
The Guidance Center

Financial Report
September 30, 2021

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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, 2021 and 2020 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, 2021 and 2020 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.

Emphasis of Matter

As described in Note 2 to the financial statements, The Guidance Center adopted the provisions of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective adoption method. Our opinion is not modified with respect to this matter.

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 13, 2022 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 13, 2022

Statement of Financial Position

September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 10,351,693	\$ 11,406,730
Accounts and grants receivable - Net (Note 3)	2,564,893	3,268,858
Prepaid expenses and other current assets	985,181	402,801
Due from affiliates (Note 4)	37,223	34,994
Contributions receivable	475,900	-
Total current assets	14,414,890	15,113,383
Property and Equipment - Net (Note 5)	416,133	500,838
Investment in Joint Venture (Note 8)	3,149,840	1,981,702
Beneficial Interest in Community Foundation Endowment (Notes 11 and 12)	594,746	497,173
Total noncurrent assets	4,160,719	2,979,713
Total assets	\$ 18,575,609	\$ 18,093,096
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 376,246	\$ 646,753
Deferred revenue	17,149	62,791
Accrued employee expenses	2,807,691	2,858,896
Due to affiliates (Note 4)	-	30,000
Total liabilities	3,201,086	3,598,440
Net Assets		
Without donor restrictions	14,245,040	12,637,091
With donor restrictions (Note 2)	1,129,483	1,857,565
Total net assets	15,374,523	14,494,656
Total liabilities and net assets	\$ 18,575,609	\$ 18,093,096

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2021 and 2020

	2021	2020
Changes in Net Assets without Donor Restrictions		
Support, revenue, and other:		
Mental health services	\$ 17,881,371	\$ 18,317,930
Early learning education	8,157,032	8,768,123
Intellectual and developmental disabilities and autism services	2,147,093	2,258,685
Juvenile justice services	2,968,440	5,995,204
Substance abuse services	236,255	231,486
Grants	7,284,753	6,601,493
Other revenue	1,058,882	1,158,207
Contributions	386,922	420,341
Change in beneficial interest of Community Foundation Endowment	97,573	(2,356)
Net assets released from restrictions	1,622,509	905,139
Total support, revenue, and other	41,840,830	44,654,252
Expenses:		
Program services	35,883,675	37,051,964
Administrative	5,179,025	4,980,704
Development costs	338,279	327,564
Total expenses	41,400,979	42,360,232
Increase in Net Assets without Donor Restrictions - Before equity gain (loss) on investment in joint venture	439,851	2,294,020
Equity Gain (Loss) on Investment in Joint Venture (Note 8)	1,168,138	(781,331)
Increase in Net Assets without Donor Restrictions	1,607,989	1,512,689
Changes in Net Assets with Donor Restrictions		
Contributions	894,387	1,455,069
Net assets released from restrictions	(1,622,509)	(905,139)
(Decrease) Increase in Net Assets with Donor Restrictions	(728,122)	549,930
Increase in Net Assets	879,867	2,062,619
Net Assets - Beginning of year	14,494,656	12,432,037
Net Assets - End of year	\$ 15,374,523	\$ 14,494,656

Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services	Administrative	Development Costs	Total
Salaries	\$ 21,374,086	\$ 2,883,658	\$ 178,057	\$ 24,435,801
Fringe benefits	7,215,943	1,136,398	70,931	8,423,272
Contractual services	729,371	48,822	-	778,193
Travel	126,997	4,171	22	131,190
Supplies	482,329	106,082	1,395	589,806
Occupancy costs	3,301,008	412,085	24,007	3,737,100
Equipment rental	110,692	13,474	3,987	128,153
Communication	381,550	68,478	6,769	456,797
Meals	224,159	42	113	224,314
Training	156,273	28,899	5,269	190,441
Purchased equipment	284,142	67,814	1,060	353,016
Depreciation	93,795	14,015	-	107,810
Data processing	586,383	41,622	10,215	638,220
Insurance	270,404	52,335	4,497	327,236
Audit and legal	-	128,414	-	128,414
Bad debt expense	381,780	-	-	381,780
Miscellaneous	164,763	172,716	31,957	369,436
	<u>\$ 35,883,675</u>	<u>\$ 5,179,025</u>	<u>\$ 338,279</u>	<u>\$ 41,400,979</u>
Total functional expenses				

Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services	Administrative	Development Costs	Total
Salaries	\$ 21,816,790	\$ 2,844,798	\$ 177,568	\$ 24,839,156
Fringe benefits	7,289,094	1,118,388	69,955	8,477,437
Contractual services	927,310	12,494	-	939,804
Travel	229,862	2,718	137	232,717
Supplies	462,743	103,201	1,134	567,078
Occupancy costs	3,228,370	349,285	23,705	3,601,360
Equipment rental	159,619	13,328	5,303	178,250
Communication	285,558	107,085	5,042	397,685
Meals	409,614	3,987	434	414,035
Training	116,854	24,933	5,041	146,828
Purchased equipment	425,171	48,622	881	474,674
Depreciation	110,750	14,003	2,546	127,299
Data processing	656,977	38,531	10,358	705,866
Insurance	263,013	46,906	3,971	313,890
Audit and legal	-	111,497	-	111,497
Bad debt expense	470,497	-	-	470,497
Miscellaneous	199,742	140,928	21,489	362,159
Total functional expenses	<u>\$ 37,051,964</u>	<u>\$ 4,980,704</u>	<u>\$ 327,564</u>	<u>\$ 42,360,232</u>

Statement of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 879,867	\$ 2,062,619
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	107,810	127,299
Bad debt expense	381,780	470,497
(Gain) loss on investment in joint venture	(1,168,138)	781,331
Change in beneficial interest in Community Foundation Endowment	(97,573)	2,356
Changes in operating assets and liabilities that provided (used) cash:		
Accounts and other receivables	322,185	(697,674)
Contributions receivable	(475,900)	20,000
Prepaid expenses and other assets	(582,380)	(82,903)
Accounts payable and accrued expenses	(270,507)	(247,626)
Due (from) to affiliates	(32,229)	58,051
Accrued employee expenses	(51,205)	255,462
Deferred revenue	(45,642)	58,513
Net cash (used in) provided by operating activities	(1,031,932)	2,807,925
Cash Flows used in Investing Activities - Purchase of property and equipment	(23,105)	(53,718)
Net (Decrease) Increase in Cash	(1,055,037)	2,754,207
Cash - Beginning of year	11,406,730	8,652,523
Cash - End of year	\$ 10,351,693	\$ 11,406,730

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 related to Southgate Properties (Properties). Properties is also a subsidiary of Guidance Center System.

The accompanying financial statements include only the financial information of the Organization. Additional related party information is found in Note 4.

Note 2 - Significant Accounting Policies

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. Receivables are expected to be collected within one year. As of September 30, 2021, there is no allowance for uncollectible contributions.

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 venture 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 2021 or 2020.

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 as either net assets without donor restrictions or net assets with donor restrictions. Net assets without donor restrictions are either unrestricted or have had their donor-imposed restrictions met. Net assets with donor restrictions have a donor-imposed restriction placed on them that must be met before they become unrestricted.

September 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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, net assets with donor restrictions are released to net assets without donor restrictions.

Net assets with donor restrictions are made up of the following purpose restrictions: \$87,343 - Kids-TALK Children's Advocacy Center, \$539,629 - Champions of Wayne, and \$502,511 - other purpose-restricted contributions as of September 30, 2021 and \$246,656 - Kids-TALK Children's Advocacy Center, \$1,000,000 - Bridgeway Services grant, and \$610,909 - other purpose-restricted contributions as of September 30, 2020.

Grant Revenue

Grants receivable and revenue are stated at invoice amounts and consist primarily of government funding or pass-through government funding. Revenue is generated through contracts with various government and pass-through agencies to provide services outlined in the various contracts. Revenue from grant contracts totaled approximately \$14.2 million and \$15.7 million for the 2021 and 2020 fiscal years, respectively. Revenue for these contract services is earned and recognized based on the timing of the services provided or as reimbursement for expenses as they are incurred.

