

The Organization recognizes revenue as services are performed for the following revenue streams: mental health services, early learning education, intellectual and developmental disabilities and autism services, juvenile justice services, substance abuse services, and other revenue. Grant revenue is recognized as related costs are incurred.

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.

Note 2 - Significant Accounting Policies (Continued)

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 15, 2019, which is the date the financial statements were available to be issued.

In October 2018, The Guidance Center's board of directors approved a resolution to acquire Adult and Family's assets and liabilities. The transaction will occur prior to September 30, 2019.

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; however, the Organization expects additional disclosures upon implementation.

In February 2016, the 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-to-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 an operating lease. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. 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.

Note 2 - Significant Accounting Policies (Continued)

In August 2016, the FASB issued 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 expected there to be a change in net asset descriptions and additional disclosures related to liquidity and availability of resources.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization’s year ending September 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Note 3 - Accounts Receivable

The following is the detail of accounts and grants receivable:

	2018	2017
CareLink Network, Inc.	$ 1,017,086	$ 1,461,448
U.S. Department of Health and Human Services - Head Start	645,726	748,280
Detroit Wayne Mental Health Authority	284,318	504,900
Bridgeway Services, Inc.	272,510	345,930
Other grants receivable	246,620	227,002
Other receivables	138,727	71,005
ConsumerLink Network, Inc.	128,665	380,655
Wayne County, Michigan	82,981	166,085
State of Michigan Children's Waiver Program	78,271	35,680
Medicare and Blue Cross	76,590	124,931
Private fees and insurance	74,196	266,639
Michigan Children and Adult Care Food Program	49,664	50,895
Medicaid	-	25,194
Total accounts and grants receivable	3,095,354	4,408,644
Less allowance for doubtful accounts and contractual allowances	(460,177)	(972,479)
Total accounts receivable	$ 2,635,177	$ 3,436,165

Note 4 - Contributions Receivable

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

	2018	2017
Amounts due in:		
Less than one year	$ 20,000	$ 110,684
One to three years	20,000	40,000
Total	$ 40,000	$ 150,684

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 $499,000 and $486,000 for the years ended September 30, 2018 and 2017, respectively, and are included in other revenue on the statement of activities and changes in net assets. As of September 30, 2018 and 2017, the Organization received approximately $15,000 and $14,000, respectively, of building and maintenance services from Properties. As of September 30, 2018 and 2017, the net amount due from Adult and Family was $8,653 and $11,910, respectively. As of September 30, 2018 and 2017, the net amount due from Properties was $33,209 and $24,251, 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 $131,943. Rent expense approximated $1,510,000 and $1,583,000 for the years ended September 30, 2018 and 2017, respectively. Minimum future lease payments for 2019 and 2020 are $1,469,573 and $1,326,031, respectively.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017
Vehicles	$ 418,232	$ 418,232
Equipment, furniture, fixtures, and software	3,417,353	3,417,353
Leasehold improvements	1,153,259	1,153,259
Total property and equipment	4,988,844	4,988,844
Accumulated depreciation and amortization	4,254,548	4,071,126
Net property and equipment	$ 734,296	$ 917,718

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 2018 and 2017 was $183,422 and $184,644, 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 5.00 and 4.25 percent at September 30, 2018 and 2017, respectively. The line of credit expires on May 15, 2019. There were no outstanding balances at September 30, 2018 and 2017.

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 $0 and $2,715,000 as of September 30, 2018 and 2017, respectively. The Series 2002 bonds were refinanced as of September 30, 2018 to the Series 2018 bonds which had an outstanding loan balance of $2,265,000 at September 30, 2018. The outstanding loan amount on the Series 2007 bonds was $207,563 and $227,813 as of September 30, 2018 and 2017, 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 $1,751,094 and $2,406,454 as of September 30, 2018 and 2017, 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, 2020.

