

Northeast Michigan Community Service Agency, Inc.

Alpena, Michigan

Financial Statements
and Supplementary Information

Year Ended September 30, 2023



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Northeast Michigan Community Service Agency, Inc.

Financial Statements and Supplementary Information

Year Ended September 30, 2023

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Independent Auditor's Report

Board of Directors
Northeast Michigan Community Service Agency, Inc.
Alpena, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northeast Michigan Community Service Agency, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Michigan Community Service Agency, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast Michigan Community Service Agency, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Michigan Community Service Agency, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northeast Michigan Community Service Agency, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Michigan Community Service Agency, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 25-26 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2024, on our consideration of Northeast Michigan Community Service Agency, Inc.'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 Northeast Michigan Community Service Agency, Inc.'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 Northeast Michigan Community Service Agency, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

June 13, 2024

Northeast Michigan Community Service Agency, Inc.

Statement of Financial Position

September 30, 2023

Assets	
Current assets:	
Cash and cash equivalents	\$ 11,173,977
Grants receivable	3,502,226
Accounts receivable	370,093
Inventory	378,782
Prepaid expenses	23,340
Total current assets	15,448,418
Other assets:	
Investments	1,881,542
Certificates of deposit	468,108
Right-of-use assets - operating	6,827,212
Total other assets	9,176,862
Property and equipment, net	2,377,689
TOTAL ASSETS	\$ 27,002,969
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 1,921,681
Accrued payroll and related expenses	1,571,992
Refundable advances	128,380
Lease liability - operating	1,525,395
Total current liabilities	5,147,448
Long-term liabilities: Lease liabilities - operating	5,301,817
Total Liabilities	10,449,265
Net assets:	
Without donor restrictions:	
Designated	8,114,877
Undesignated	4,963,091
Investment in land, building and equipment	2,377,689
Total net assets without donor restrictions	15,455,657
With donor restrictions	1,098,047
Total net assets	16,553,704
TOTAL LIABILITIES AND NET ASSETS	\$ 27,002,969

Northeast Michigan Community Service Agency, Inc.

Statement of Activities

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Public support	\$ 62,234,876	\$ 377,809	\$ 62,612,685
Food commodities received	1,695,809	0	1,695,809
Program income	496,526	0	496,526
Investment income	51,377	0	51,377
Other	508,297	0	508,297
In-kind contributions	13,480	0	13,480
Net assets released from restrictions	327,638	(327,638)	0
Total revenue	65,328,003	50,171	65,378,174
Expenses:			
Program Services:			
Early childhood programs	32,985,574	0	32,985,574
Community based care programs	13,997,647	0	13,997,647
Aging programs	4,499,109	0	4,499,109
Community programs	6,139,802	0	6,139,802
Youth services programs	2,562,038	0	2,562,038
Volunteer programs	671,210	0	671,210
Community development programs	297,718	0	297,718
Total program services	61,153,098	0	61,153,098
Management and general	2,277,639	0	2,277,639
Total expenses	63,430,737	0	63,430,737
Change in net assets	1,897,266	50,171	1,947,437
Net assets - Beginning of the year	13,558,391	1,047,876	14,606,267
Net assets - End of the year	\$ 15,455,657	\$ 1,098,047	\$ 16,553,704

Northeast Michigan Community Service Agency, Inc.

