

Northeast Michigan Community Service Agency, Inc.

Alpena, Michigan

Financial Statements and
Supplementary Information

Year Ended September 30, 2021



Northeast Michigan Community Service Agency, Inc.

Financial Statements and Supplementary Information
Year Ended September 30, 2021

Table of Contents

| | |
|--|----|
| Independent Auditor’s Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses..... | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards..... | 16 |
| AASA Schedule of Service Categories by Funding Source..... | 21 |
| AASA FFCRA Supplemental Schedule | 22 |
| 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 <i>Government Audit Standards</i> | 23 |
| Independent Auditor’s Report on Compliance With Requirements for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 25 |
| Schedule of Findings and Questioned Costs | 27 |

Independent Auditor's Report

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

Report on the Financial Statements

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Michigan Community Service Agency, Inc. as of September 30, 2021, 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.

Other Matters

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*, the AASA schedule of service categories by funding source, and the AASA FFCRA supplemental schedule 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 May 26, 2022, 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

May 26, 2022
Madison, Wisconsin

Northeast Michigan Community Service Agency, Inc.

Statement of Financial Position

September 30, 2021

| <i>Assets</i> | |
|---|----------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 10,840,568 |
| Grants receivable | 4,752,385 |
| Accounts receivable | 386,523 |
| Inventory | 680,938 |
| Prepaid expenses | 55,763 |
| Total current assets | 16,716,177 |
| Other assets: | |
| Certificates of deposit | 325,884 |
| Total other assets | 325,884 |
| Property and equipment, net | 1,715,658 |
| TOTAL ASSETS | \$ 18,757,719 |
| <i>Liabilities and Net Assets</i> | |
| Current liabilities: | |
| Accounts payable | \$ 2,950,695 |
| Accrued payroll and related expenses | 1,244,046 |
| Refundable advances | 1,433,989 |
| Total current liabilities | 5,628,730 |
| Net assets: | |
| Without donor restrictions: | |
| Designated | 6,699,502 |
| Undesignated | 3,698,489 |
| Investment in land, building and equipment | 1,715,658 |
| Total net assets without donor restrictions | 12,113,649 |
| With donor restrictions | 1,015,340 |
| Total net assets | 13,128,989 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 18,757,719 |

Northeast Michigan Community Service Agency, Inc.

Statement of Activities

Year Ended September 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------|
| Revenue: | | | |
| Public support | \$ 60,263,399 | \$ 356,863 | \$ 60,620,262 |
| Program income | 190,669 | 0 | 190,669 |
| Other | 368,182 | 0 | 368,182 |
| In-kind contributions | 86,915 | 0 | 86,915 |
| Net assets released from restrictions | 39,289 | (39,289) | 0 |
| Total revenue | 60,948,454 | 317,574 | 61,266,028 |
| Expenses: | | | |
| Program Services: | | | |
| Early childhood programs | 28,942,575 | 0 | 28,942,575 |
| Community based care programs | 13,526,472 | 0 | 13,526,472 |
| Aging programs | 4,055,818 | 0 | 4,055,818 |
| Client service programs | 8,110,837 | 0 | 8,110,837 |
| Youth services programs | 1,423,864 | 0 | 1,423,864 |
| Volunteer programs | 754,534 | 0 | 754,534 |
| Community development programs | 168,665 | 0 | 168,665 |
| Total program services | 56,982,765 | 0 | 56,982,765 |
| Management and general | 2,416,571 | 0 | 2,416,571 |
| Total expenses | 59,399,336 | 0 | 59,399,336 |
| Change in net assets | 1,549,118 | 317,574 | 1,866,692 |
| Net assets - Beginning of the year | 10,564,531 | 697,766 | 11,262,297 |
| Net assets - End of the year | \$ 12,113,649 | \$ 1,015,340 | \$ 13,128,989 |

See accompanying notes to financial statements.

Northeast Michigan Community Service Agency, Inc.

