

Northeast Michigan Community Service Agency, Inc.

Alpena, Michigan

Financial Statements and
Supplementary Information

Year Ended September 30, 2022



Northeast Michigan Community Service Agency, Inc.

Financial Statements and Supplementary Information
Year Ended September 30, 2022

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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, 2022, 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, 2022, 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 of America.

Basis for Opinion

We conducted our audit 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. 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 the 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 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.

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 within one year after the date that 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 generally accepted auditing standards 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 generally accepted auditing standards 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedules on pages 23 and 24 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 of America. 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 1, 2023, 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

June 1, 2023
Madison, Wisconsin

Northeast Michigan Community Service Agency, Inc.

Statement of Financial Position

September 30, 2022

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 8,460,538
Grants receivable	4,829,830
Accounts receivable	383,591
Inventory	613,159
Prepaid expenses	231,250
Total current assets	14,518,368
Other assets:	
Investments	2,070,164
Certificates of deposit	322,685
Total other assets	2,392,849
Property and equipment, net	1,932,212
TOTAL ASSETS	\$ 18,843,429
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 2,400,717
Accrued payroll and related expenses	1,426,993
Refundable advances	409,452
Total current liabilities	4,237,162
Net assets:	
Without donor restrictions:	
Designated	7,578,492
Undesignated	4,047,687
Investment in land, building and equipment	1,932,212
Total net assets without donor restrictions	13,558,391
With donor restrictions	1,047,876
Total net assets	14,606,267
TOTAL LIABILITIES AND NET ASSETS	\$ 18,843,429

See accompanying notes to financial statements.

Northeast Michigan Community Service Agency, Inc.

Statement of Activities

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Public support	\$ 62,038,019	\$ 123,882	\$ 62,161,901
Food commodities received	1,592,439	0	1,592,439
Program income	256,441	0	256,441
Investment loss	(84,992)	0	(84,992)
Other	460,809	0	460,809
In-kind contributions	33,966	0	33,966
Net assets released from restrictions	91,346	(91,346)	0
Total revenue	64,388,028	32,536	64,420,564
Expenses:			
Program Services:			
Early childhood programs	31,098,431	0	31,098,431
Community based care programs	13,387,866	0	13,387,866
Aging programs	4,389,624	0	4,389,624
Community programs	8,535,140	0	8,535,140
Youth services programs	1,814,870	0	1,814,870
Volunteer programs	669,114	0	669,114
Community development programs	701,694	0	701,694
Total program services	60,596,739	0	60,596,739
Management and general	2,346,547	0	2,346,547
Total expenses	62,943,286	0	62,943,286
Change in net assets	1,444,742	32,536	1,477,278
Net assets - Beginning of the year	12,113,649	1,015,340	13,128,989
Net assets - End of the year	\$ 13,558,391	\$ 1,047,876	\$ 14,606,267

Northeast Michigan Community Service Agency, Inc.