At September 30, 2021 and 2020, the Organization had remaining available award balances on federal conditional grants of \$5,204,515 and \$5,184,096, respectively. These award balances are not recognized as assets and will be recognized as revenue as the contract progresses and conditions are met, generally as expenses are incurred.

Revenue Recognition

The Organization recognizes revenue from exchange contracts 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.

The Organization has contracts with Detroit Wayne Integrated Health Network, Medicaid, Medicare, private insurance, and self-pay. Revenue is recorded over time as services are provided based on the contracted rates per service.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management believes that the Organization is in compliance with all applicable laws and regulations, and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action including fines, penalties, and exclusions from the Medicaid program.

The Organization invoices payors as services are performed based on their established contract amounts, type of service provided, and the payor. 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 customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

For the year ended September 30, 2021, the beginning balance of the Organization's accounts receivable related to behavioral health and case management services was \$1,873,725.

September 30, 2021 and 2020

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 period in which the gift is received are both reported as contributions without donor restrictions. Other contributions with donor restrictions are reported as net assets with donor restrictions.

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 program and support services on several bases and estimates, including on an FTE, square footage, or other basis. 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 13, 2022, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

During the year ended September 30, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related amendments (ASC 606), which serve to supersede most existing revenue recognition guidance, including guidance specific to the not-for-profit industry. 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 Organization adopted ASC 606 on October 1, 2020 using the modified retrospective transition method. The adoption had no impact on the previously recorded amounts as of October 1, 2020.

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements. 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 activities. 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 activities 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, 2023 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 leases for space classified as operating leases. 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 activities 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 3 - Accounts Receivable

The following is the detail of accounts and grants receivable:

	2021	2020
Detroit Wayne Integrated Health Network	\$ 1,128,154	\$ 1,227,462
U.S. Department of Health and Human Services - Head Start	774,937	948,678
Other grants receivable	363,748	749,678
Medicare and Blue Cross	210,023	342,683
Bridgeway Services, Inc.	194,604	307,540
Other receivables	112,070	109,115
Private fees and insurance	81,814	139,197
Wayne County, Michigan	65,890	52,980
Michigan Children and Adult Care Food Program	24,259	8,370
Children's Waiver	1,981	-
	2,957,480	3,885,703
Total accounts and grants receivable		
Less allowance for doubtful accounts and contractual allowances	(392,587)	(616,845)
Total accounts receivable	\$ 2,564,893	\$ 3,268,858

Note 4 - Related Party Transactions

The Organization incurs monthly communication, rent, utilities, insurance, and employee expenses for Southgate Properties, which are reimbursed to the Organization. The amounts of reimbursed costs for Southgate Properties were approximately \$407,000 and \$429,000 for the years ended September 30, 2021 and 2020, respectively, and are included in other revenue on the statement of activities and changes in net assets. For the years ended September 30, 2021 and 2020, the Organization received approximately \$53,000 and \$47,000, respectively, of building and maintenance services from Properties. As of September 30, 2021 and 2020, the net amount due from Properties was \$37,223 and \$34,994, respectively. As of September 30, 2021 and 2020, \$0 and \$30,000, respectively, was payable to Properties related to building improvements.

The Organization leases facilities from Properties under various agreements that expire on September 30, 2022, 2023, and 2025 and have required monthly rental payments totaling \$129,978. Rent expense totaled \$1,559,741 for the years ended September 30, 2021 and 2020. Future minimum annual commitments under these leases are as follows:

2022	\$	2,226,498
2023		2,042,170
2024		634,849
2025		634,849
Total	\$	<u>5,538,366</u>

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Vehicles	\$ 178,980	\$ 418,232
Equipment, furniture, fixtures, and software	707,644	3,486,946
Leasehold improvements	1,266,202	1,231,154
Construction in progress	-	30,000
Total property and equipment	<u>2,152,826</u>	<u>5,166,332</u>
Accumulated depreciation and amortization	<u>1,736,693</u>	<u>4,665,494</u>
Net property and equipment	<u>\$ 416,133</u>	<u>\$ 500,838</u>

Depreciation is provided on the straight-line basis over their estimated useful lives, which range from 3 to 39 years. Depreciation expense for 2021 and 2020 was \$107,810 and \$127,299, respectively.

