

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

FINANCIAL STATEMENTS

For the years ended
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

September 19, 2019

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 December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended 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 September 19, 2019, 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

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 713,533	\$ 7,916,971
Grants receivable	1,266,220	307,060
Prepaid expenses	119,415	102,867
Total Assets	\$ 2,099,168	\$ 8,326,898
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 94,133	\$ 146,565
Accrued liabilities:		
Salaries and wages	23,895	17,791
Vacation	18,018	-
Foster care services	759,652	1,448,224
Other	-	4,048
Total Liabilities	895,698	1,616,628
Net Assets		
Without donor restrictions	1,203,470	6,710,270
Total Net Assets	1,203,470	6,710,270
Total Liabilities and Net Assets	\$ 2,099,168	\$ 8,326,898

STATEMENTS OF ACTIVITIES

WEST MICHIGAN PARTNERSHIP FOR CHILDREN For the years ended December 31, 2018 and 2017

	Without Donor Restrictions 2018	Without Donor Restrictions 2017
Grant Revenue and Other		
Grant Revenue - case rate payments	\$ 30,348,500	\$ 14,374,400
Grant Revenue - administration fees	1,596,192	724,900
Interest income	60,601	32,651
Contributions	120	-
Other	3,679	-
Total Grant Revenue and Other	32,009,092	15,131,951
Expenses		
Program services:		
Child welfare programs	37,038,620	8,864,930
Supporting services:		
General and administrative	477,272	250,956
Total Expenses	37,515,892	9,115,886
Change in Net Assets	(5,506,800)	6,016,065
Net Assets, beginning of year	6,710,270	694,205
Net Assets, end of year	\$ 1,203,470	\$ 6,710,270

STATEMENTS OF FUNCTIONAL EXPENSES

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

	<u>Program Services</u>		<u>Supporting Services</u>	
	<u>Child Welfare Programs</u>		<u>Management and General</u>	<u>Total</u>
Salary and wages	\$ 606,187	\$ 275,725	\$ 881,912	
Payroll taxes	50,706	18,177	68,883	
Employee benefits	102,231	36,162	138,393	
Total Salaries and Related Expenses	759,124	330,064	1,089,188	
Placement agency foster care payments	15,214,399	-	15,214,399	
Foster parent maintenance rate	3,593,603	-	3,593,603	
Residential services	11,282,958	-	11,282,958	
Treatment and enhanced foster care	1,923,985	-	1,923,985	
Adoption	1,595,490	-	1,595,490	
Family reunification	534,100	-	534,100	
Supportive visitation	95,033	-	95,033	
Independent living payments	413,398	-	413,398	
Counseling Services	265,224	-	265,224	
Drug Screens	218,398	-	218,398	
Parent education	99,136	-	99,136	
Case worker training	73,820	-	73,820	
Specific case services	564,007	-	564,007	
Other contracted foster care services	1,427	-	1,427	
Occupancy	30,709	11,811	42,520	
Professional services	100,209	26,426	126,635	
Telephone and technology	156,025	60,011	216,036	
Marketing	27,432	6,859	34,291	
Professional development and travel	51,199	11,528	62,727	
Other operating expenses	38,944	30,573	69,517	
Total Expenses	\$ 37,038,620	\$ 477,272	\$ 37,515,892	

STATEMENTS OF FUNCTIONAL EXPENSES

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2017

	<u>Program Services</u>		<u>Supporting Services</u>	
	<u>Child Welfare Programs</u>		<u>Management and General</u>	<u>Total</u>
Salary and wages	\$ 256,661	\$	92,566	\$ 349,227
Payroll taxes	24,895		6,651	31,546
Employee benefits	52,055		13,998	66,053
Total Salaries and Related Expenses	333,611		113,215	446,826
Placement agency foster care payments	3,691,920		-	3,691,920
Foster parent maintenance rate	655,263		-	655,263
Residential services	3,359,223		-	3,359,223
Treatment and enhanced foster care	3,310		-	3,310
Adoption	169,080		-	169,080
Family reunification	183,948		-	183,948
Supportive visitation	6,279		-	6,279
Independent living payments	22,996		-	22,996
Parent education	36,076		-	36,076
Case worker training	3,542		-	3,542
Specific case services	27,081		-	27,081
Other contracted foster care services	38,038		-	38,038
Occupancy	27,951		8,822	36,773
Professional services	86,276		22,135	108,411
Telephone and technology	193,651		74,152	267,803
Marketing	10,163		17,548	27,711
Professional development and travel	942		4,909	5,851
Other operating expenses	15,580		9,004	24,584
Interest expense	-		1,171	1,171
Total Expenses	\$ 8,864,930	\$	250,956	\$ 9,115,886