Statement of Functional Expenses Year Ended September 30, 2022

	Early Childhood	Community Based Care	Aging	Community Programs	Youth Services	Volunteer	Community Development	Program Services	Management & General	Total Expenses
Expenses:										
Salaries	\$ 15,298,220	\$ 1,794,416	\$ 349,516	\$ 1,018,202	\$ 1,181,342	\$ 238,673	\$ 218,300	\$ 20,098,669	\$ 1,075,469	\$ 21,174,138
Payroll taxes and fringe benefits	6,253,460	702,456	139,605	377,946	561,257	87,899	91,869	8,214,492	417,519	8,632,011
Occupancy	1,826,118	29,424	9,121	78,672	0	4,608	900	1,948,843	73,713	2,022,556
Travel and transportation:										
Out of area travel	37,028	0	0	1,022	0	467	0	38,517	230	38,747
Travel and transportation	300,110	9,460	14,310	68,638	11,705	7,602	3,705	415,530	21,428	436,958
Supplies	2,835,281	39,377	46,865	65,929	49,678	24,415	9,422	3,070,967	317,649	3,388,616
Equipment:										
Repairs and maintenance	32,622	1,286	242	757	1,120	182	30	36,239	16,892	53,131
Purchases funding source (exempt)	123,064	0	0	57,814	0	0	0	180,878	(180,878)	0
Audit and legal services	3,700	0	0	0	0	0	0	3,700	71,333	75,033
Contractual:										
Subawards and flowthroughs (exempt)	2,256,022	0	1,037,969	50,203	0	0	0	3,344,194	0	3,344,194
Subawards and contracts	629,488	67,993	2,577,469	43,163	0	0	27,787	3,345,900	716	3,346,616
Trainings and meetings	152,795	1,558	2,281	12,779	4,042	925	5,436	179,816	26,580	206,396
Participant costs (exempt)	0	0	0	0	0	283,198	0	283,198	0	283,198
Client services	84,597	10,718,436	150,434	5,020,972	0	0	321,854	16,296,293	0	16,296,293
Printing and publications	63,939	445	6,700	1,532	0	(3)	10,261	82,874	4,334	87,208
Communication	171,087	19,023	21,542	19,648	857	19,701	318	252,176	51,207	303,383
Insurance	69,015	2,822	442	2,473	2,210	379	316	77,657	41,957	119,614
Dues and memberships	21,049	89	14,208	0	0	700	0	36,046	6,725	42,771
Other	231,574	1,081	17,328	55,172	2,659	368	9,164	317,346	94,538	411,884
Other (exempt)	679,371	0	1,592	0	0	0	0	680,963	(6,957)	674,006
Depreciation								0	314,092	314,092
Food commodities distributed (exempt)	0	0	0	1,660,218	0	0	0	1,660,218	0	1,660,218
Match expense:										
Match - Indirect exempt (GAAP)	16,517	0	0	0	0	0	0	16,517	0	16,517
Match (GAAP)	13,374	0	0	0	0	0	2,332	15,706	0	15,706
Total expenses	<u>\$ 31,098,431</u>	<u>\$ 13,387,866</u>	<u>\$ 4,389,624</u>	<u>\$ 8,535,140</u>	<u>\$ 1,814,870</u>	<u>\$ 669,114</u>	<u>\$ 701,694</u>	<u>\$ 60,596,739</u>	<u>\$ 2,346,547</u>	<u>\$ 62,943,286</u>

See accompanying notes to financial statements.

Northeast Michigan Community Service Agency, Inc.

Statement of Cash Flows

Year Ended September 30, 2022

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets	\$	1,477,278
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Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation		314,092
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Unrealized loss on investments		89,836
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Changes in operating assets and liabilities:

Grants receivable	(77,445)
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Accounts receivable		2,932
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Prepaid expenses	(175,487)
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Inventory		67,779
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Accounts payable	(549,978)
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Accrued payroll and related expenses		182,947
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Refundable advances	(1,024,537)
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Net cash provided by operating activities		307,417
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Cash flows from investing activities:

Purchase of property and equipment	(530,646)
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Purchase of investments	(2,160,000)
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Interest proceeds from certificate of deposit maturities		3,199
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Net cash used in investing activities	(2,687,447)
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Change in cash and cash equivalents	(2,380,030)
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Cash and cash equivalents - Beginning of the year		10,840,568
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Cash and cash equivalents - End of the year	\$	8,460,538
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Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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 48% 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 – 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; assist Medicaid recipients in making educated decisions choosing a managed health plan; 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 13% of NEMCSA's revenue and support is derived from Community Programs.

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.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

NEMCSA considers all unrestricted highly liquid investments and certificates of deposit 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.

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 initial term of the lease or useful life, whichever is shorter. Amortization expense is included with depreciation expense.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant /Accounting Policies (Continued)

Property and Equipment (Continued)

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, 2022, was \$849,841.

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 the 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 \$7,578,492 as of September 30, 2022.

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

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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 represents amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. The revenue is recognized when earned.

