

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

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

September 30, 2020 and 2019

ASSETS

Assets

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

LIABILITIES AND NET ASSETS

Liabilities

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

Total Liabilities	6,285,825	5,853,061
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Net Assets

Without donor restrictions	<u>1,060,491</u>	<u>2,009,854</u>
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Total Net Assets	<u>1,060,491</u>	<u>2,009,854</u>
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Total Liabilities and Net Assets	<u>\$ 7,346,316</u>	<u>\$ 7,862,915</u>
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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
Grant Revenue and Other		
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	-
Total Grant Revenue and Other	35,756,965	31,125,519
Expenses		
Program services:		
Child welfare programs	36,055,076	29,819,723
Supporting services:		
General and administrative	651,252	499,412
Total Expenses	36,706,328	30,319,135
Change in Net Assets	(949,363)	806,384
Net Assets, beginning of period	2,009,854	1,203,470
Net Assets, end of period	\$ 1,060,491	\$ 2,009,854

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
Total Salaries and Related Expenses	1,089,334	355,169	1,444,503
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
Total Expenses	\$ 36,055,076	\$ 651,252	\$ 36,706,328

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
Total Salaries and Related Expenses	731,826	243,942	975,768
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
Total Expenses	\$ 29,819,723	\$ 499,412	\$ 30,319,135

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>
Change in Net Assets	\$ (949,363)	\$ 806,384
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities:		
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	-
Net Cash Provided by (Used for) Operating Activities	5,911,162	(4,538,672)
Net Cash Provided by (Used for) Financing Activities:		
MDHHS cash advance	(4,150,000)	4,150,000
Net Increase (Decrease) in Cash and Cash Equivalents	1,761,162	(388,672)
Beginning Cash and Cash Equivalents	324,861	713,533
Ending Cash and Cash Equivalents	<u>\$ 2,086,023</u>	<u>\$ 324,861</u>

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 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

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

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

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

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.

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

Grand Rapids, Michigan

Additional Reports Required by
the Uniform Guidance

For the year ended
September 30, 2020

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WEST MICHIGAN PARTNERSHIP FOR CHILDREN

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INDEPENDENT AUDITOR’S 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

June 18, 2021

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

We have audited, in accordance with the 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 West Michigan Partnership for Children (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Michigan Partnership for Children’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 West Michigan Partnership for Children’s internal control. Accordingly, we do not express an opinion on the effectiveness of West Michigan Partnership for Children’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 entity’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 West Michigan Partnership for Children'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*.

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.



Certified Public Accountants
Grand Rapids, Michigan



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 18, 2021

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

Report on Compliance for Each Major Federal Program

We have audited West Michigan Partnership for Children’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on West Michigan Partnership for Children’s major federal program for the year ended September 30, 2020. West Michigan Partnership for Children’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 programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for West Michigan Partnership for Children’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* (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 West Michigan Partnership for Children’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 West Michigan Partnership for Children's compliance.

Opinion on Each Major Federal Program

In our opinion, West Michigan Partnership for Children complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of West Michigan Partnership for Children 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 West Michigan Partnership for Children's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 West Michigan Partnership for Children's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report On Schedule Of Expenditures Of Federal Awards Required By The Uniform Guidance

We have audited the financial statements of West Michigan Partnership for Children as of and for the year ended September 30, 2020 and have issued our report thereon dated June 18, 2021, 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. The accompanying schedule of expenditures of federal awards is presented for purposes 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Grand Rapids, Michigan

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S Department of Health and Human Services		
Passed through Michigan Department of Health and Human Services:		
Child Welfare Continuum of Care:		
Temporary Assistance for Needy Families (TANF) Cluster:		
Temporary Assistance for Needy Families (TANF): E20202936-00	93.558	\$ 1,272,924
Foster Care - Title IV-E: E20202936-00	93.658	7,068,113
Adoption Assistance - Title IV-E: E20202936-00	93.659	382,786
Social Services Block Grant: E20202936-00	93.667	3,043,655
Medical Assistance Program - Medicaid Administration: E20192936-00	93.778	<u>194,566</u>
Total Child Welfare Continuum of Care Grant		<u>11,962,044</u>
Temporary Assistance for Needy Families (TANF) Cluster:		
Temporary Assistance for Needy Families (TANF): E20203804-00 - Supported Visitation	93.558	300,000
Promoting Safe and Stable Families:		
E20193330-00 - Adoptive Foster Parent Recruitment and Retention	93.556	3,984
E20203088-001 - Adoptive Foster Parent Recruitment and Retention		32,478
E20193326-00 - Youth in Transition		18,123
E20203284-002 - Youth in Transition		<u>50,000</u>
Total Promoting Safe and Stable Families Grant		<u>104,585</u>
Total Passed through Michigan Department of Health and Human Services		<u>12,366,629</u>
Total U.S. Department of Health and Human Services		<u>12,366,629</u>
Total Federal Financial Assistance		<u><u>\$ 12,366,629</u></u>