Statement of Functional Expenses

Year Ended September 30, 2023

	Early Childhood	Community Based Care	Aging	Community Programs	Youth Services	Volunteer	Community Development	Program Services	Management & General	Total Expenses
Expenses:										
Salaries	\$ 16,543,748	\$ 2,039,148	\$ 386,062	\$ 991,619	\$ 1,751,431	\$ 250,838	\$ 155,209	\$ 22,118,055	\$ 1,092,053	\$ 23,210,108
Payroll taxes and fringe benefits	6,849,336	776,044	152,217	367,191	706,609	88,717	59,909	9,000,023	409,048	9,409,071
Occupancy	2,015,403	33,413	9,174	83,366	365	6,005	1,143	2,148,869	57,336	2,206,205
Travel and transportation:										
Out of area travel	31,393	1,137	0	337	608	2,408	2,020	37,903	16,452	54,355
Travel and transportation	366,752	39,475	25,011	68,211	17,089	15,388	3,235	535,161	33,168	568,329
Supplies	3,176,222	17,308	49,668	99,980	59,343	5,875	21,989	3,430,385	193,063	3,623,448
Equipment repairs and maintenance	37,244	295	202	8,953	22	107	3	46,826	28,514	75,340
Audit and legal services	0	0	0	0	0	0	0	0	109,450	109,450
Contractual:										
Subawards and flowthroughs (exempt)	1,950,740	0	1,131,849	0	0	0	0	3,082,589	0	3,082,589
Subawards and contracts	593,421	84,244	2,494,894	1,511	0	0	8,833	3,182,903	1,786	3,184,689
Trainings and meetings	283,402	6,013	8,956	3,268	6,758	1,690	8,891	318,978	28,016	346,994
Participant costs (exempt)	0	0	0	(300)	0	292,374	0	292,074	0	292,074
Client services	63,959	10,938,693	168,356	2,471,008	0	50	29,982	13,672,048	427	13,672,475
Printing and publications	59,087	0	(50)	503	468	587	0	60,595	10,059	70,654
Communication	180,584	20,087	1,550	19,170	498	2,471	370	224,730	43,227	267,957
Insurance	126,141	9,002	4,205	11,903	4,960	2,453	352	159,016	25,404	184,420
Dues and memberships	11,640	17,540	14,452	0	0	605	0	44,237	7,090	51,327
Other	418,081	15,248	52,563	34,616	13,887	1,642	5,782	541,819	90,050	631,869
Other (exempt)	20,125	0	0	0	0	0	0	20,125	12,961	33,086
Depreciation	244,816	0	0	48,280	0	0	0	293,096	119,535	412,631
Food commodities distributed (exempt)	0	0	0	1,930,186	0	0	0	1,930,186	0	1,930,186
Match expense:										
Match - Indirect exempt (GAAP)	13,480	0	0	0	0	0	0	13,480	0	13,480
Total expenses	<u>\$ 32,985,574</u>	<u>\$ 13,997,647</u>	<u>\$ 4,499,109</u>	<u>\$ 6,139,802</u>	<u>\$ 2,562,038</u>	<u>\$ 671,210</u>	<u>\$ 297,718</u>	<u>\$ 61,153,098</u>	<u>\$ 2,277,639</u>	<u>\$ 63,430,737</u>

Northeast Michigan Community Service Agency, Inc.

Statement of Cash Flows

Year Ended September 30, 2023

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets \$ 1,947,437

Adjustments to reconcile change in net assets to net cash from operating activities:

Depreciation 412,631

Loss on disposal of property and equipment 11,637

Net realized and unrealized gains on investments (30,735)

Non-cash lease expense 1,207,567

Changes in operating assets and liabilities:

Grants receivable 1,327,604

Accounts receivable 13,498

Prepaid expenses 207,910

Inventory 234,377

Accounts payable (479,036)

Accrued payroll and related expenses 144,999

Refundable advances (281,072)

Operating lease liability (1,207,567)

Net cash from operating activities 3,509,250

Cash flows from investing activities:

Purchase of investments (740,643)

Proceeds from sale of investments 960,000

Purchase of certificates of deposit (250,000)

Reinvestment of interest on certificates of deposit (7,020)

Process from certificates of deposit 111,597

Purchase of property and equipment (897,064)

Proceeds from the sale of property and equipment 27,319

Net cash from investing activities (795,811)

Change in cash and cash equivalents 2,713,439

Cash and cash equivalents - Beginning of the year 8,460,538

Cash and cash equivalents - End of the year \$ 11,173,977

Supplemental Schedule of Other Cash Activity

Obtain a right-of-use asset in exchange for a lease liability \$ 193,721

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Northeast Michigan Community Service Agency, Inc. (NEMCSA) was organized as a Michigan nonprofit corporation on August 15, 1968 as Northeast Michigan Community Action, Inc. NEMCSA was formed to plan, establish, coordinate and operate programs to promote the health, education and welfare of the residents of 11 counties of northeastern Michigan, which remains its primary service area. Several of NEMCSA's programs encompass additional counties. NEMCSA's principal programs include:

Early Childhood Programs – Provide education, social services, health/dental, nutrition, mental health, and disability services to participating families for children 3-5 years of age whose family incomes are at or below 100% of poverty; provide Early Head Start programs for expectant families and/or 0-3 years old, which focus on a healthy childhood with proper nutrition, parental nurturing, and strengthening the parent-child bond to prepare infants and toddlers for healthy growth and development; provide Great Start Readiness Program preschool and supportive services for 4 year old's with family income up to 250% of poverty. Head Start and Great Start Readiness operates in twenty-one counties. Early Head Start operates in twelve counties. NEMCSA has delegated a portion of Head Start program services to one other nonprofit agency in Farwell, Michigan. Approximately 51% of NEMCSA's revenue and support is derived from Early Childhood Programs.

Community Based Care Programs - Provide long term care services and support to older adults and persons with disabilities aged 18 and older who are eligible for Medicaid-covered nursing facility level of care. Services are to assist them in remaining in the community setting of their choice. Services are designed to locate, mobilize and manage a variety of home care and other services needed as an alternative of nursing home placement. Approximately 21% of NEMCSA's revenue and support is derived from Community Based Care Programs.

Aging Programs – Assist Medicaid recipients in making educated decisions choosing a managed health plan; provide in-home services, including homemaking, personal care, home delivered meals and respite care for recipients 60 years of age and older, and respite care for recipients or caregivers 18 and older who possess a need for assistance with certain activities of daily living; provide evidence-based disease prevention, health promotion, and caregiver educational programs; provide congregate meal sites in all twelve counties served by the Area Agency on Aging; provide information and education to families and individuals about long-term care facilities and services through an Ombudsman, who acts as a liaison between residents, care providers and state regulatory agencies. Approximately 7% of NEMCSA's revenue and support is derived from Aging Programs.