Grants and Contracts

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.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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 in accordance with ASC 606 during the years ended September 30, 2022, and included on the Statement of Activities under Public Support, is Waiver revenue of \$14,863,173.

NEMCSA determined at September 30, 2022 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, 2021	\$ 52,311
Accounts receivable from contracts with customers at September 30, 2022	\$ 28,159

NEMCSA does not have any contract assets or liabilities at September 30, 2022 or October 1, 2021.

In-Kind Contributions

Accounting principles generally accepted in the United States of America require 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, 2022, NEMCSA received \$33,966 of such contributions, primarily for its Head Start and Early Head Start programs. In addition, NEMCSA received contributions of nonprofessional volunteer services of approximately \$1,856,365 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 accounting principles generally accepted in the United States of America. Due to the lingering effects of COVID-19, In-kind required contributions was either waived, or greatly reduced in FY 22 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 NEMCSA 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.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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.

Adoption of Accounting Standards

Effective October 1, 2021, NEMCSA adopted the principles contained in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets (Topic 958)*. The amendments in this update require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets.

Upcoming Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Leases (Topic 842)* that extended the effective date for certain entities to annual periods beginning after December 15, 2021. NEMCSA is evaluating the provisions of ASU No. 2016-02.

Subsequent Events

Subsequent events have been evaluated through June 1, 2023, which is the date the financial statements were available to be issued.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

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.

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, 2022, are comprised of the following:

Cash and cash equivalents	\$ 8,460,538
Grants receivable	4,829,830
Accounts receivable	383,591
Subtotal financial assets	13,673,959
Less: accounts payable	(2,400,717)
Less: accrued payroll and related expenses	(1,426,993)
Less: refundable advances	(409,452)
Less: board designated net assets	(7,578,492)
Less: net assets with donor restrictions in cash	(434,717)
Net financial assets available	\$ 1,423,588

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 \$19,740,000 at September 30, 2022.

Note 4: Grants Receivable

Grants receivable at September 30, 2022, 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	\$ 2,900,668
Aging Services Programs	1,190,613
Community Programs	319,159
Community Based Care Programs	89,415
Volunteer Programs	59,667
Community Development Programs	65,377
Housing	131,747
Youth Services	73,184
Total	\$ 4,829,830

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 5: Investments

Investments consist of the following:

Money market fund	\$ 4,878
Marketable certificates of deposit	2,065,286
Total	\$ 2,070,164

Investment income consists of interest and dividends on investments of \$4,844 and unrealized loss on investments of \$89,836.

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, 2022, 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, 2022, is as follows:

	Total Assets Measured at Fair Value	Recurring Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Money market fund	\$ 4,878	\$ 0	\$ 4,878	\$ 0
Marketable certificates of deposit	2,065,286	0	2,065,286	0
Totals	\$ 2,070,164	\$ 0	\$ 2,070,164	\$ 0

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 7: Property and Equipment

A summary of property and equipment at September 30, 2022, is as follows:

Land and land improvements	\$ 149,136
Buildings	368,739
Leasehold improvements	1,863,089
Vehicles and equipment	2,510,598
Total property and equipment	4,891,562
Accumulated depreciation	(2,959,350)
Property and equipment, net	\$ 1,932,212

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

Commodity Supplement Food Program (CSFP) – food inventory	\$ 613,159
Education and Literacy Programs	4,034
Energy Assistance Programs	277,766
Youth and Family Services	2,950
Other Programs	149,967
Total	\$ 1,047,876

The above net assets have a specific purpose. Net assets with donor restrictions of \$91,346 were released from donor restrictions as a result of expenditures in accordance with purpose restrictions.

Note 19: Contributed Nonfinancial Assets

For the year ended September 30, 2022, contributed nonfinancial assets included in food commodities received and in-kind revenue on the statement of activities are as follows:

Source	Revenue	Usage in Programs/Activities	Donor-imposed Restrictions	Valuation Techniques & Inputs
Professional volunteers (In-kind contributions)	\$ 33,966	Early childhood programs	None	Professional volunteer services are based on current rates of donor services provided by the donor.
Food commodities received	1,592,439	Community programs	None	Based on values provided by the State of Michigan Department of Education.
Total	\$1,626,405			

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 9: 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, 2022 was \$1,409,750.

