

COMMUNITY UNLIMITED, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Community Unlimited, Inc.
Union City, Michigan**

January 29, 2020

We have audited the accompanying financial statements of Community Unlimited, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Community Unlimited, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Taylor, Plant & Watkins, P.C.
TAYLOR, PLANT & WATKINS, P.C.
COLDWATER, MICHIGAN

COMMUNITY UNLIMITED, INC.

**STATEMENT OF FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 2019**

ASSETS

| | |
|--|-------------------|
| Cash | \$ 19,816 |
| Cash - restricted | 162,873 |
| Accounts receivable - restricted | 16,377 |
| Prepaid expenses - restricted | 5,741 |
| Equipment at cost, less accumulated depreciation of \$74,839 in 2019 - restricted | <u>42,003</u> |
| Total assets | <u>\$ 246,810</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|-------------------------------|---------------|
| Accounts payable - restricted | \$ 22,059 |
| Accrued expenses - restricted | <u>57,778</u> |
| Total liabilities | 79,837 |

NET ASSETS

| | |
|-------------------------------------|-------------------|
| Without donor restrictions | 19,816 |
| With donor restrictions | <u>147,157</u> |
| Total net assets | <u>166,973</u> |
| Total liabilities and net assets | <u>\$ 246,810</u> |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|--------------|
| REVENUE AND OTHER SUPPORT | | | |
| Grants | \$ - | \$1,961,059 | \$1,961,059 |
| Contributions | 2,215 | 43,329 | 45,544 |
| Youth activities | - | 37,274 | 37,274 |
| Interest income | 172 | - | 172 |
| Net assets released from restrictions | 1,894,505 | (1,894,505) | - |
| Total revenues and other support | 1,896,892 | 147,157 | 2,044,049 |
| EXPENSES | | | |
| Program services | | | |
| 21st Century Community Learning Center | 204,497 | - | 204,497 |
| Child and Adult Care Food Program | 157,932 | - | 157,932 |
| Great Start Readiness Program | 1,656,775 | - | 1,656,775 |
| Other Youth Activities | 72,985 | - | 72,985 |
| Total expenses | 2,092,189 | - | 2,092,189 |
| INCREASE (DECREASE) IN NET ASSETS | (195,297) | 147,157 | (48,140) |
| NET ASSETS - BEGINNING OF YEAR | 215,113 | - | 215,113 |
| NET ASSETS - END OF YEAR | \$ 19,816 | \$ 147,157 | \$ 166,973 |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

| | Program Services | | | | |
|---------------------------------|-------------------------|-------------------|---------------------|-----------------------------------|---------------------|
| | 21st CCLC | CACFP | GSRP | Other Youth Activities | Total |
| Salaries | \$135,156 | \$ 47,951 | \$1,025,009 | \$ 26,296 | \$1,234,412 |
| Payroll taxes | 11,975 | 3,733 | 93,374 | 2,362 | 111,444 |
| Employee benefits | 5,989 | 288 | 72,903 | 2,388 | 81,568 |
| Retirement | 3,664 | 276 | 28,028 | 676 | 32,644 |
| Youth activities | 10,500 | - | 46,125 | 301 | 56,926 |
| Supplies | 215 | - | - | 9,885 | 10,100 |
| Food | - | 105,684 | 49,174 | 9,922 | 164,780 |
| Transportation | 29,893 | - | 136,165 | 2,098 | 168,156 |
| Donated services and facilities | - | - | 28,565 | - | 28,565 |
| Professional fees | 1,318 | - | 10,779 | 228 | 12,325 |
| Office | 776 | - | 5,967 | 1,012 | 7,755 |
| Repairs and maintenance | 44 | - | 77,718 | 13,216 | 90,978 |
| Insurance | 837 | - | 7,781 | 166 | 8,784 |
| Dues and subscriptions | 15 | - | 871 | 190 | 1,076 |
| Licenses and permits | 397 | - | 7,213 | - | 7,610 |
| Training | 3,436 | - | 12,333 | 3,805 | 19,574 |
| Depreciation | - | - | 23,368 | - | 23,368 |
| Utilities | 171 | - | 5,226 | 184 | 5,581 |
| Advertising | - | - | 370 | 67 | 437 |
| Rent | - | - | 25,290 | - | 25,290 |
| Miscellaneous | 111 | - | 516 | 189 | 816 |
| | \$ 204,497 | \$ 157,932 | \$ 1,656,775 | \$ 72,985 | \$ 2,092,189 |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------------|
| Increase (decrease) in net assets | \$ (48,140) |
| Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operating activities: | |
| Depreciation | 23,368 |
| Decrease (increase) in: | |
| Accounts receivable | 17,818 |
| Prepaid expenses | (2,274) |
| Increase (decrease) in: | |
| Accounts payable | 4,578 |
| Accrued expenses | <u>3,613</u> |
| Net cash provided (used) by operating activities | (1,037) |
| CASH AND RESTRICTED CASH - BEGINNING | <u>183,726</u> |
| CASH AND RESTRICTED CASH - ENDING | <u><u>\$ 182,689</u></u> |

See accompanying notes to
financial statements

COMMUNITY UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Community Unlimited, Inc. is a nonprofit corporation established to promote and oversee programs for children and adolescents that integrate aspects of character development with school and community primarily for people in the Branch and Calhoun County, Michigan area. The Organization is supported primarily through grant contracts with the State of Michigan Department of Education. Revenues received from the Department of Education amounted to approximately 97% of the total revenue.