Note 6 - 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 percent at both September 30, 2021 and 2020. The line of credit expires on May 15, 2022. There were no outstanding balances at September 30, 2021 and 2020.

Note 7 - Contingencies

The Organization has guaranteed variable rate demand obligation revenue and refunding bonds issued by Properties. The outstanding loan amount on the Series 2018 bonds was \$920,000 and \$1,400,000 as of September 30, 2021 and 2020, respectively. The outstanding loan amount on the Series 2007 bonds was \$146,813 and \$167,063 as of September 30, 2021 and 2020, respectively. In the event the Organization is required to make payments under this guarantee, it could seek to recover those amounts from Properties; however, it does not hold specific recourse or collateral rights in connection with this guarantee.

Note 7 - Contingencies (Continued)

The Organization also guaranteed a separate mortgage of Properties, which was paid in full in April 2021.

Note 8 - 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, 2023.

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:

	2021	2020
Total assets	\$ 6,773,844	\$ 4,534,686
Total liabilities	474,166	571,282
Net assets	6,299,678	3,963,404
Revenue	13,371,180	12,993,588
Expenses	11,034,906	14,556,249
Net increase (decrease) in net assets	2,336,274	(1,562,661)

Note 9 - Concentrations of Credit Risk

The Organization receives a significant portion of its revenue from grants/contracts with government agencies. Approximately 39 and 19 percent of total support, revenue, and other is received from contracts related to the Detroit Wayne Integrated Health Network and U.S. Department of Health and Human Services - Head Start, respectively, for the year ended September 30, 2021. Approximately 39 and 17 percent of total support, revenue, and other is received from contracts related to the Detroit Wayne Integrated Health Network and U.S. Department of Health and Human Services - Head Start, respectively, for the year ended September 30, 2020. 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. 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, 2021, the Organization had a bank deposit balance of \$9,312,430, of which \$9,062,430 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 10 - 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 \$1,039,502 and \$1,074,298 for the years ended September 30, 2021 and 2020, respectively.

Note 11 - Community Foundation Endowment Fund

The Organization participates in permanent endowment programs held and managed by the Community Foundation for Southeast 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.

September 30, 2021 and 2020

Note 11 - Community Foundation Endowment Fund (Continued)

Both funds allow contributions by the Organization as well as 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 (TGCE Fund) during 2021 or 2020. The fair value of the Organization's beneficial interest in the reciprocal transfer portion of TGCE Fund was \$588,005 and \$495,467 at September 30, 2021 and 2020, respectively. During 2021 and 2020, there were no contributions from outside donors. The fair value of this portion of TGCE Fund was \$25,717 and \$21,670 at September 30, 2021 and 2020, respectively. The total fair value of TGCE Fund was \$613,722 and \$517,137 at September 30, 2021 and 2020, respectively.

The Budd Lynch Endowment Fund for Children

The Organization did not contribute to The Budd Lynch Endowment Fund for Children (TBL Fund) during 2021 or 2020. The fair value of the Organization's reciprocal transfer portion of TBL Fund was \$6,741 and \$1,706 at September 30, 2021 and 2020, respectively. During 2021 and 2020, there were no contributions from outside donors. The fair value of this portion of TBL Fund was \$58,369 and \$49,183 at September 30, 2021 and 2020, respectively. The total fair value of TBL Fund was \$65,110 and \$50,889 at September 30, 2021 and 2020, respectively.

Note 12 - 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, 2021 and 2020 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. The Organization has no Level 1 assets.

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. The Organization has no Level 2 assets.

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 where 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.