Community Programs – Provide the following services to individuals that have income at or below a certain percentage of Federal Poverty guidelines; provide rental and utility assistance to persons faced with homelessness, or re-house those already homeless; provide utility and deliverable fuel assistance to households who are disconnected or in threat thereof; provide energy-efficiency upgrades to homes in an effort to reduce energy costs incurred by households; provide nutritious food items and nutrition education to individuals most vulnerable to malnutrition. Approximately 9% of NEMCSA's revenue and support is derived from Community Programs.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

NEMCSA has its corporate office in Alpena, Michigan, and is supported primarily through federal and state governmental grants and contracts. In the current year, a significant amount of grants and contract revenues were provided by a few major funding sources. It is always considered reasonably possible that projects, grants or contributions could be lost in the near term. NEMCSA's mission is to provide quality planning, programs and services to individuals, families, and communities through the best use of human and financial resources.

Basis of Presentation

The financial statements of NEMCSA are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Use of Estimates

The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

NEMCSA considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of amounts billed under performance contracts. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. NEMCSA considers these receivables to be collectible and; therefore, no allowance for doubtful accounts has been recorded.

Inventory/Food Commodities Received

Inventory consists of food commodities received for distribution to low-income households and is stated at the values provided by the State of Michigan, Department of Education. Food commodities received represents the value of food received from the State of Michigan for distribution to low-income households. Commodity inventory is charged to expense when the commodities are distributed.

Investments

Investments consist of an investment account that holds marketable certificates of deposits and a money market fund. The investments are recorded at fair value.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Certificates of Deposit

Certificates of deposit have penalties for early withdrawal. They are stated at cost which approximates fair value.

Property and Equipment

Property, equipment, and leasehold improvements are capitalized at cost or if donated, at the estimated fair value on the date of donation. Depreciation is provided for using the straight-line method over the estimated useful life of the asset. NEMCSA considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment. Leasehold improvements are amortized by the straight-line method over the expected lease term or useful life, whichever is shorter. Amortization expense is included with depreciation expense.

Property and equipment purchased with grant funds are owned by NEMCSA while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds is normally restricted for use in specific programs operated by NEMCSA. The net book value of property and equipment acquired with grant funds at September 30, 2023, was \$997,602.

ASC 842 Lease Accounting

NEMCSA is a lessee in multiple noncancelable operating leases. If the contract provides the NEMCSA the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

NEMCSA has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

For all underlying classes of assets, NEMCSA has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that NEMCSA is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. NEMCSA recognizes short-term lease cost on a straight-line basis over the lease term.

NEMCSA made an accounting policy election to not separate the lease components of a contract and its associated non-lease components to determine the lease payment.

Classification of Net Assets

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NEMCSA and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These assets also include property and equipment acquired with grant funds that remain in NEMCSA's possession.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of NEMCSA to review its plans for future activities and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such activities and related contingencies. Designated net assets earmarked for ongoing grants and contract programs were \$8,114,877 as of September 30, 2023.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions received are recognized as refundable advances until the barrier(s) to entitlement are overcome, at which point they are recognized as revenue. Unconditional contributions are recognized as revenue when received.

Contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Contributions are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. Unconditional promised to give cash or other assets are reported at fair value at the date the conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Program Income

Program income is recognized in the same manner as contribution revenue and represents amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants and Contracts (public support)

Grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

- Grant awards that are contributions – Unconditional grants are reported as fair value at the date the grant is received. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Grants that qualify as conditional contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are included in refundable advances in the accompanying statement of financial position.
- Grant awards that are exchange transactions – Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award. Revenue is recognized when control of the promised goods or services are transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Revenue from Contracts with Customers

NEMCSA recognized revenue from exchange transactions from contracts with customers. NEMCSA's exchange revenue results from providing mobility, nutrition, and medical services to its clients in exchange for various predetermined capitation rates. The rates depend on the age of the customer. Revenue is recognized at the point in time that the services are provided.

Total revenue from contracts recognized as exchange transactions during the year ended September 30, 2023, and included on the Statement of Activities as Public Support, is Waiver revenue of \$15,090,235.