Basis of presentation – The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

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 actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Basis of accounting – The financial statements have been prepared on the accrual basis.

Cash and cash equivalents – For purposes of the statement of cash flows, management considers all liquid investments with an original maturity date of three months or less to be cash equivalents.

Accounts receivable – The Organization has established policies for extending credit, however, due to Organizations’ favorable collection history, historical trends and other information, no allowance for doubtful accounts is deemed necessary. Bad debt expense for the year ended September 30, 2019 amounted to \$0.

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES - Continued

Land, buildings and equipment – All acquisitions of land, buildings and equipment and all expenditures for repairs, maintenance, or betterments that materially prolong the useful lives of assets are capitalized. Accounting principles generally accepted in the United States of America require that fixed assets be recorded at cost.

Income taxes – The Organization is public charity exempt from Federal income taxes under the Internal Revenue Service regulation 501 (c) (3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization has determined no unrelated business activity exists for the year ended September 30, 2019. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the year ended September 30, 2019 amounted to \$437.

Estimates – Management uses estimates and assumptions in preparing financial statements. 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.

Cost allocation – The costs of the Organizations programs and supporting services have been reported on the functional basis. The schedule of functional expenses requires allocation of certain costs among the various services based on estimates by management. The Organization allocates all cost to programs therefore no fundraising or general and administrative expenses are presented.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Community Unlimited, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events – The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE B – CASH

The Organization uses local financial institutions for cash purposes. The account maintained in the financial institutions is a checking account. The carrying amount of the Organization’s cash at September 30, 2019 was \$182,689 and the bank balance was \$196,209. The differences between the balances are the result of deposits in transit and checks issued but not yet presented for payment. The entire amount maintained in the checking account is insured.

NOTE C – LIQUITY AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of requirements in short-term investments. All of the Organizations current assets are available for general use within one year of the balance sheet.

NOTE D – EQUIPMENT

Depreciation included in the increase (decrease) in net assets for the year ended September 30, 2019 amounted to \$23,368. Depreciation has been recorded on the straight line method.

| | |
|--------------------------------|-------------------------|
| Equipment | \$ 116,842 |
| Less, accumulated depreciation | <u>74,839</u> |
| Undepreciated cost | <u><u>\$ 42,003</u></u> |

A building was donated to the Organization, but at the dissolution of the Organization, the building reverts back to the original owner. Therefore, the Organization does not capitalize any significant repairs or improvements as they do not feel it adds future value to the Organization.

NOTE E – DONATED SERVICES AND FACILITIES

The Organization uses portions of the Union City Elementary and Middle Schools for program services. The School District provide all utilities, maintenance and some equipment. Amounts have been reflected in these statements as contributed revenue and corresponding donated services and facilities expense for the fair value of donated services and facilities. The donated services and facilities amounted to \$28,565 for the year ended September 30, 2019.

COMMUNITY UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE F – RENT

The Organization leases various facilities and classrooms for program services. These are classified as operating leases and are renewed on a year-to-year basis. The rent expense amounted to \$25,290 for the year ended September 30, 2019.

NOTE G – PROFIT SHARING PLAN

The Organization has established a qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. The Organization is currently contributing a match of all employee contributions up to 2% of wages limited to the amount deferred. Qualified employees also participate in a 2% profit sharing plan. Contributions included in the increase (decrease) in net assets for the year ending September 30, 2019 amounted to \$32,644.



January 29, 2020

Community Unlimited, Inc.
Union City, Michigan

We have audited the financial statements of Community Unlimited, Inc. for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Community Unlimited, Inc. 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 the year. 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 most sensitive estimate affecting the financial statement was:

Determining the value of In-Kind amounts donated by Union City Community Schools. This amount was provided by Community Unlimited, Inc, management at approximately \$28,565.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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 letter dated January 29, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entities financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements.

In planning and performing our audit of the financial statements of the Community Unlimited, Inc. as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Community Unlimited, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the following deficiencies in Community Unlimited, Inc.'s internal control to be material weaknesses:

1. The Organization does not have control procedures in place or a member of management with sufficient skills to prepare financial statements in accordance with U.S. generally accepted accounting principles. As is common with smaller entities the Organization relies on its independent external auditors to assist in the preparation of the financial statements. Auditors by definition cannot be considered part of the Organization's internal controls. The Organization has evaluated the cost vs. benefit of preparing the financial statements and has determined it is in the best interest of the Organization to outsource this task to its external auditors.
2. Due to the size of staff the Community Unlimited Inc. lacks adequate segregation of duties. We understand due to the size of needed staff, a proper segregation of duties may be impractical and the cost vs. benefit relationship may not justify the addition of accounting staff to accomplish the desired segregation. However, we do recognize the Organization has implemented various procedures, such as the use of a local trust department for collection of receipts, to improve internal controls.

This communication is intended solely for the information and use of management, Members of the Community Unlimited, Inc. Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Taylor, Plant & Watkins, P.C.
TAYLOR, PLANT & WATKINS, P.C.