Statement of Functional Expenses Year Ended September 30, 2021

| | Early Childhood | Community Based Care | Aging | Client Service | Youth Services | Volunteer | Community Development | Program Services | Management & General | Total Expenses |
|---------------------------------------|----------------------|-------------------------|---------------------|---------------------|---------------------|-------------------|--------------------------|----------------------|-------------------------|----------------------|
| Expenses: | | | | | | | | | | |
| Salaries | \$ 15,258,886 | \$ 1,574,144 | \$ 468,386 | \$ 914,619 | \$ 939,265 | \$ 251,093 | \$ 86,782 | \$ 19,493,175 | \$ 1,041,668 | \$ 20,534,843 |
| Payroll taxes and fringe benefits | 6,512,517 | 669,256 | 185,423 | 367,940 | 436,529 | 107,574 | 36,528 | 8,315,767 | 437,484 | 8,753,251 |
| Occupancy | 1,777,435 | 37,367 | 9,208 | 90,349 | 0 | 5,350 | 3,248 | 1,922,957 | 78,107 | 2,001,064 |
| Travel and transportation: | | | | | | | | | | |
| Out of area travel | 8,291 | 0 | 0 | 142 | 0 | 0 | 0 | 8,433 | 766 | 9,199 |
| Travel and transportation | 217,736 | 6,198 | 6,490 | 47,738 | 8,869 | 3,710 | 470 | 291,211 | 4,342 | 295,553 |
| Supplies | 1,677,362 | 44,634 | 89,223 | 69,194 | 33,004 | 7,894 | 14,642 | 1,935,953 | 143,531 | 2,079,484 |
| Equipment: | | | | | | | | | | |
| Repairs and maintenance | 24,251 | 881 | 27 | 2,803 | 72 | 18 | 12 | 28,064 | 18,721 | 46,785 |
| Purchases funding source (exempt) | 0 | 0 | 0 | 107,512 | 0 | 0 | 0 | 107,512 | 0 | 107,512 |
| Audit and legal services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 105,308 | 105,308 |
| Contractual: | | | | | | | | | | |
| Subawards and flowthroughs (exempt) | 2,014,018 | 0 | 774,909 | 191,325 | 0 | 0 | 0 | 2,980,252 | 0 | 2,980,252 |
| Subawards and contracts | 482,308 | 63,170 | 2,141,988 | 184,340 | 0 | 0 | 555 | 2,872,361 | 8,115 | 2,880,476 |
| Trainings and meetings | 147,245 | 1,410 | 7,449 | 2,515 | 2,684 | 948 | 23,056 | 185,307 | 15,580 | 200,887 |
| Participant costs (exempt) | 0 | 0 | 0 | 0 | 0 | 370,241 | 0 | 370,241 | 0 | 370,241 |
| Client services | 61,401 | 11,102,265 | 328,356 | 3,995,807 | 80 | 0 | 0 | 15,487,909 | 33,931 | 15,521,840 |
| Printing and publications | 45,568 | 1,637 | 124 | 3,800 | 0 | 2 | (1) | 51,130 | 12,551 | 63,681 |
| Communication | 241,919 | 22,283 | 4,197 | 19,513 | 804 | 6,515 | 233 | 295,464 | 39,321 | 334,785 |
| Insurance | 74,782 | 2,763 | 780 | 5,621 | 1,500 | 392 | 120 | 85,958 | 58,766 | 144,724 |
| Dues and memberships | 10,922 | 135 | 11,981 | 0 | 0 | 650 | 0 | 23,688 | 7,759 | 31,447 |
| Other | 231,161 | 329 | 1,414 | 60,016 | 1,057 | 147 | 3,020 | 297,144 | 114,870 | 412,014 |
| Other (exempt) | 70,774 | 0 | 25,863 | 1,120 | 0 | 0 | 0 | 97,757 | 3,247 | 101,004 |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 291,588 | 291,588 |
| Food commodities distributed (exempt) | 0 | 0 | 0 | 2,046,483 | 0 | 0 | 0 | 2,046,483 | 0 | 2,046,483 |
| Match expense: | | | | | | | | | | |
| Match - Indirect exempt (GAAP) | 12,163 | 0 | 0 | 0 | 0 | 0 | 0 | 12,163 | 0 | 12,163 |
| Match (GAAP) | 73,836 | 0 | 0 | 0 | 0 | 0 | 0 | 73,836 | 916 | 74,752 |
| Total expenses | \$ 28,942,575 | \$ 13,526,472 | \$ 4,055,818 | \$ 8,110,837 | \$ 1,423,864 | \$ 754,534 | \$ 168,665 | \$ 56,982,765 | \$ 2,416,571 | \$ 59,399,336 |

See accompanying notes to financial statements.

Northeast Michigan Community Service Agency, Inc.