Note 10: Operating Lease Agreements

NEMCSA leases a postage machine and virtually all of its office space under non-cancellable operating leases expiring at various dates through September 2023. The office space leases generally contain renewal options for periods ranging from one to two years. Lease expense for the year ended September 30, 2022, was \$1,599,420.

Future minimum lease payments under operating leases as of September 30, 2022 are as follows:

2023	\$	1,649,321
2024		1,078,665
Total	\$	2,727,986

Note 11: Grant Awards

At September 30, 2022, NEMCSA had received commitments for future funding under various grant awards of approximately \$19,740,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Supplementary Information

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2022

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF AGRICULTURE					
10.558	040000001 (221920)	Child and Adult Care Food Program - Meal Reimbursement	Michigan Department of Education	\$ 0	\$ 1,041,584
	040000001 (222010)	Child Care Cash in lieu of Commodities	Michigan Department of Education	0	44,071
	MDE Program ID# 211925/Grant Code 853X	Child & Adult Care Food Program (C19)	Michigan Department of Education	0	98,079
Total Federal Expenditures AL # 10.558				0	1,183,734
Food Distribution Program Cluster					
10.565	04-000-1021 (220930)	Commodity Supplement Food Program	Michigan Department of Education	0	271,287
	04-000-1021 (220930)	Commodity Supplemental Food Distribution	Michigan Department of Education	0	873,609
Total Federal Expenditures AL # 10.565				0	1,144,896
10.568	04-000-1021 (220990)	Emergency Food Assistance Program	Michigan Department of Education	0	157,565
10.568	04-000-1021 (220990)	Emergency Food Asst. Prgm - Build Better Back	Michigan Department of Education	0	18,650
10.568	04-000-1021 (222277)	Emergency Food Asst. Prgm - Reach and Resiliency	Michigan Department of Education	0	163
Total Federal Expenditures AL # 10.568				0	176,378
10.569	04-000-1021 (220990)	Emergency Food Asst. Prgm - Food Commodities	Michigan Department of Education	0	786,609
Total Food Distribution Program Cluster (10.565, 10.568, and 10.569)				0	2,107,883
10.649	040000001 (210980)	COVID-19 Pandemic-EBT Local Costs	Michigan Department of Education	0	6,198
Total Department of Agriculture				0	3,297,815
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
14.169	Grant No. 21-22 - HUD	Housing Counseling Assistance Program	Michigan State Housing Development Authority	0	40,000
14.231	HML-2021-103-ESF	Emergency Solutions Grant Program	Michigan State Housing Development Authority	0	87,315
	HML-2020-Northeas-103-C19	CRF Eviction Diversion	Michigan State Housing Development Authority	29,885	624,189
Total Federal Expenditures AL # 14.231				29,885	711,504
14.267	E20220336	Continuum of Care Program	Michigan Department of Health & Human Services	0	377,114
	HML-2021-Northeas-103-CES	Continuum of Care Program	Michigan State Housing Development Authority	0	10,973
Total Federal Expenditures AL # 14.267				0	388,087
Total Department of Housing and Urban Development				29,885	1,139,591
DEPARTMENT OF LABOR					
17.235	20180431;E20182850	Senior Community Service Employment Program	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	14,328
	E20193051;2954;3052;2994;2997	Senior Community Service Employment Program	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	4,068
Total Department of Labor; Federal Expenditures AL # 17.235				0	18,396