STATEMENTS OF CASH FLOWS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Change in Net Assets	\$ (5,506,800)	\$ 6,016,065
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities:		
Changes in operating assets and liabilities:		
Grants receivable	(959,160)	(307,060)
Prepaid expenses	(16,548)	(102,867)
Accounts payable	(52,432)	146,565
Accrued liabilities	(668,498)	1,470,063
Net Cash Provided by (Used for) Operating Activities	(7,203,438)	7,222,766
Beginning Cash and Cash Equivalents	7,916,971	694,205
Ending Cash and Cash Equivalents	<u>\$ 713,533</u>	<u>\$ 7,916,971</u>
Supplemental Cash Flow Information		
Interest paid	\$ -	\$ 1,171

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN
For the years ended December 31, 2018 and 2017

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.

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.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN
For the years ended December 31, 2018 and 2017

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

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.

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 represent 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, 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 years ended December 31, 2018 and 2017

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

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 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.

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 September 19, 2019, 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.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN
For the years ended December 31, 2018 and 2017

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

Functional Expense Allocation (Continued)

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, related expenses, professional development, and other operating expenses not directly attributable to programs were allocated using management's best estimates for time utilization by each WMPC position, 2) occupancy and telephone and technology expenses were allocated equally to each team member and then distributed based on their estimated percentage of time spent on programs and administration, and 3) marketing was allocated based on time spent on programs and administration, and 4) interest expense was allocated 100% to general and administrative expenses.

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 2018 and 2017 and therefore had no expenses for that function.

Concentrations

Substantially all of the grants receivable at December 31, 2018 and 2017 are due from the State of Michigan. In addition, substantially all of the grant revenue received during the years ended December 31, 2018 and 2017, respectively was issued from the State of Michigan. A loss of this State revenue could adversely affect WMPC's operations.

Note B – Liquidity and Availability

The following represents WMPC'S financial assets at December 31, 2018 and 2017:

Financial assets:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 713,533	\$ 7,916,971
Grants receivable	1,266,220	307,060
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,979,753</u>	<u>\$ 8,224,031</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN
For the years ended December 31, 2018 and 2017

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 to \$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 contribution for each eligible team member into his or her Simple IRA. Contributions are made with each bi-weekly payroll. Contributions were \$17,352 and \$3,692 for the years ended December 31, 2018 and 2017, respectively.

Note D– Line of Credit

WMPC has an unsecured \$1,500,000 line of credit with Mercantile Bank which expires on December 15, 2019. 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 December 31, 2018 and 2017, respectively.

Note E – Operating Leases

WMPC leases office space to run its operations. The lease commenced on April 1, 2017 and is effective through April 1, 2020. WMPC is required to make monthly rent payments in the amount of \$2,874. Total rental expense was \$34,485 and \$25,864 for the years ended December 31, 2018 and 2017, respectively. The lease is renewable for two three-year options.

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. The lease was amended on May 21, 2018 and extended to August 2022. The new lease requires monthly payments of \$607.84. Rent expense was \$5,661.73 and \$1,266.16 for the years ended December 31, 2018 and 2017. Future minimum payments for the next four years are as follows:

December 31, 2019	\$	41,782
2020		15,916
2021		7,294
2022		5,471

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

Grand Rapids, Michigan

Additional Reports Required by
the Uniform Guidance

For the year ended
December 31, 2018

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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

September 19, 2019

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 December 31, 2018, 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 September 19, 2019.

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

September 19, 2019

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 each of West Michigan Partnership for Children’s major federal programs for the year ended December 31, 2018. West Michigan Partnership for Children’s major federal programs are 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 each of West Michigan Partnership for Children’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 each 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 each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

West Michigan Partnership for Children's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Michigan Partnership for Children's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002, that we consider to be significant deficiencies.