Statement of Cash Flows

Year Ended September 30, 2021

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

| | | |
|----------------------|----|-----------|
| Change in net assets | \$ | 1,866,692 |
|----------------------|----|-----------|

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

| | |
|--------------|---------|
| Depreciation | 291,588 |
|--------------|---------|

| | |
|--|-------|
| Loss on disposal of property and equipment | 3,246 |
|--|-------|

Changes in operating assets and liabilities:

| | | |
|-------------------|---|----------|
| Grants receivable | (| 685,144) |
|-------------------|---|----------|

| | | |
|---------------------|---|---------|
| Accounts receivable | (| 29,310) |
|---------------------|---|---------|

| | | |
|------------------|---|--------|
| Prepaid expenses | (| 8,251) |
|------------------|---|--------|

| | | |
|-----------|---|----------|
| Inventory | (| 250,042) |
|-----------|---|----------|

| | |
|------------------|---------|
| Accounts payable | 302,172 |
|------------------|---------|

| | |
|--------------------------------------|---------|
| Accrued payroll and related expenses | 162,653 |
|--------------------------------------|---------|

| | |
|---------------------|-----------|
| Refundable advances | 1,381,400 |
|---------------------|-----------|

| | |
|---|-----------|
| Net cash provided by operating activities | 3,035,004 |
|---|-----------|

Cash flows from investing activities:

| | | |
|------------------------------------|---|----------|
| Purchase of property and equipment | (| 602,125) |
|------------------------------------|---|----------|

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

| | | |
|---------------------------------------|---|----------|
| Net cash used in investing activities | (| 609,145) |
|---------------------------------------|---|----------|

| | |
|-------------------------------------|-----------|
| Change in cash and cash equivalents | 2,425,859 |
|-------------------------------------|-----------|

| | |
|---|-----------|
| Cash and cash equivalents - Beginning of the year | 8,414,709 |
|---|-----------|

| | | |
|---|----|------------|
| Cash and cash equivalents - End of the year | \$ | 10,840,568 |
|---|----|------------|

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 47% 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 22% 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.

Client Service 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 Client Service 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.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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.

Certificates of Deposit

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

Inventory/Food Commodities Distributed

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

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.

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, 2021, was \$865,226.

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 \$6,699,502 as of September 30, 2021.

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 and ASC Topic 958-606. 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 for Waiver services. NEMCSA recognizes revenue in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU 2014-09) and ASC 606, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition with a focus on the transfer of control of promised goods or services to a customer.

NEMCSA, Inc.'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, 2021, and included on the Statement of Activities under Public Support, is Waiver revenue of \$15,117,328.

NEMCSA determined at September 30, 2021 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 and accounts receivable on the Statement of Financial Position, and are as follows:

| | |
|---|-----------|
| Accounts receivable from contracts with customers at September 30, 2020 | \$ 65,347 |
| Accounts receivable from contracts with customers at September 30, 2021 | \$ 52,311 |

NEMCSA does not have any contract assets or liabilities at September 30, 2021 or 2020.

In-Kind Contributions

Accounting principles generally accepted in the United States 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, 2021, NEMCSA received \$86,945 of such contributions, primarily for its Head Start and Early Head Start programs. In addition, NEMCSA received contributions of nonprofessional volunteer services of approximately \$6,127,633 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.

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.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. The adoption was applied on a modified retrospective basis as of October 1, 2020. There were no changes to revenue as a result of implementation nor were any beginning balances restated.

Upcoming Accounting Pronouncements

In September 2020, the FASB issued 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. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after June 15, 2021, applied on a retrospective basis. Early adoption is permitted.

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 currently evaluating the impact of the provisions of these pronouncements.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through May 26, 2022, 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.

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, 2021, are comprised of the following:

| | |
|--|---------------|
| Cash and cash equivalents | \$ 10,840,568 |
| Grants receivable | 4,752,385 |
| Accounts receivable | 386,523 |
| Subtotal financial assets | 15,979,476 |
| Less: accounts payable | (2,950,695) |
| Less: accrued payroll and related expenses | (1,244,046) |
| Less: refundable advances | (1,433,989) |
| Less: board designated net assets | (6,699,502) |
| Less: net assets with donor restrictions in cash | (334,402) |
| Net financial assets available | \$ 3,316,842 |

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 \$23,674,000 at September 30, 2021.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 4: Grants Receivable