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2022

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF TREASURY					
21.023	HML-2021-Northeas-103-CERA	COVID-19 Emergency Rental Assistance	Michigan State Housing Development Authority	39,962	2,384,187
	HML-2022-Northeas-103-CERA2	COVID-19 Emergency Rental Assistance	Michigan State Housing Development Authority	18,693	1,282,560
Total Federal Expenditures AL # 21.023				58,655	3,666,747
21.026	HAF-2021-Northeast Mi-00001	COVID-19 Homeowner Assistance Fund	Michigan State Housing Development Authority	0	278
21.027	N/A	COVID-19 Coronavirus State and Local Fiscal	Bay Arenac ISD	0	11,940
	N/A	COVID-19 Coronavirus State and Local Fiscal	COOR ISD	0	42,892
	N/A	COVID-19 Coronavirus State and Local Fiscal	Huron ISD	0	82,123
	N/A	COVID-19 Coronavirus State and Local Fiscal	Sanilac ISD	0	55,657
	N/A	COVID-19 Coronavirus State and Local Fiscal	Tuscola ISD	0	38,453
Total Federal Expenditures AL # 21.027				0	231,065
Total Department of the Treasury				58,655	3,898,090
DEPARTMENT OF ENERGY					
81.042	E20220267 DOE2-2020,1-2020 - 04022	Weatherization Assistance for Low Income Persons	Michigan Department of Health & Human Services	0	727,001
	E20224960 DOE2-2021,1-2021 - 04022	Weatherization Assistance for Low Income Persons	Michigan Department of Health & Human Services	0	117,342
Total Department of Energy; Total Federal Expenditures AL #81.042				0	844,343
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.041	E20224104,4260,4134,4093,4087	Title VII, Ch. 3-Prgms for Prev. of Elder Abuse, Neglect & Exploitation	Michigan Department of Health & Human Services - Aging and Adult Services Agency	600	8,293
93.042	E20224104,4260,4134,4093,4087	Title VII, Ch. 2 - Long Term Care for Ombudsman Svcs for Older Individuals	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	22,843
93.042	E20224104,4260,4134,4093,4087	COVID-19 Title VII, Ch.2-Long Term Care Ombudsman Svcs Older Individuals CARES	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	4,765
Total Federal Expenditures AL # 93.042				0	27,608
93.043	E20224104,4260,4134,4093,4087	Title III, Part D - Disease Prevention & Health Promotion Services	Michigan Department of Health & Human Services - Aging and Adult Services Agency	21,789	30,198
Aging Cluster					
93.044	E20224104,4260,4134,4093,4087	Title III, Part B-Grants for Supportive Services & Senior Centers	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	47,578
	E20224104,4260,4134,4093,4087	Title III, Part B-Grants for Supportive Services & Senior Centers	Michigan Department of Health & Human Services - Aging and Adult Services Agency	382,825	417,855
	E20224104,4260,4134,4093,4087	COVID-19 Title III, Part B-Grants for Supportive Services & Sr Ctrs ARP III-B Admin (SSC6)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	3,946
	E20224104,4260,4134,4093,4087	COVID-19 Title III, Part B-Grants for Supportive Services & Sr Ctrs ARP III-B Services (SSC6)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	108,587	108,587
	E20224260	Title III, Part B-Grants for Supportive Services & Senior Centers (EOA VAC5)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	13,500	36,180
	E20224104,4260,4134,4093,4087	COVID-19 Title III, Part B-Grants for Supp. Svcs & Sr Ctrs CARES IIIB Admin	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	2,092
	E20224104,4260,4134,4093,4087	COVID-19 Title III, Part B-Grants for Supp. Svcs & Sr Ctrs CARES IIIB Support	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	6,555
Total Federal Expenditures AL # 93.044				504,912	622,793