Notes to Financial Statements

September 30, 2021 and 2020

Note 12 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at September 30, 2021				
	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, 2021
Beneficial interest in Community Foundation Endowment Fund	\$ -	\$ -	\$ 594,746	\$ 594,746

Assets Measured at Fair Value on a Recurring Basis at September 30, 2020				
	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, 2020
Beneficial interest in Community Foundation Endowment Fund	\$ -	\$ -	\$ 497,173	\$ 497,173

Note 13 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of September 30, 2021 and 2020 for general expenditure are as follows:

	2021	2020
Cash	\$ 10,351,693	\$ 11,406,730
Accounts receivable and due from affiliates	2,602,116	3,303,852
Total	<u>\$ 12,953,809</u>	<u>\$ 14,710,582</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$1,500,000 that it could draw upon.

The Guidance Center

**Federal Awards Supplemental Information
September 30, 2021**

Independent Auditor's Reports

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
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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, 2021 and have issued our report thereon dated January 13, 2022, 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 13, 2022.

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 13, 2022

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, 2021 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 13, 2022.

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) as a basis for designing 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-001, that we consider to be a material weakness.

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 financial statements. 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*.

The Organization's Response to the Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 13, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

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, 2021. 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 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 the major federal program for the year ended September 30, 2021.

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 13, 2022

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2021

Federal Agency/Pass-through Agency/Program Title	ALN	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	\$ 5,000	\$ -	\$ 5,000
Passed through City of Riverview	14.218	N/A	8,000	-	8,000
Passed through City of Trenton	14.218	N/A	8,000	-	8,000
Passed through City of Gibraltar	14.218	N/A	1,200	-	1,200
Passed through City of Lincoln Park	14.218	N/A	3,750	-	<u>3,750</u>
Total U.S. Department of Housing and Urban Development					25,950
U.S. Department of Health and Human Services:					
Head Start Cluster:					
Head Start and Early Head Start 3/1/20 - 2/28/21	93.600	N/A	7,432,158	-	3,459,625
Head Start and Early Head Start 3/1/21 - 6/30/21	93.600	N/A	2,534,794	-	2,534,794
Head Start and Early Head Start 7/1/21 - 2/28/22	93.600	N/A	4,986,852	-	1,664,619
COVID-19: Head Start CRRSA Funds 7/1/21 - 6/30/23	93.600	N/A	154,397	-	46,704
COVID-19: Head Start ARP Funds 7/1/21 - 6/30/23	93.600	N/A	664,434	-	3,413
COVID-19: Head Start 7/1/20 - 2/28/21	93.600	N/A	450,829	-	<u>290,253</u>
Total Head Start					7,999,408
Substance Abuse and Mental Health Services Administration:					
Section 223 Demonstration Programs to Improve Community Mental Health Services					
Certified Community Behavioral Health Clinic Expansion Grants	93.829	N/A	1,999,535	-	862,230
Certified Community Behavioral Health Clinic Expansion Grants	93.829	N/A	1,991,028	-	1,336,683
Drug Free Community Grants - Competing Continuation	93.276	N/A	129,108	-	92,060
Drug Free Community Grants - Competing Continuation	93.276	N/A	125,000	-	23,632
Passed through Detroit Wayne Integrated Health Network Block Grant for Community Mental Health Services - System of Care	93.958	N/A	32,850	-	29,726
Passed through Michigan Department of Health and Human Services - Medicaid Cluster - Medical Assistance Program - CTST Medical Assistance	93.778	E20213759-001	100,000	-	<u>100,000</u>
Total U.S. Department of Health and Human Services					10,443,739
U.S. Department of Justice - Passed through Michigan Department of Health and Human Services - Crime Victim Assistance					
	16.575	E20210658-001	1,513,842	-	1,465,182
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program (CACFP)					
	10.558	N/A	157,028	-	157,028
U.S. Department of Treasury - Passed through Michigan Department of Health and Human Services - COVID-19 Coronavirus Relief Fund - Kids Talk Stability Grant					
	21.019	E20213566-00	49,850	-	<u>49,767</u>
Total federal awards					<u>\$ 12,141,666</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2021

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, 2021. 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 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. The pass-through entity identifying numbers are presented where available.