NEMCSA determined at September 30, 2023 there were no services provided without a contract in place, and therefore, has no expected adjustments to receivables and revenue. The receivables from contracts with customers for services provided are included in grants receivable on the Statement of Financial Position, and are as follows:

Accounts receivable from contracts with customers at October 1, 2022	\$ 28,159
Accounts receivable from contracts with customers at September 30, 2023	\$ 82,048

NEMCSA does not have any contract assets or liabilities at September 30, 2023 or October 1, 2022.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

GAAP requires that only contributions that create or enhance non-financial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, be recorded. In-kind contributions for professional services are recorded in the statement of activities as revenue and expenses in the period they are received. During the year ended September 30, 2023, NEMCSA received \$13,480 of such contributions, primarily for its Head Start and Early Head Start programs. In addition, NEMCSA received contributions of nonprofessional volunteer services of approximately \$1,825,827 primarily for its Early Childhood, Aging, and Volunteer programs. The nonprofessional volunteer services are not reported in the statement of activities as they do not meet the criteria to be recorded under GAAP. Due to the lingering effects of COVID-19, In-kind required contributions was either waived, or greatly reduced in FY 23 for most programs.

Matching Funds

Various programs are funded at less than 100% of the project's total forecasted expenditures, with the difference being NEMCSA's responsibility. These additional funds, or matching funds, may be comprised of third-party contributions, valuation of donated services and goods or program income unique to that grant. Additionally, other non-federal grants and projects may be used to fulfill the matching requirement, as approved by the original funding source. These financial statements include only externally generated matching funds.

Income Tax

NEMCSA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. NEMCSA 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). NEMCSA is also exempt from Michigan corporate income tax.

NEMCSA is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. NEMCSA has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Functional Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounting Pronouncement Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU 2016-16 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. NEMCSA adopted this guidance for the year ended September 30, 2023, with modified retrospective application to October 1, 2022, through a cumulative effect adjustment. NEMCSA has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, NEMCSA accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, NEMCSA did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, NEMCSA recognized operating lease assets and operating lease obligations of \$7,841,058 as of October 1, 2022.

Subsequent Events

NEMCSA has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 13, 2024, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

NEMCSA maintains its cash balances at several financial institutions and credit unions in overnight deposits, demand deposits and certificates of deposits. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA) up to \$250,000. The certificates of deposit are held at a credit union and a bank. The respective balance in each of the certificates of deposit is less than the \$250,000 NCUA and FDIC amount. NEMCSA has not experienced any losses with these cash accounts. Management believes NEMCSA is not exposed to any significant credit risk on its cash.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is without donor or designations limiting their use, within twelve months of September 30, 2023, are comprised of the following:

Cash and cash equivalents	\$ 11,173,977
Grants receivable	3,502,226
Accounts receivable	370,093
<hr/>	
Subtotal Financial Assets	15,046,296
Less: accounts payable	(1,921,681)
Less: accrued payroll and related expenses	(1,571,992)
Less: refundable advances	(128,380)
Less: board designated net assets	(8,114,877)
Less: net assets with donor restrictions in cash	(719,265)
<hr/>	
Net Financial Assets available	\$ 2,590,101

NEMCSA does not have a formal liquidity policy but maintains sufficient financial assets in liquid form such as cash and cash equivalents to meet operational needs. In addition, the board can approve using the board designated net assets if needed. NEMCSA can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source. NEMCSA has grant commitments for future expenses of approximately \$20,580,000 at September 30, 2023.

Note 4: Grants Receivable

Grants receivable at September 30, 2023, consist of amounts due from U.S. Department of Health and Human Services, Michigan Department of Human Services, Michigan State Housing Development Authority and other various funding sources as follows by program service areas:

Early Childhood Programs	\$ 1,970,019
Aging Services Programs	780,608
Community Programs	261,891
Community Based Care Programs	94,296
Volunteer Programs	24,236
Community Development Programs	62,984
Housing	154,243
Youth Services	153,949
<hr/>	
Total	\$ 3,502,226

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 5: Investments

Investments consist of the following at September 30, 2023:

Money market fund	\$	265,521
Marketable certificates of deposit		1,616,021
<hr/>		
Total	\$	1,881,542

Investment income consists of interest and dividends on investments of \$20,642 and net realized and unrealized gain on investments of 30,735.

Note 6: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as impaired investments, are measured at fair value on a nonrecurring basis. At September 30, 2023, the Organization does not have any liabilities that are measured at fair value on a recurring basis, and there are no assets or liabilities measured on a nonrecurring basis.

Money market funds are valued at \$1 per share as the net asset value (NAV) and marketable certificates of deposit are valued using other market data on interest rates.

Information regarding the fair value of assets measured at fair value on a recurring basis as of September 30, 2023, is as follows:

	Level 1	Level 2	Level 3	Total
Money market fund	\$ 0	\$ 265,521	\$ 0	\$ 265,521
Marketable certificates of deposit	0	1,616,021	0	1,616,021
<hr/>				
Total	\$ 0	\$ 1,881,542	\$ 0	\$ 1,881,542

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 7: Property and Equipment

A summary of property and equipment at September 30, 2023, is as follows:

Land and land improvements	\$ 115,000
Buildings	449,430
Building improvements	2,165,589
Leasehold improvements	141,800
Vehicles and equipment	2,783,112
<hr/>	
Total property and equipment	5,654,931
Accumulated depreciation	3,277,242
<hr/>	
Property and equipment, net	\$ 2,377,689