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2022

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
93.045	E20224104,4260,4134,4093,4087	Title III, Part C - Nutrition Services	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	96,534
	E20224104,4260,4134,4093,4087	Title III, Part C - Nutrition Services	Michigan Department of Health & Human Services - Aging and Adult Services Agency	720,807	850,368
	E20224104,4260,4134,4093,4087	COVID-19 Title III, Part C - Nutrition Services ARP III-C1 Admin (CMC6)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	3,031
	E20224104,4260,4134,4093,4088	COVID-19 Title III, Part C - Nutrition Services ARP III-C1 Services (CMC6)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	90,636	90,636
	E20224104,4260,4134,4093,4087	COVID-19 Title III, Part C - Nutrition Services ARP III-C2 Admin (HDC6)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	3,650
	E20224104,4260,4134,4093,4088	COVID-19 Title III, Part C - Nutrition Services ARP III-C2 Services (HDC6)	Michigan Department of Health & Human Services - Aging and Adult Services Agency	155,168	155,168
	E20224104,4260,4134,4093,4088	COVID-19 Title III, Part C - Nutrition Services CARES IIIIC Admin	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	17,114
	E20224104,4260,4134,4093,4087	Title III, Part C - Nutrition Services CAA Supplemental C2 Admin	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	15,375
	E20224104,4260,4134,4093,4087	Title III, Part C - Nutrition Services CAA Supplemental C2 Services	Michigan Department of Health & Human Services - Aging and Adult Services Agency	137,541	137,541
Total Federal Expenditures AL # 93.045				1,104,152	1,369,417
93.053	E20224104,4260,4134,4093,4087	Nutrition Services Incentive Program	Michigan Department of Health & Human Services - Aging and Adult Services Agency	458,930	458,930
Total Aging Cluster (93.044, 93.045, and 93.053)				2,067,994	2,451,140
93.048	90MPPG0039-02	Special Programs for Aging_ Title IV and Title II - Discretionary Projects	MMAP, Inc.	0	10,634
	90MPPG0040	Special Programs for Aging_ Title IV and Title II - Discretionary Projects	MMAP, Inc.	0	836
Total Federal Expenditures AL # 93.048				0	11,470
93.052	E20224104,4260,4134,4093,4087	National Family Caregiver Support , Title III, Part E	Michigan Department of Health & Human Services - Aging and Adult Services Agency	77,772	164,028
	E20224104,4260,4134,4093,4087	COVID-19 National Family Caregiver Support , Title III, Part E CARES IIIIE	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	11,283
	E20224104,4260,4134,4093,4087	National Family Caregiver Support , Title III, Part E	Michigan Department of Health & Human Services - Aging and Adult Services Agency	0	22,779
Total Federal Expenditures AL # 93.052				77,772	198,090
93.071	N/A	Medicare Enrollment Assistance Program	MMAP, Inc.	0	517
93.268	E20224710	Immunization Cooperative Agreements	U.S. Department of Health & Human Services	0	36,907
93.324	90SAPG0010-03-00	State Health Insurance Assistance Program	MMAP, Inc.	0	20,707
	90SAPG0010-04-00	State Health Insurance Assistance Program	MMAP, Inc.	0	17,774
Total Federal Expenditures AL # 93.324				0	38,481

