

# WEST MICHIGAN PARTNERSHIP FOR CHILDREN

## FINANCIAL STATEMENTS

For the year ended September 30, 2020  
and nine months ended September 30, 2019

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**INDEPENDENT AUDITOR'S REPORT**

June 18, 2021

To the Board of Directors  
West Michigan Partnership for Children  
Grand Rapids, Michigan

We have audited the accompanying financial statements of West Michigan Partnership for Children (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019; the related statements of activities, functional expenses, and cash flows for the year then ended September 30, 2020 and the nine months ended September 30, 2019; 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 West Michigan Partnership for Children as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year ended September 30, 2020 and the nine months ended September 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2021, on our consideration of West Michigan Partnership for Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West Michigan Partnership for Children's 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 West Michigan Partnership for Children's internal control over financial reporting and compliance.



Certified Public Accountants  
Grand Rapids, Michigan

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## FINANCIAL STATEMENTS

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## STATEMENTS OF FINANCIAL POSITION

### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

September 30, 2020 and 2019

#### ASSETS

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 2,086,023	\$ 324,861
Grants receivable	5,197,831	7,494,397
Prepaid expenses	62,462	43,657
<b>Total Assets</b>	<u>\$ 7,346,316</u>	<u>\$ 7,862,915</u>

#### LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable	\$ 5,545,119	\$ 1,586,417
Accrued liabilities:		
Accrued compensation	87,363	48,039
Foster care services	339,670	9,889
Other	-	8,716
Deferred Revenue	313,673	50,000
Long term debt - MDHHS	-	4,150,000
<b>Total Liabilities</b>	6,285,825	5,853,061
<b>Net Assets</b>		
Without donor restrictions	1,060,491	2,009,854
<b>Total Net Assets</b>	<u>1,060,491</u>	<u>2,009,854</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,346,316</u>	<u>\$ 7,862,915</u>

## STATEMENTS OF ACTIVITIES

### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

	Without Donor Restrictions 2020	Without Donor Restrictions 2019
<b>Grant Revenue and Other</b>		
Grant Revenue - case rate payments	\$ 33,285,878	\$ 30,090,731
Grant Revenue - administration fees	2,040,471	960,051
Grant Revenue - other	342,904	67,692
Interest income	3,532	7,045
Contributions	113	-
Other	84,067	-
<b>Total Grant Revenue and Other</b>	35,756,965	31,125,519
<b>Expenses</b>		
Program services:		
Child welfare programs	36,055,076	29,819,723
Supporting services:		
General and administrative	651,252	499,412
<b>Total Expenses</b>	36,706,328	30,319,135
<b>Change in Net Assets</b>	(949,363)	806,384
<b>Net Assets, beginning of period</b>	2,009,854	1,203,470
<b>Net Assets, end of period</b>	<u>\$ 1,060,491</u>	<u>\$ 2,009,854</u>



## STATEMENTS OF FUNCTIONAL EXPENSES

### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

	<u>Program Services</u>		<u>Supporting Services</u>
	<u>Child Welfare Programs</u>	<u>Management and General</u>	<u>Total</u>
Salary and wages	\$ 891,833	\$ 290,775	\$ 1,182,608
Payroll taxes	67,753	22,091	89,844
Employee benefits	129,748	42,303	172,051
<b>Total Salaries and Related Expenses</b>	<b>1,089,334</b>	<b>355,169</b>	<b>1,444,503</b>
Placement agency foster care payments	13,297,362	-	13,297,362
Foster parent maintenance rate	3,749,249	-	3,749,249
Residential services	10,293,383	-	10,293,383
Treatment and enhanced foster care	3,511,040	-	3,511,040
Adoption	1,679,150	-	1,679,150
Family reunification	548,551	-	548,551
Supportive visitation	119,569	-	119,569
Independent living payments	421,863	-	421,863
Counseling services	294,938	-	294,938
Drug screens	131,126	-	131,126
Parent education	103,492	-	103,492
Case worker training	86,495	-	86,495
Specific case services	443,408	(4,131.00)	439,277
Other contracted foster care services	6,211	-	6,211
Occupancy	48,060	15,669	63,729
Professional services	26,486	133,483	159,968
Telephone and technology	163,454	53,293	216,747
Marketing	17,451	4,363	21,814
Professional development and travel	24,454	7,972	32,427
Other operating expenses	-	85,434	85,434
<b>Total Expenses</b>	<b>\$ 36,055,076</b>	<b>\$ 651,252</b>	<b>\$ 36,706,328</b>

## STATEMENTS OF FUNCTIONAL EXPENSES

### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the nine months ended September 30, 2019