Note 8: Leases

Most facilities that NEMCSA utilizes are leased. Leased facilities are for programmatic and administrative needs under non-cancellable leases expiring at various dates. The majority of leases entered into include one or more options to renew. The renewal terms can extend the lease term from one to twelve years. The exercise of lease renewal options is at the discretion of NEMCSA. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

NEMCSA's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Components of lease expense were as follows for the year ended September 30, 2023:

Lease cost:	
Operating lease cost	\$ 1,514,760
Short-term lease costs	44,736
<hr/>	
Total lease cost	\$ 1,559,496

Weighted-average remaining lease term in years - Operating leases 7.44

Weighted-average discount rate - Operating leases 4.19 %

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 8: Leases (Continued)

Maturities of lease liabilities are as follows as of September 30, 2023:

2024	\$	1,525,396
2025		1,363,252
2026		948,635
2027		911,453
2028		699,560
Thereafter		2,471,699
<hr/>		
Total lease payments		7,919,995
Less: imputed interest		(1,092,783)
<hr/>		
Total	\$	6,827,212

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

Commodity Supplement Food Program (CSFP) – food inventory	\$	378,782
Education and Literacy Programs		27,056
Energy Assistance Programs		329,339
Youth and Family Services		2,950
Other Programs		359,920
<hr/>		
Total net assets with donor restrictions	\$	1,098,047

The above net assets have a specific purpose. Net assets with donor restrictions of \$327,638 were released from donor restrictions as a result of expenditures in accordance with purpose restrictions.

Note 10: Employee Retirement Plan

NEMCSA has a defined contribution pension plan (the Plan) covering employees working in eligible classes who have completed one year of service, worked at least 1,000 hours in the determination year and have attained twenty-one years of age. NEMCSA's contributions to the Plan are 10% of the total earned compensation for participants hired prior to January 1, 2005. Contributions to the Plan for participants hired on or after January 1, 2005 are 5% of the total earned compensation for eligible employee through their fifth year of employment, and increases to 10% of the total earned compensation beginning their sixth year. Each participant has a 100% vested interest in all amounts credited to their account upon entry into the Plan. NEMCSA's contribution to the Plan for the year ended September 30, 2023 was \$1,536,094.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 11: Grant Awards

At September 30, 2023, NEMCSA had received commitments for future funding various grant awards of approximately \$20,580,000. These commitments are not recognized in the accompanying financial statements as revenue and receivables as they are conditional awards.

Note 12: Contributed Nonfinancial Assets

Contributed nonfinancial assets included in food commodities received and in-kind revenue on the statement of activities are as follows:

<i>Source</i>	Revenue	Utilization in Programs and Activities	Donor-imposed Restriction	Valuation Techniques & Inputs
Professional volunteers (In-kind contributions)	\$ 13,480	Early Childhood Programs	None	Based on current rates of donor services provided by the donor
Food commodities received	1,695,809	Community Programs	None	Values provided by the State of Michigan Department of Education
Total	\$ 1,709,289			

Supplementary Information

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF AGRICULTURE					
10.187	04-000-1021 (232252)	Emergency Food Assistance Program-Commodity Credit Corporation	State of Michigan - Department of Education	\$ 0	\$ 1,752
	04-000-1021 (232252)	Emergency Food Assistance Program-CCC Food Distribution	State of Michigan - Department of Education	0	54,342
Total Federal Expenditures AL # 10.187				0	56,094
10.558	040000001 (231920)	Child and Adult Care Food Program - Meal Reimbursement	State of Michigan - Department of Education	0	1,202,077
	040000001 (232010)	Child Care Cash in lieu of Commodities	State of Michigan - Department of Education	0	52,887
Total Federal Expenditures AL # 10.558				0	1,254,964
Food Distribution Program Cluster					
10.565	04-000-1021 (230930)	Commodity Supplement Food Program	State of Michigan - Department of Education	0	282,100
	04-000-1021 (230930)	Commodity Supplemental Food Distribution	State of Michigan - Department of Education	0	1,069,466
Total Federal Expenditures AL # 10.565				0	1,351,566
10.568	04-000-1021 (230990)	Emergency Food Assistance Program	State of Michigan - Department of Education	0	180,203
10.568	04-000-1021 (222277)	Emergency Food Asst. Prgm - Reach and Resiliency	State of Michigan - Department of Education	0	1,814
Total Federal Expenditures AL # 10.568				0	182,017
10.569	04-000-1021 (230990)	Emergency Food Asst. Prgm - Food Commodities	State of Michigan - Department of Education	0	806,379
Total Food Distribution Program Cluster (10.565, 10.568, and 10.569)				0	2,339,962
Total Department of Agriculture				0	3,651,020
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
14.169	Grant No. 22-17-HUD	Housing Counseling Assistance Program	Michigan State Housing Development Authority	0	44,197
14.231	HML-2021-103-ESF	Emergency Solutions Grant Program	Michigan State Housing Development Authority	0	240,074
14.231	HML-2022-103-ESF	Emergency Solutions Grant Program	Michigan State Housing Development Authority	0	140,984
14.231	HML-2020-Northeas-103-C19	CRF Eviction Diversion	Michigan State Housing Development Authority	0	133,785
Total Federal Expenditures AL # 14.231				0	514,843
14.239	HML-2023-103-HPP	Home Investment Partnerships Program	Michigan State Housing Development Authority	0	35,664
14.267	E20231019-00	Continuum of Care Program	Health & Human Services	0	382,395
14.267	HML-2021-Northeas-103-CES	Continuum of Care Program	Michigan State Housing Development Authority	0	172,234
14.267	HML-2023-Northeas-103-CES	Continuum of Care Program	Michigan State Housing Development Authority	0	22,157
Total Federal Expenditures AL # 14.267				0	576,786
Total Department of Housing and Urban Development				0	1,171,490
DEPARTMENT OF LABOR					
17.235	E20224104,4260,4134,4093,4087	Senior Community Service Employment Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	18,767
	E20234399;4252;4447;4442;4445	Senior Community Service Employment Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	15,928
Total Department of Labor; Federal Expenditures AL # 17.235				0	34,695
DEPARTMENT OF TREASURY					
21.023	HML-2022-Northeas-103-CERA2	COVID-19 Emergency Rental Assistance	Michigan State Housing Development Authority	0	111,570