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2022

AL Number	Grant Number	Program Name	Grantor Agency	Subrecipient Expenditures	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
93.558	E20224126 (CSBG SSP)	Community Services Block Grant SSP	Michigan Department of Health & Human Services	0	525,000
93.568	E2022074 & E20220282 (LIHEAP)	Low-Income Home Energy Assistance	Michigan Department of Health & Human Services	0	549,428
	E20224919-00 & E20224921-00 (DLVB)	Low-Income Home Energy Assistance	Michigan Department of Health & Human Services	0	864
		Total Federal Expenditures AL # 93.568		0	550,292
93.569	E20224635	Community Services Block Grant Discretionary	Michigan Department of Health & Human Services	0	21,731
	E20220231	COVID-19 Community Services Block Grant CARES	Michigan Department of Health & Human Services	0	392,523
	E20213902	Community Services Block Grant	Michigan Department of Health & Human Services	0	202,155
	E20220366	Community Services Block Grant	Michigan Department of Health & Human Services	0	196,043
		Total Federal Expenditures AL # 93.569		0	812,452
Head Start Cluster					
93.600	05CH01163502	Head Start	U.S. Department of Health and Human Services	704,323	9,383,499
	05CH01163503	Head Start	U.S. Department of Health and Human Services	1,248,551	14,093,041
	05CH011635-02-03/05CH01163502C3	COVID-19 Head Start C-19 Carryover	U.S. Department of Health and Human Services	120,643	430,477
	05HE001071-01-00/05HE00107101C5	COVID-19 Head Start C-19	U.S. Department of Health and Human Services	30,261	283,358
	05HE001071-01-01/05HE00107101C6	COVID-19 Head Start American Rescue Plan	U.S. Department of Health and Human Services	177,244	1,522,207
		Total Federal Expenditures AL # 93.600		2,281,022	25,712,582
		Total Department of Health and Human Services		4,449,177	30,403,030
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
94.002	18SRNMI004 # 3	Retired and Senior Volunteer Program	Corporation for National & Community Service	0	142,957
	21SRNMI004	Retired and Senior Volunteer Program	Corporation for National & Community Service	0	28,124
		Total Federal Expenditures AL # 94.002		0	171,081
Foster Grandparent/Senior Companion Cluster					
94.011	19SFNMI003	Foster Grandparent Program	Corporation for National & Community Service	0	218,504
	19SFNMI003 #2	Foster Grandparent Program	Corporation for National & Community Service	0	9,797
		Total Federal Expenditures AL # 94.011		0	228,301
94.016	19SCNMI002	Senior Companion Program	Corporation for National & Community Service	0	171,344
		Total Foster Grandparent/Senior Companion Cluster		0	399,645
		Total Corporation for National & Community Service		0	570,726
		TOTAL FEDERAL EXPENDITURES		\$ 4,537,717	\$ 40,171,991

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

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, 2022. 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.
ACLS SCHEDULE OF SERVICE CATEGORIES BY FUNDING SOURCE
FOR YEAR ENDING SEPTEMBER 30,2022

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									51,108		513,070
Case Coord/Support																											-
Disaster Advocacy																											-
Information & Assistance																											-
Outreach																											-
Transportation																											-
Chore																											-
Home Care Assistance																											-
Home Injury Control																											-
Homemaker		254,401										599,276			110,509		23,400							115,037	98,455		1,201,078
Home Delivered Meals				316,848				397,059						469,817										571,240	87,408		1,842,372
Home Health Aide																											-
Medication Management												7,063					20,476										27,539
Personal Care		88,424										59,370												17,935	16,646		182,375
PERS/Assist Tech & Devices						15,202																					15,202
Respite Care						62,738													73,826	54,736			31,678	35,107	15,201		273,286
Congregate Meals			533,520					61,871					9,426											324,929	60,329		990,075
Friendly Reassure																											-
Legal Assistance		40,000																						1,465	3,139		44,604
Adult Day Care																				62,942	7,978		44,687	89,163	957		205,727
Dementia ADC																											-
Disease Prevent					30,198	4,252																			3,356		37,806
Health Screening																											-
Assist to Deaf																											-
Assistive Devices & Technologies																											-
Ombudsman		5,114						22,843										24,863				11,513			1,375	2,668	68,376
Sr Ctr Operations																											-
Sr Ctr Staffing																											-
Kinship Respite Care																											-
Elder Abuse Prevention							8,293																				8,293
Counseling																											-
Creat.Conf.CG@ CCC						8,992																			343		9,335
Caregiver Supplement						15,408																			1,506	359	17,273
Kinship Support																											-
Caregiver E.S.T						57,436																			818		58,254
Program Develop		27,916																									27,916
Region Specific																											-
Caregiver Outreach																											-
CLP/ADRC Services																											-
Administration	166,891									28,691													7,553			26,940	230,075
St CG Administration																					631						631
MATF administration																				11,637							11,637
FUNDING SOURCE TOTAL	166,891	417,855	533,520	316,848	30,198	164,028	8,293	22,843	458,930	28,691	28,137	665,709	9,426	469,817	110,509	431,825	43,876	24,863	73,826	129,315	8,609	11,513	83,918	1,154,876	340,641	29,967	5,764,924

NORTHEAST MICHIGAN COMMUNITY SERVICE AGENCY, INC.