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:

	2018	2017
Total assets	$ 5,620,708	$ 4,558,146
Total liabilities	779,809	1,372,887
Net assets	4,840,899	3,185,259
Revenue	13,154,796	13,059,928
Expenses	11,499,156	11,259,106
Net increase in net assets	1,655,640	1,800,822

Note 10 - Concentrations of Credit Risk

The Organization receives a significant portion of its revenue from grants/contracts with government agencies. Approximately 43 and 19 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, 2018, the Organization had a bank deposit balance of $6,454,386, of which $6,204,386 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 $926,323 and $800,671 for the years ended September 30, 2018 and 2017, respectively.

Note 12 - Community Foundation Endowment Fund

The Organization participates in permanent endowment programs held and managed by the Community Foundation for Southeastern Michigan (CFSEM), 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 CFSEM and can be used for operations.

Both funds allow contributions by the Organization and by outside donors for the benefit of the Organization. CFSEM 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.

The Guidance Center Endowment Fund

The Organization did not contribute to The Guidance Center Endowment Fund during 2018 or 2017. The fair value of the Organization's beneficial interest in the reciprocal transfer portion of the fund was $504,971 and $497,736 at September 30, 2018 and 2017, respectively. During 2018 and 2017, there were no contributions from outside donors to The Guidance Center Endowment Fund. The fair value of this portion of the fund was $22,090 and $21,805 at September 30, 2018 and 2017, respectively. The total fair value of the fund was $527,061 and $519,541 at September 30, 2018 and 2017, respectively.

The Budd Lynch Endowment Fund for Children

The Organization did not contribute to The Budd Lynch Endowment Fund for Children during 2018 or 2017. The fair value of the Organization's reciprocal transfer portion of the fund was $646 and $629 at September 30, 2018 and 2017, respectively. During 2018 and 2017, outside donors contributed $55 and $1,000, respectively, to the fund. The fair value of this portion of the fund was $50,069 and $49,254 at September 30, 2018 and 2017, respectively. The total fair value of the fund was $50,716 and $49,883 at September 30, 2018 and 2017, 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, 2018 and 2017 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.

Note 13 - Fair Value Measurements (Continued)

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, 2018			
	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, 2018
Beneficial interest in Community Foundation Endowment	$ -	$ -	$ 505,617	$ 505,617

	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

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 2018 and 2017.

The fair value of the beneficial interest in the CFSM endowment at September 30, 2018 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 that are not publicly traded.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Balance - Beginning of year	$ 498,365	$ 466,530
Change in value of funds held by others	7,252	31,835
Balance - End of year	$ 505,617	$ 498,365

Note 13 - Fair Value Measurements (Continued)

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, 2018

Contents

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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, 2018 and have issued our report thereon dated January 15, 2019, 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 15, 2019.

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 15, 2019

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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, 2018 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 15, 2019.

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 15, 2019

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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 the Organization's major federal program for the year ended September 30, 2018. The Organization's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 the 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 the major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

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

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 15, 2019

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2018

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Award Amount	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	$ -	$ 5,000	$ 5,000
Passed through City of Woodhaven	14.218	N/A	-	10,000	10,000
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 Rockwood	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
Passed through Brownstown Township	14.218	N/A	-	4,520	4,520
Total U.S. Department of Housing and Urban Development					38,920
U.S. Department of Health and Human Services:					
Head Start and Early Head Start - 17/18	93.600	N/A	-	6,869,479	2,939,362
Head Start and Early Head Start - 18/19	93.600	N/A	-	7,024,097	3,751,836
Total Head Start					6,691,198
Substance Abuse and Mental Health Services Administration:					
Drug-free Community	93.276	N/A	-	125,000	125,000
Pass through Detroit Wayne Mental Health Authority:					
Systems of Care - SAMHSA	93.243	5U79SM061541-04	-	122,544	81,947
Systems of Care	93.958	N/A	-	272,249	256,319
Passed through Michigan Department of Health and Human Services - Maternal and Child Health Services	93.994	E20182688-00	-	10,000	9,987
U.S. Department of Justice - Passed through Michigan Department of Health and Human Services - Crime Victim Assistance	16.575	E20182581-00	-	1,143,300	1,132,387
U.S Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program (CACFP)	10.558	N/A		471,956	438,550
Total federal awards					**$ 8,774,308**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2018

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, 2018. 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 assets, 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 minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2018

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

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	______ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None