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF TREASURY (Continued)					
21.026	HAF-2021-Northeast Mi-00001	COVID-19 Homeowner Assistance Fund	Michigan State Housing Development Authority	0	1,418
21.027	N/A	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	COOR ISD	0	1,608
	N/A	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Huron ISD	0	28,588
	N/A	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Tuscola ISD	0	32,056
Total Federal Expenditures AL # 21.027				0	62,252
Total Department of the Treasury				0	175,240
DEPARTMENT OF ENERGY					
81.042	E20234545-00	Weatherization Assistance for Low Income Persons	State of Michigan - Department of Health & Human Services	0	701,709
	E20224960-00/E20230464-001	Weatherization Assistance for Low Income Persons	State of Michigan - Department of Health & Human Services	0	552,906
	E20235392-00/E20242827-00	Weatherization Assistance for Low Income Persons	State of Michigan - Department of Health & Human Services	0	104,720
Total Department of Energy; Total Federal Expenditures AL #81.042				0	1,359,335
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.041	E20234399;4252;4447;4442;4445	Title VII, Ch. 3-Prgms for Prev. of Elder Abuse, Neglect & Exploitation	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	600	5,765
93.042	E20234399;4252;4447;4442;4445	Title VII, Ch. 2 - Long Term Care for Ombudsman Svcs for Older Individuals	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	28,476
		COVID-19 Title VII, Ch. 2 - Long Term Care for Ombudsman ARP Ombudsman (OMC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	6,575
Total Federal Expenditures AL # 93.042				0	35,051
93.043	E20234399;4252;4447;4442;4445	Title III, Part D - Disease Prevention & Health Promotion Services	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	10,543	26,422
	E2023	COVID-19 Title III, Part D - Disease Prev. & Hlth Promotion Svcs ARP III-D Svcs (PHC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	3,078
Total Federal Expenditures AL # 93.043				10,543	29,500
Aging Cluster					
93.044	E20234399;4252;4447;4442;4445	Title III, Part B-Grants for Supportive Services & Senior Centers	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	48,852
	E20234399;4252;4447;4442;4445	Title III, Part B-Grants for Supportive Services & Senior Centers	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	431,400	452,946
	E2023	COVID-19 Title III, Part B-Grants for Supportive Services & Sr Ctrs ARP III-B Admin (SSC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	24,247
	E2023	COVID-19 Title III, Part B-Grants for Supportive Services & Sr Ctrs ARP III-B Services (SSC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	67,409	67,409
	E20234542-001	Title III, Part B-Grants for Supportive Services & Senior Centers (EOA VAC5)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	17,171
Total Federal Expenditures AL # 93.044				498,809	610,625