Accrued (Deferred) Revenue At October 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Passed Through to Sub-recipients	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At September 30, 2020
\$ -	\$ 1,541,291	\$ 1,272,924	\$ 221,654	\$ 1,272,924	\$ -
-	5,155,043	7,068,113	4,182,538	7,068,113	-
-	862,824	1,224,986	1,035,765	1,224,986	-
-	3,922,260	3,043,655	1,403,301	3,043,655	-
-	142,769	194,566	164,986	194,566	-
-	11,624,187	12,804,244	7,008,244	12,804,244	-
-	-	95,709	-	57,022	38,687
3,734	3,984	-	-	3,734	-
-	-	20,327	-	12,221	8,106
17,741	18,123	-	-	17,741	-
-	-	31,864	-	19,934	11,930
21,475	22,107	52,191	-	53,630	20,036
21,475	11,646,294	12,952,144	7,008,244	12,914,896	58,723
21,475	11,646,294	12,952,144	7,008,244	12,914,896	58,723
\$ 21,475	\$ 11,646,294	\$ 12,952,144	\$ 7,008,244	\$ 12,914,896	\$ 58,723

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of West Michigan Partnership for Children under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of West Michigan Partnership for Children, it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Michigan Partnership for Children.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

No accruals have been recorded on the Schedule for amounts passed through to subrecipient due to a unique funding methodology employed by the grantor agency, the Michigan Department of Health and Human Services (MDHHS). The Organization is required to report all expenditures incurred during the audit period on quarterly cost reports and submit to MDHHS, who analyzes and makes a determination of the Federal award under which the costs will be claimed. An allocation of all Organization expenditures to their respective funding source, both Federal and State, was provided by MDHHS subsequent to year-end. Whereas a grant receivable existed at September 30, 2020, and is properly reflected in the financial statements of the Organization, the federal portion is indeterminable based on the aforementioned funding methodology.

Note C – Indirect Cost Rate

West Michigan Partnership for Children has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Child Welfare Continuum of Care:			
Temporary Assistance for Needy Families (TANF) Cluster	\$ 1,272,924	\$ 1,272,924	\$ -
Foster Care - Title IV-E	7,068,113	7,068,113	-
Adoption Assistance - Title IV-E	1,224,986	1,224,986	-
Social Services Block Grant	3,043,655	3,043,655	-
Medical Assistance Program - Medicaid Administration	194,566	194,566	-
Temporary Assistance for Needy Families (TANF) Cluster	95,709	95,709	-
Promoting Safe and Stable Families	52,191	52,191	-
	<u>\$ 12,952,144</u>	<u>\$ 12,952,144</u>	<u>\$ -</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

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? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200? _____ Yes X No

Identification of major programs audited:

 93.667 Social Services Block Grant

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

Auditee qualified as a low-risk auditee? X Yes _____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

Section II - Financial Statements Audit Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Major Federal Award Programs Findings and Questioned Costs

There were no findings that are required to be reported under *Government Auditing Standards*.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

Section IV - Prior Year Audit Findings

2019-001 Federal Written Procedures

Finding type: Significant deficiency in internal control over major programs.

Programs Impacted: Foster Care - Title IV-E.

Criteria: Uniform Guidance, 2 CFR 200.303, requires that the Organization establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: The Organization has not developed written procedures that are consistent with requirements imposed by the Uniform Guidance.

Cause: The Organization has developed written financial procedures, however due to an emphasis on grant compliance have not dedicated the resources necessary to document written procedures that are in compliance with all requirements imposed by the Uniform Guidance.

Effect: Control activities of the Organization were in some cases ineffective or nonexistent, thereby increasing the risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Federal awards administered.

Questioned Costs: \$0 for all programs.

Recommendation: We recommend that the Organization compile and adhere to Federal Written Procedures that support an effective control environment and provide reasonable assurance that the Organization is in compliance with all requirements imposed by the Uniform Guidance.

Resolution: The finding has been resolved.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2020

2019-002 Subrecipient Monitoring

Finding type: Significant deficiency in internal control over major programs and noncompliance.

Programs Impacted: Foster Care - Title IV-E.

Criteria: Uniform Guidance, 2 CFR 200.332(a), requires that all pass-through entities communicate to their subrecipient(s) specific information necessary to identify the Federal Awards and, when some information is not available, that they provide subrecipients with the best information available to describe the Federal awards.

Condition: The Organization did not identify all required detail necessary to adequately describe the Federal awards, including total expenditures by Federal program, passed through to subrecipients. Whereas some of this information was not known to the Organization at the time of the award, subsequent communications to subrecipients were not made timely.

Cause: The Organization did not receive detail of the Federal awards passed through to subrecipients until their grantor agency, the Michigan Department of Health and Human Services (MDHHS), provided such detail well after the audit period had closed.

Effect: Subrecipients were not provided with the information necessary to ensure compliance with all federal requirements. Since the Organization does not know which Federal award MDHHS will use to fund their grant until after it has been spent, agreements with their subrecipients are incomplete and compliance with its terms does not ensure compliance with all federal program requirements.

Questioned Costs: \$0 for all programs.

Recommendation: We recommend that the Organization implement control procedures to ensure that all required Federal award information is provided to subrecipients, as required by the Uniform Guidance.

Resolution: This finding has been resolved.



June 18, 2021

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

We have audited the financial statements of West Michigan Partnership for Children for the year ended September 30, 2020, and have issued our report thereon dated June 18, 2021. Professional standards require that we provide you with the following information about our responsibilities under *Generally Accepted Auditing Standards* and *Government Auditing Standards* and the Uniform Guidance as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 14, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West Michigan Partnership for Children are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

1. To reconcile net assets to prior year ending audited balance for \$6,388,555.
2. To adjust case rate revenue and accounts payable for \$516,848.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 18, 2021.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of West Michigan Partnership for Children and is not intended to be and should not be used by anyone other than these specified parties.



Hungerford Nichols