	<u>Program Services</u>		<u>Supporting Services</u>
	<u>Child Welfare Programs</u>	<u>Management and General</u>	<u>Total</u>
Salary and wages	\$ 607,544	\$ 202,515	\$ 810,059
Payroll taxes	50,619	16,873	67,492
Employee benefits	73,663	24,554	98,217
<b>Total Salaries and Related Expenses</b>	<b>731,826</b>	<b>243,942</b>	<b>975,768</b>
Placement agency foster care payments	11,465,867	-	11,465,867
Foster parent maintenance rate	2,843,416	-	2,843,416
Residential services	8,307,461	-	8,307,461
Treatment and enhanced foster care	3,187,608	-	3,187,608
Adoption	1,164,872	-	1,164,872
Family reunification	476,162	-	476,162
Supportive visitation	95,515	-	95,515
Independent living payments	351,221	-	351,221
Counseling services	208,021	-	208,021
Drug screens	207,625	-	207,625
Parent education	136,130	-	136,130
Case worker training	22,352	-	22,352
Specific case services	381,463	-	381,463
Other contracted foster care services	2,861	-	2,861
Occupancy	25,814	8,604	34,418
Professional services	20,234	123,128	143,362
Telephone and technology	133,309	44,436	177,745
Marketing	24,098	6,024	30,122
Professional development and travel	33,868	11,289	45,157
Other operating expenses	-	61,989	61,989
<b>Total Expenses</b>	<b>\$ 29,819,723</b>	<b>\$ 499,412</b>	<b>\$ 30,319,135</b>

## STATEMENTS OF CASH FLOWS

### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

	<u>2020</u>	<u>2019</u>
<b>Change in Net Assets</b>	\$ (949,363)	\$ 806,384
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities:</b>		
Changes in operating assets and liabilities:		
Grants receivable	2,296,566	(6,228,177)
Prepaid expenses	(18,805)	75,758
Accounts payable	3,958,702	1,492,284
Accrued liabilities	360,389	(684,921)
Deferred revenue	263,673	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	5,911,162	(4,538,672)
<b>Net Cash Provided by (Used for) Financing Activities:</b>		
MDHHS cash advance	(4,150,000)	4,150,000
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,761,162	(388,672)
<b>Beginning Cash and Cash Equivalents</b>	324,861	713,533
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 2,086,023</u>	<u>\$ 324,861</u>

## NOTES TO FINANCIAL STATEMENTS

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### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

#### ***Note A – Nature of Activities and Summary of Significant Accounting Policies***

##### **Nature of Activities**

The accompanying financial statements present the financial position, results of operations, and cash flows of West Michigan Partnership for Children (“WMPC”). WMPC was incorporated in Michigan as a not-for-profit corporation in 2016 to pilot the first performance-based foster care service delivery model in Michigan with the goal of improving outcomes for children. WMPC believes there is a better way to support children and families in West Michigan.

On October 1, 2017 WMPC began facilitating foster care for children and families in Kent County, Michigan, in partnership with Bethany Christian Services, Catholic Charities West Michigan, D.A. Blodgett - St. John’s, Samaritas, and Wellspring Lutheran Services, through a contract with the Michigan Department of Health and Human Services (MDHHS).

WMPC and its partners value keeping families together. WMPC aims to safely reunify more children with their families and more quickly by working alongside families to help them address the situations that led to their child’s removal. WMPC prioritizes keeping children with their families and relatives and seeks adoptive homes only when returning children to their families is not possible. Foster parents are important partners in this process.

The financial statements of WMPC have been prepared on the accrual basis of accounting. The significant accounting policies of WMPC are described below.

##### **Basis of Accounting**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

##### **Net Assets**

WMPC reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of WMPC’s management and the board of directors.

## NOTES TO FINANCIAL STATEMENTS

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### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

#### ***Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)***

##### **Net Assets (Continued)**

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of WMPC or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consists of demand deposits in banks, institutional money market funds, and cash on hand. For purposes of the statement of cash flows, WMPC considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except that such assets held in endowment are generally classified as noncurrent. WMPC maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, WMPC may have cash in a bank checking or savings account in excess of the federally insured limit.

##### **Grants Receivable**

Grants receivable consist primarily of amounts billed by WMPC to the State of Michigan but not collected as of the date of the financial statements. Grants receivable are stated at the amount management expects to collect from the outstanding balance. Management has determined, based on payments received after the date of the financial statements, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

##### **Property and Equipment**

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 39 years. WMPC follows a capitalization policy of \$5,000 in determining assets to be depreciated. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

## NOTES TO FINANCIAL STATEMENTS

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### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

#### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

##### **Deferred Revenue**

On May 1, 2020, the Organization received loan proceeds in the amount of \$245,055 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) and provides loans to qualifying businesses for amounts up to 2.5 times the average amount of qualified payroll expenses. The loans are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and the borrower maintains their employment levels. The Organization used the proceeds consistent with the PPP requirements and subsequent to year end requested forgiveness of the PPP loan. Management expects that the PPP loan will be forgiven in 2021.

The balance of deferred revenue consists of prepaid rents received prior to conditions having been met.