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
93.045	E20234399;4252;4447;4442;4445	Title III, Part C - Nutrition Services	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	108,394
	E20234399;4252;4447;4442;4445	Title III, Part C - Nutrition Services	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	821,849	923,577
E2023		COVID-19 Title III, Part C - Nutrition Services ARP III-C1 Admin (CMC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	12,198
E2023		COVID-19 Title III, Part C - Nutrition Services ARP III-C1 Services (CMC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	96,256	96,256
E2023		COVID-19 Title III, Part C - Nutrition Services ARP III-C2 Admin (HDC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	23,205
E2023		COVID-19 Title III, Part C - Nutrition Services ARP III-C2 Services (HDC6)	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	196,302	196,302
Total Federal Expenditures AL # 93.045				1,114,407	1,359,932
93.053	E20234399;4252;4447;4442;4445	Nutrition Services Incentive Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	457,780	457,780
Total Aging Cluster (93.044, 93.045, and 93.053)				2,070,996	2,428,337
93.048	90MPPG0039-05	Special Programs for Aging_ Title IV and Title II - Discretionary Projects	MMAP, Inc.	0	19,076
93.048	90MPPG0085-01	Special Programs for Aging_ Title IV and Title II - Discretionary Projects	MMAP, Inc.	0	836
Total Federal Expenditures AL # 93.048				0	19,912
93.052	E20234399;4252;4447;4442;4445	National Family Caregiver Support , Title III, Part E	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	75,083	201,843
	E20234399;4252;4447;4442;4445	National Family Caregiver Support , Title III, Part E	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	23,200
Total Federal Expenditures AL # 93.052				75,083	225,043
93.071	N/A	Medicare Enrollment Assistance Program	MMAP, Inc.	0	200
93.268	E20230653-00	Immunization Cooperative Agreements	US Department of Health & Human Services	9,000	56,835
93.324	E20234386-00	State Health Insurance Assistance Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	27,355
	E20241514-00	State Health Insurance Assistance Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	0	17,766
Total Federal Expenditures AL # 93.324				0	45,121
93.558	E20230072-001	Temporary Assistance for Needy Families	State of Michigan - Department of Health & Human Services	0	1,525,000
93.568	E20230159-00 & E20230162-00	Low-Income Home Energy Assistance	State of Michigan - Department of Health & Human Services	0	559,446
93.569	E20234503	Community Services Block Grant Discretionary	State of Michigan - Department of Health & Human Services	0	37,707
	E20230013	Community Services Block Grant	State of Michigan - Department of Health & Human Services	0	338,996
	E20231112-001	Community Services Block Grant	State of Michigan - Department of Health & Human Services	0	68,021
Total Federal Expenditures AL # 93.569				0	444,724

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
<i>Head Start Cluster</i>					
93.600	05CH011635-03-02	Head Start	U.S. Department of Health and Human Services	920,216	9,889,239
	05CH011635-04-01	Head Start	U.S. Department of Health and Human Services	1,003,121	16,444,830
	05HE001071-01-00	COVID-19 Head Start C-19	U.S. Department of Health and Human Services	0	48,001
	05HE001071-01-02	COVID-19 Head Start American Rescue Plan	U.S. Department of Health and Human Services	52,403	1,273,724
Total Federal Expenditures AL # 93.600				1,975,740	27,655,794
Total Department of Health and Human Services				4,141,962	33,030,728
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
<i>Foster Grandparent/Senior Companion Cluster</i>					
94.011	22SFCMI004	Foster Grandparent Program	Corporation for National & Community Service	0	214,844
	22SFCMI004	Foster Grandparent Program	Corporation for National & Community Service	0	12,582
Total Federal Expenditures AL # 94.011				0	227,426
94.016	22SCCM003	Senior Companion Program	Corporation for National & Community Service	0	119,906
	22SCCM003	Senior Companion Program	Corporation for National & Community Service	0	16,902
Total Federal Expenditures AL # 94.016				0	136,808
Total Foster Grandparent/Senior Companion Cluster				0	364,234
94.002	21SR00005	Retired and Senior Volunteer Program	Corporation for National & Community Service	0	160,518
	21SR00005	Retired and Senior Volunteer Program	Corporation for National & Community Service	0	29,301
Total Federal Expenditures AL # 94.002				0	189,819
Total Corporation for National & Community Service				0	554,053
TOTAL FEDERAL EXPENDITURES				\$ 4,141,962	\$ 39,976,561

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Northeast Michigan Community Service Agency, Inc. under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Northeast Michigan Community Service Agency, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Northeast Michigan Community Service Agency, Inc.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - 10-percent de minimis

Northeast Michigan Community Service Agency, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance as they have a negotiated indirect rate.