Grants receivable at September 30, 2021, 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 Agency program service areas:

| | |
|--------------------------------|---------------------|
| Early Childhood Programs | \$ 2,900,612 |
| Aging Services Programs | 856,607 |
| Client Services Programs | 492,752 |
| Community Based Care Programs | 88,296 |
| Volunteer Programs | 112,125 |
| Community Development Programs | 143,933 |
| Housing | 158,060 |
| Total | <u>\$ 4,752,385</u> |

Note 5: Property and Equipment

A summary of property and equipment at September 30, 2021, is as follows:

| | |
|------------------------------|---------------------|
| Land and land improvements | \$ 144,136 |
| Buildings | 368,739 |
| Leasehold improvements | 1,525,062 |
| Vehicles and equipment | 2,269,979 |
| Construction in progress | 163,797 |
| Total property and equipment | 4,471,713 |
| Accumulated depreciation | <u>(2,756,055)</u> |
| Property and equipment, net | <u>\$ 1,715,658</u> |

Note 6: Net Assets With Donor Restrictions

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

| | |
|---|---------------------|
| Commodity Supplement Food Program (CSFP) – food inventory | \$ 680,938 |
| Education and Literacy Programs | 3,084 |
| Energy Assistance Programs | 244,650 |
| Youth and Family Services | 2,950 |
| Other Programs | 83,718 |
| Total | <u>\$ 1,015,340</u> |

The above net assets have a specific purpose. Net assets with donor restrictions of \$39,289 were released from donor restrictions as a result of expenditures in accordance with purpose restrictions.

Northeast Michigan Community Service Agency, Inc.

Notes to Financial Statements

Note 7: 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, 2021 was \$1,398,848.

Note 8: 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, 2021, was \$1,532,396.

Future minimum lease payments under operating leases as of September 30, 2021 are as follows:

| | |
|-------|--------------|
| 2022 | \$ 1,275,787 |
| 2023 | 48,041 |
| Total | \$ 1,323,828 |

Note 9: Grant Awards

At September 30, 2021, NEMCSA had received commitments for future funding under various grant awards of approximately \$23,674,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Note 10: Business Conditions

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. Future potential impacts NEMCSA may include disruptions in operations. While the business disruptions are expected to be temporary, management cannot reasonably estimate the length or severity of this pandemic, including any direct and indirect negative impact to the NEMCSA's financial position, results of operations and cash flow.

Supplementary Information

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

| AL Number | Grant Number | Program Name | Grantor Agency | Federal Expenditures |
|--|---|---|--|-------------------------|
| DEPARTMENT OF AGRICULTURE | | | | |
| 10.558 | 040000001 | Child and Adult Care Food Program - Meal Reimbursement | State of Michigan - Department of Education | \$ 365,088 |
| | 040000001 | Child Care Cash in lieu of Commodities | State of Michigan - Department of Education | 10,810 |
| | MDE Program ID# 211925/Grant Code 853X | Emergency Operations - CACFP Meals | State of Michigan - Department of Education | 91,615 |
| | | Total Federal Expenditures AL # 10.558 | | 467,513 |
| Food Distribution Cluster | | | | |
| 10.565 | 04-000-1021 (190930) | Commodity Supplement Food Program | State of Michigan - Department of Education | 330,488 |
| | 04-000-1021 (190930) | Commodity Supplemental Food Distribution | State of Michigan - Department of Education | 1,020,963 |
| | | COVID-19 Commodity Supplement Food Program CARES | State of Michigan - Department of Education | 13,798 |
| | | Total Federal Expenditures AL # 10.565 | | 1,365,249 |
| 10.568 | 04-000-1021 (190990) | Emergency Food Assistance Program | State of Michigan - Department of Education | 182,461 |
| 10.569 | 04-000-1021 (190990) | Emergency Food Asst. Prgm - Food Commodities | State of Michigan - Department of Education | 1,025,521 |
| | | Total Food Distribution Cluster (10.565, 10.568, and 10.569) | | 2,573,231 |
| | | Total Department of Agriculture | | 3,040,744 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| 14.169 | 20-20-HUD | Housing Counseling Assistance Program | Michigan State Housing Development Authority | 27,000 |
| 14.231 | HML-2020-103-ESF | Emergency Solutions Grant Program | Michigan State Housing Development Authority | 329,812 |
| | HML-2020-Northeas-103-CRF | COVID-19 CRF Eviction Diversion | Michigan State Housing Development Authority | 514,691 |
| | | Total Federal Expenditures AL # 14.231 (Includes COVID-19 subrecipient expenses of \$ 115,486) | | 844,503 |
| 14.267 | E20211056/20210223-00 | Continuum of Care Program | State of Michigan - Department of Health & Human Services | 379,680 |
| | | Total Department of Housing and Urban Development | | 1,251,183 |
| DEPARTMENT OF LABOR | | | | |
| 17.235 | E20203427;3387;3538;3430;3428;3429;4260 | Senior Community Service Employment Program | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 36,726 |
| | E20213919;3909;4290;4276;4055;4260 | Senior Community Service Employment Program | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 6,004 |
| | | Total Department of Labor; Federal Expenditures AL # 17.235 | | 42,730 |