##### **Revenue Recognition**

WMPC has a unique funding model through its contract with the Michigan Department of Health and Human Services. WMPC receives case rate funds from the State when a child is placed into its care and additional payments every six months from that placement date. The amount of the payment declines over time; the longer the child is in the system, the smaller the payments from the State to WMPC.

Revenue is recognized at the time WMPC bills the State. While revenue is received based on a child being in WMPC's care, the dollars are not directly linked to that child for covering their specific costs. The funds are available for WMPC's use for any child. It is anticipated that some children will have greater needs than others and will incur more costs. Any unspent funds are to be retained by WMPC over the course of its contract for the creation of a risk pool addressing the high needs of specific children over time, and developing new programs servicing the needs of foster children in WMPC's care.

##### **Income Taxes**

WMPC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, WMPC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

WMPC evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that WMPC has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. WMPC'S federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

## NOTES TO FINANCIAL STATEMENTS

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### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

#### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

##### **Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 18, 2021, which is the date the financial statements were available to be issued.

##### **Functional Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of WMPC. Expenses qualifying for federal funding reimbursement related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies conducted by the State of Michigan.

Remaining management and general expenses were allocated using the following methods: 1) salaries and related personnel expenses were allocated based on management's analysis of time utilization for each WMPC position, 2) occupancy, telephone/utilities, technology, professional development, and travel expenses were allocated equally to each team member and then distributed based on management's time utilization analysis for time spent between program activities and administration, 3) professional services were either allocated wholly to administrative activities or based on time utilization, 4) marketing expenses were allocated based on time spent between programs and administration, and 5) other operating expenses wholly allocated as administrative activities.

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. WMPC did not conduct any fundraising activities in 2020 and therefore had no expenses for that function.

##### **Concentrations**

Substantially all of the grants receivable at September 30, 2020 and 2019 are due from the State of Michigan. In addition, substantially all of the grant revenue received during the years then ended was provided by the State of Michigan. A loss of this revenue could adversely affect WMPC's operations.

## NOTES TO FINANCIAL STATEMENTS

### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

#### **Note B – Liquidity and Availability**

The following represents WMPC'S financial assets at September 30, 2020 and 2019:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,086,023	\$ 324,861
Grants receivable	5,197,831	7,494,397
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,283,854</u>	<u>\$ 7,819,258</u>

#### **Note C – Retirement Plan**

WMPC maintains a Simple IRA Plan qualified fund Section 408(p) of the Internal Revenue Code for its retirement plan. Under this plan, eligible team members are permitted to contribute up \$12,500 of their gross compensation into their plan; team members over 50 years of age may contribute an additional \$3,000 for a maximum of \$15,500. WMPC makes an automatic 2% of gross compensation contributions for each eligible team member into his or her Simple IRA. Contributions are made with each bi-weekly payroll. Contributions were \$21,584 and \$10,953 for the year ended September 30, 2020 and the nine months ended September 30, 2019, respectively.

#### **Note D – Line of Credit**

WMPC has an unsecured \$1,500,000 line of credit with Mercantile Bank which expired on December 15, 2020 and was subsequently renewed. Interest calculated on the unpaid balance will be no less than 4.25% per annum or more than the maximum rate allowed by applicable law. There were no outstanding borrowings on the line of credit as of September 30, 2020 and September 30, 2019, respectively.

#### **Note E – Operating Leases**

WMPC leases office space to run its operations. The lease commenced on April 1, 2017, and WMPC was required to make monthly rent payments in the amount of \$4,638. Total rental expense was \$54,120 and \$28,864 for the year ended September 30, 2020 and the nine months ended September 30, 2019, respectively.

WMPC also rents office equipment on a monthly basis. The 60 month lease commenced on August 10, 2017 and requires monthly payments of \$281.37 through August 2022. The lease was amended on May 21, 2018 and extended to August 2022. The new lease requires monthly payments of \$607.84. Office equipment rent expense was \$7,294 and \$5,471 for the year ended September 30, 2020 and the nine months ended September 30, 2019, respectively. Future minimum payments are as follows:

September 30, 2021	\$ 63,783
2022	64,262



## NOTES TO FINANCIAL STATEMENTS

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### WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020 and the nine months ended September 30, 2019

#### ***Note F – Long Term Liabilities***

During the nine months ended September 30, 2019 the Organization received a cash advance from MDHHS to support operations during an unexpected cash shortfall. The cash advance does not require interest payments and is due in full on October 30, 2020. As of September 30, 2020, MDHHS agreed to treat the advance as revenue and WMPC was not required to repay the loan. There is no other outstanding debt as of September 30, 2020.

#### ***Note G – Risks and Uncertainties***

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result, unemployment levels reached a high of 14.7% during the current year and slowly decreased to 8.2% as of September 30, 2020.

Continued efforts are being made to understand and manage the risks created by such economic events.