NORTHEAST MICHIGAN COMMUNITY SERVICE AGENCY, INC.																															
BCLS SCHEDULE OF SERVICE CATEGORIES BY FUNDING SOURCE																															
FOR YEAR ENDING SEPTEMBER 30, 2023																															
SERVICE CATEGORY	Federal Administration	Title III-B	Title III-C-1	Title III-C-2	Title III-D	Title III - E	Title VII/EAP	Title VII/A OMB	NSIP	State Admin	State Access	State In-Home	State Cong.	St. Home Del Meals	St. Alt Care	State Care Mgmt	State ANS	State NHO	St. Respite (Escheat)	Merit Award Trust Fund	State Care-giver support	State MSO	Merit Award Region 9 NE	Program Income	Cash Match	In-Kind Match	TOTAL				
Care Management		2,000									28,137					431,825								200	51,108			513,270			
Case Coord/Support																															
Disaster Advocacy																															
Information & Assistance																															
Outreach																															
Transportation																															
Chore																															
Home Care Assistance																															
Home Injury Control																															
Homemaker		278,205							374,247								23,400							122,730	96,446			1,000,632			
Home Delivered Meals				378,446								595,170		467,680										702,333	94,015			2,237,644			
Home Health Aide																															
Medication Management																	15,150											15,150			
Personal Care		123,195										66,788												22,891	21,287			234,161			
PEPS/Assist Tech & Devices																												15,628			
Respite Care									72,389																			288,205			
Congregate Meals			545,131						83,533				9,426											40,647	22,512	10,179		886,205			
Friendly Reassurance																															
Legal Assistance		30,000																													
Adult Day Care																									64,658	7,978		44,687	5,906	1,773	125,002
Dementia ADC																															
Disease Prevent					26,422	4,521																						33,879			
Health Screening																															
Assist to Deaf																															
Assistive Devices & Technologies																															
Ombudsman		4,949							28,476										24,863									4,043	73,844		
Sr Ctr Operations																															
Sr Ctr Staffing																															
Kinship Respite Care																															
Elder Abuse Prevention									5,765																			5,765			
Counseling																															
Creat.Conf.CG ^o CCC																															
Caregiver Supplement									21,503																			24,252			
Kinship Support																															
Caregiver E.S.T									87,802																			98,585			
Program Develop		14,597																										14,597			
Region Specific																															
Caregiver Outreach																															
CLP/ADRC Services																															
Administration		180,446								31,331																		28,816	240,595		
St CG Administration																												614			
MATF Administration																								7,889				11,925			
FUNDING SOURCE TOTAL	180,446	452,946	545,131	378,446	26,422	201,843	5,765	28,476	457,780	31,331	28,137	661,958	9,426	467,680	105,604	431,825	38,550	24,863	78,347	129,315	15,955	11,513	89,374	1,260,062	354,955	33,220	6,049,370				

NORTHEAST MICHIGAN COMMUNITY SERVICE AGENCY, INC.
BCLS CARES, Consolidated Appropriations Act., and American Rescue Plan 2022 Supplemental Nutrition Funding Schedule (Unaudited)
FOR YEAR ENDED SEPTEMBER 30, 2023

SERVICE CATEGORY	American Rescue Plan (ARP) ACT of the OAA									Program Income	Cash Match	In-Kind Match	TOTAL
	(SSC6)	(CMC6)	(HDC6)	(PHC6)	(FCC6)	(OMC6)	(SSC6)	(CMC6)	(HDC6)				
	Title III-B	Title IIIC-1	Title IIIC-2	Title III-D	Title III-E	Title VII Omb	Title IIIB Admin	Title IIIC-1 Admin	Title IIIC-2 Admin				
Care Management													-
Homemaker	46,454									1,447	5,162		53,063
Home Delivered Meals			207,849							13,007	23,095		243,951
Personal Care	24,920									109	2,769		27,798
Respite Care													-
Congregate Meals		101,918								5,216	11,325		118,459
Elder Abuse Prevention				3,078									3,078
Legal Assistance													-
LTC Ombudsman						6,575							6,575
Kinship Respite Care													-
Program Develop													-
Administration							29,096	14,637	27,846		7,954		79,533
FUNDING SOURCE TOTAL	71,374	101,918	207,849	3,078	-	6,575	29,096	14,637	27,846	19,779	50,305	-	532,457

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*

Board of Directors
Northeast Michigan Community Service Agency, Inc.
Alpena, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Northeast Michigan Community Service Agency, Inc., as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise Northeast Michigan Community Service Agency, Inc.'s basic financial statements, and have issued our report thereon dated June 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Michigan Community Service Agency, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Michigan Community Service Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Michigan Community Service Agency, Inc.'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 reasonable possibility that a material misstatement of Northeast Michigan Community Service Agency, Inc.'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Michigan Community Service Agency, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Northeast Michigan Community Service Agency, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Michigan Community Service Agency, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

June 13, 2024

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

Board of Directors
Northeast Michigan Community Service Agency, Inc.
Alpena, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northeast Michigan Community Service Agency, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023. Northeast Michigan Community Service Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northeast Michigan Community Service Agency, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northeast Michigan Community Service Agency, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northeast Michigan Community Service Agency, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Northeast Michigan Community Service Agency, Inc.'s federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northeast Michigan Community Service Agency, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northeast Michigan Community Service Agency, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northeast Michigan Community Service Agency, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northeast Michigan Community Service Agency, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Northeast Michigan Community Service Agency, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over-compliance. Accordingly, no such opinion is expressed.

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.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

June 13, 2024

Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? 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 200.516(a)?

Yes No

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
10.558	Child and Adult Food Program (CACFP)
81.042	Weatherization
93.558	Temporary Assistance to Needy Families (TANF)
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,199,297

Auditee qualified as low-risk auditee?

Yes No

Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section II - Audit Findings in Relation to Financial Statements

No findings related to the financial statements.

Section III - Audit Findings and Questioned Costs in Relation to Federal Awards

No findings or questioned costs related to federal awards.

Section IV - Summary Schedule of Prior Year Findings

There were no prior year audit findings