ACLS CARES, Consolidated Appropriations Act., and American Rescue Plan 2022 Supplemental Nutrition Funding Schedule (Unaudited)

FOR YEAR ENDED SEPTEMBER 30, 2022

	Coronavirus Aid, Relief, and Economic Security (CARES) Act					Act, 2021 Supple. Nutr.		American Resuce Plan (ARP) ACT of the OAA									
SERVICE CATEGORY	(SSC3) Federal Admin Title III-B	(SSC3) Title III-B	(HDC3) Federal Admin Title IIIC	(FCC3) Title III - E	(OMC3) Title VII	(HDC5 Services) Title IIIC-2	(HDC5) Admin Title IIIC-2	(SSC6) Title III-B	(CMC6) Title IIIC-1	(HDC6) Title IIIC-2	(SSC6) Title IIIB	(CMC6) Title IIIC-1	(HDC6) Title IIIC-2	Program Income	Cash Match	In-Kind Match	TOTAL
Care Management		6,555															6,555
Homemaker								78,238						250	8,694		87,182
Home Delivered Meals						137,541				164,295				13,183	14,569	3,686	333,274
Personal Care								36,736						806	4,082		41,624
Respite Care				11,283													11,283
Congregate Meals									95,968					1,351	9,976	1,063	108,358
Friendly Reassure																	-
Legal Assistance																	-
LTC Ombudsman					4,765												4,765
Kinship Respite Care																	-
Program Develop																	-
Administration	2,092		17,114				15,375				4,735	3,637	4,380		12,948		60,281
FUNDING SOURCE TOTAL	2,092	6,555	17,114	11,283	4,765	137,541	15,375	114,974	95,968	164,295	4,735	3,637	4,380	15,590	50,269	4,749	653,322

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 Audit Standards*

Board of Directors
Northeast Michigan Community Service Agency, Inc.
Alpena, 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 Northeast Michigan Community Service Agency, Inc., which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2023.

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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", and "l" being particularly prominent and connected.

Wipfli LLP

June 1, 2023
Madison, Wisconsin

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 described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material on each of its major federal programs for the year ended September 30, 2022. 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 of its major federal programs for the year ended September 30, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 determination of Northeast Michigan Community Service Agency, Inc.'s federal programs.

Auditor's Responsibilities 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 determination of 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 generally accepted auditing standards, *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 determination of 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 generally accepted auditing standards, *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 determination of 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 determination 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 determination 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

June 1, 2023
Madison, Wisconsin

Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported

Type of auditor's report issued on compliance for major program:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
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Identification of major federal programs:

Assistance Listing No.

Food Distribution Cluster	10.565, 10.568 & 10.569
Emergency Rental Assistance Program	21.023
Aging Cluster	93.044, 93.045 & 93.053
Head Start Cluster	93.600

Dollar threshold used to distinguish between Type A and Type B program:	\$1,205,160
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs

Questioned Costs: None

Findings: None

Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

Section IV - Prior Year Findings:

Finding 2021-001: Federal Funding Accountability and Transparency Act Reporting

Federal program: Head Start, COVID-19 Head Start

AL#: 93.600

Federal award numbers: 05CH01163502, 05HE00107101C5, 05HE00107101C6

Federal agency: U.S. Department of Health and Human Services

Questioned Costs: None

Condition: Northeast Michigan Community Service Agency, Inc. did not report subaward data through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) in a timely manner. The following is a summary of the results of audit testing for compliance with this requirement:

Transactions tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
3	0	3	0	0
Dollar amount of tested transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$2,567,387	\$0	\$2,567,387	\$0	\$0

Criteria: The Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act) that are codified in 2 CFR Part 170 requires subaward actions be reported in FSRS no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made.

Current Year Status: Corrective action was implemented and the finding has been resolved.