The Organization has elected 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

Schedule of Findings and Questioned Costs

Year Ended September 30, 2021

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? X Yes 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:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
93.600	Head Start Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2021

Section II - Financial Statement Audit Findings

Reference Number	Finding
2021-001	<p data-bbox="362 506 769 531">Finding Type - Material weakness</p> <p data-bbox="362 558 1481 737">Criteria - Per 2 CFR 200.508(b), an auditee must prepare appropriate financial statements, including the schedule of expenditures of federal awards, in accordance with 2 CFR 200.510 - financial statements. Per 2 CFR 200.510(b), the auditee must also prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements, which must include the total federal awards expended, as determined in accordance with 2 CFR 200.502 - basis for determining federal awards expended.</p> <p data-bbox="362 758 1481 814">Condition - Controls in place were not adequate to ensure the SEFA was complete and accurate prior to the start of the audit.</p> <p data-bbox="362 835 1481 957">Context - Audit procedures identified that the SEFA was initially understated by approximately \$1.3 million related to two grants that ended during the fiscal year. Although the grants ended during the year ended September 30, 2021, expenditures were incurred from October 2020 to April 2021.</p> <p data-bbox="362 978 1481 1035">Cause - The Organization did not have a procedure in place to reconcile the SEFA to federal grant revenue to ensure SEFA completeness.</p> <p data-bbox="362 1056 1481 1239">Effect - The SEFA was initially understated by approximately \$1.3 million. The correction to the SEFA did not impact the single audit's major program determination. However, the lack of proper processes and controls to prepare a complete and adequate SEFA could result in significant implications, such as an incorrect conclusion on whether a single audit is needed, an incorrect major program determination, and/or a reporting of noncompliance to name a few. Despite the understatement on the SEFA, there was no impact on revenue recognition.</p> <p data-bbox="362 1260 1481 1381">Recommendation - The Organization should establish procedures and controls to reconcile the SEFA to federal grant revenue recognized during the fiscal year and assess whether other procedures and/or controls are needed to ensure a complete and accurate SEFA is prepared prior to the start of the audit.</p> <p data-bbox="362 1402 1481 1644">Views of Responsible Officials and Planned Corrective Actions - In preparing for the annual audit, a preliminary SEFA was prepared in order to give the auditors information on which to prepare their major program determination. This preliminary document was not reconciled to the federal grant revenue report, which was still under development. Inadvertently, two federal contracts, which had expired during the fiscal year, were left off the preliminary SEFA. While we are responsible for this oversight, it did not impact the auditor's selection of major contracts, and all revenue and expenses for the two contracts were properly accounted for throughout the year.</p> <p data-bbox="362 1665 1481 1782">Beginning on October 1, 2021, and updated as appropriate throughout the year, a list of all federal contracts (SEFA) will be maintained and their revenue will be reconciled quarterly with total grant revenue. This will ensure a complete and accurate SEFA is prepared for the annual audit.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2021

Section III - Federal Program Audit Findings

Finding	Questioned Costs
None	



**The Guidance Center
Corrective Action Plan
For Year Ended September 30, 2021**

Finding Number: 2021-001

Condition: Controls in place were not adequate to ensure the Schedule of Expenditures of Federal Awards (SEFA) was complete and accurate prior to the start of the audit.

Views of Responsible Officials: In preparing for the annual audit, a preliminary SEFA was prepared in order to give the auditors information on which to prepare their major program determination. This preliminary document was not reconciled to the federal grant revenue report which was still under development. Inadvertently two federal contracts, which had expired during the fiscal year, were left off the preliminary SEFA. While we are responsible for this oversight, it did not impact the auditor's selection of major contracts and all the revenue and expenses for the two contracts were properly accounted for throughout the year.

Planned Corrective Action: Beginning October 1, 2021, and updated as appropriate throughout the year, a list of all federal contracts (SEFA) will be maintained and their revenue will be reconciled quarterly with total grant revenue. This will ensure a complete and accurate SEFA is prepared for the annual audit.

Contact person responsible for corrective action: Gary Guetschow, CFO

Anticipated Completion Date: 09/30/2022