West Michigan Partnership for Children's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Michigan Partnership for Children's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 December 31, 2018 and have issued our report thereon dated September 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 December 31, 2018

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:		
Temporary Assistance for Needy Families (TANF) Cluster:		
Temporary Assistance for Needy Families (TANF) E20192936-00	93.558	\$ 2,997,604
Foster Care - Title IV-E E20192936-00	93.658	5,696,910
Adoption Assistance - Title IV-E E20192936-00	93.659	906,257
Social Services Block Grant E20192936-00	93.667	2,529,864
Medical Assistance Program - Medicaid Administration E20192936-00	93.778	<u>206,193</u>
Total Passed through Michigan Department of Health and Human Services		<u>12,336,828</u>
Total U.S. Department of Health and Human Services		<u>12,336,828</u>
Total Federal Financial Assistance		<u>\$ 12,336,828</u>

Accrued (Deferred) Revenue At January 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Passed Through to Sub-recipients	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At December 31, 2018
\$ -	\$ -	\$ 2,997,604	\$ 428,957	\$ 2,997,604	\$ -
-	-	5,696,910	990,042	5,696,910	-
-	-	906,257	173,303	906,257	-
-	-	2,529,864	164,911	2,529,864	-
-	-	206,193	38,975	206,193	-
-	-	12,336,828	1,796,188	12,336,828	-
-	-	12,336,828	1,796,188	12,336,828	-
\$ -	\$ -	\$ 12,336,828	\$ 1,796,188	\$ 12,336,828	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

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 December 31, 2018. 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 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 December 31, 2018, 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 December 31, 2018

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Temporary Assistance for Needy:			
Families (TANF) Cluster	\$ 2,997,604	\$ 2,997,604	\$ -
Foster Care - Title IV-E	5,696,910	5,696,910	-
Adoption Assistance	906,257	906,257	-
Social Services Block Grant	2,529,864	2,529,864	-
Medical Assistance Program - Medicaid Administration	206,193	206,193	-
	<u>\$ 12,336,828</u>	<u>\$ 12,336,828</u>	<u>\$ -</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ 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? X Yes _____ 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?

 X Yes _____ No

Identification of major programs audited:

93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance - Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:

 \$750,000

Auditee qualified as a low-risk auditee?

_____ Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

Section II - Financial Statements Audit Findings

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

Section III – Major Federal Awards Findings and Questioned Costs

Current Year Findings

2019-001 Federal Written Procedures

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

Programs Impacted: CFDA 93.558, Temporary Assistance for Needy Families; CFDA 93.658, Foster Care - Title IV-E; and CFDA 93.659, Adoption Assistance - 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.

Views of Responsible Officials: The Organization agrees with the finding and will compile and adhere to Federal Written Procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

Section III – Major Federal Awards Findings and Questioned Costs (Continued)

Current Year Findings (Continued)

2019-002 Subrecipient Monitoring

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

Programs Impacted: CFDA 93.558, Temporary Assistance for Needy Families; CFDA 93.658, Foster Care - Title IV-E; and CFDA 93.659, Adoption Assistance - Title IV-E.

Criteria: Uniform Guidance, 2 CFR 200.331(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 that they passed through to subrecipients. Whereas some of this information was not known to the Organization at the time of the award, subsequent communications or amendments to the grant agreement were not made.

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 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.

Views of Responsible Officials: The Organization agrees with the finding and will implement control procedures to ensure that all required Federal award information is communicated to subrecipients.



WMPC FY2018 Single Audit: Corrective Action Plan

Federal Programs Audit: Finding #	Responsible Person	Management Views	Corrective Action Plan Details	Anticipated Completion Date
2019-001	CFO / Contract & Financial Analyst	Management agrees with the finding and is in the process of implementing the recommendation.	The Organization will develop written financial procedures consistent with requirements imposed by the Uniform Guidance. Finance analyst attended a conference on this subject in July to gain further knowledge. Documentation will be reviewed for compliance by external audit team.	9/30/2019
2019-002	Contract & Financial Analyst	Management agrees with the finding and is in the process of implementing the recommendation.	Given that the timing of receipt for the federal award details will never be prior to the audit / grant close deadline, our initial sub-recipient agreements require amendment. The Organization will create a process to ensure amendments and any other communication are done timely.	Promptly upon receipt of federal award details



September 19, 2019

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 December 31, 2018, and have issued our report thereon dated September 19, 2019. 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 March 6, 2019. 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 2018. 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 misstatements detected as a result of audit procedures were corrected by management:

1. To back out deferred revenue recorded as of December 31, 2018, in the amount of \$6,538,599.
2. To adjust for accrued Foster Care expenses as of December 31, 2018, in the amount of \$66,922.

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 September 19, 2019.

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