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

| AL Number | Grant Number | Program Name | Grantor Agency | Federal Expenditures |
|--|-------------------------------|---|--|-------------------------|
| DEPARTMENT OF THE TREASURY | | | | |
| 21.019 | E20214276-001 | COVID-19 Coronavirus Relief Fund (Personal Care/Essential Care Boxes) | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 10,190 |
| | HML-2020-Northeas-103-CRF | COVID-19 Coronavirus Relief Fund | Michigan State Housing Development Authority | 376,230 |
| | E20214053-00 | COVID-19 Coronavirus Relief Fund | State of Michigan - Department of Health & Human Services | 159,897 |
| | E20204726-00 | COVID-19 Coronavirus Relief Fund | State of Michigan - Department of Health & Human Services | 14,054 |
| | E20214054-00 | COVID-19 Coronavirus Relief Fund | State of Michigan - Department of Health & Human Services | 52,056 |
| | | Total Federal Expenditures AL # 21.019 | | 612,427 |
| 21.023 | HML-2021-Northeas-103-CERA | COVID-19 Emergency Rental Assistance (Includes COVID-19 subrecipient expenses of \$ 100,839) | Michigan State Housing Development Authority | 2,189,301 |
| | | Total Department of the Treasury | | 2,801,728 |
| DEPARTMENT OF ENERGY | | | | |
| 81.042 | E20212942-00 | Weatherization Assistance for Low Income Persons | State of Michigan - Department of Health & Human Services | 701,881 |
| | E20215046-00 | Weatherization Assistance for Low Income Persons | State of Michigan - Department of Health & Human Services | 133,526 |
| | | Total Department of Energy; Total Federal Expenditures AL #81.042 | | 835,407 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| 93.041 | E20213919;3909;4290;4276;4055 | Title VII, Ch. 3-Prgms for Prev. of Elder Abuse, Neglect & Exploitation (Includes subrecipient expenses of \$ 100) | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 1,014 |
| 93.042 | E20213919;3909;4290;4276;4055 | COVID-19 Title VII, Ch.2-Long Term Care Ombudsman Svcs Older Individuals CARES | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 11,283 |
| 93.043 | E20213919;3909;4290;4276;4055 | Title III, Part D - Disease Prevention & Health Promotion Services (Includes subrecipient expenses of \$ 13,769) | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 22,902 |
| Aging Cluster | | | | |
| 93.044 | E20213919;3909;4290;4276;4055 | Title III, Part B-Grants for Supportive Services & Senior Centers | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 46,853 |
| | E20213919;3909;4290;4276;4055 | Title III, Part B-Grants for Supportive Services & Senior Centers | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 393,723 |
| | E20213919;3909;4290;4276;4055 | COVID-19 Title III, Part B-Grants for Supp. Svcs & Sr Ctrs CARES IIIB Admin | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 4,205 |
| | E20213919;3909;4290;4276;4055 | COVID-19 Title III, Part B-Grants for Supp. Svcs & Sr Ctrs CARES IIIB Support | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 10,033 |
| | | Total Federal Expenditures AL # 93.044 (Includes subrecipient expenses of \$ 354,140 and COVID-19 subrecipient expenses of \$ 10,033) | | 454,814 |

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

| AL Number | Grant Number | Program Name | Grantor Agency | Federal Expenditures |
|--|--|---|--|-------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued) | | | | |
| 93.045 | E20213919;3909;4290;4276; 4055 | Title III, Part C - Nutrition Services | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 94,971 |
| | E20213919;3909;4290;4276; 4055 | Title III, Part C - Nutrition Services | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 863,780 |
| | E20213919;3909;4290;4276; 4055 | COVID-19 Title III, Part C - Nutrition Services - CARE | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 5,125 |
| | E20213919;3909;4290;4276; 4055 | COVID-19 Title III, Part C - Nutrition Services - FFCR/ | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 42,722 |
| Total Federal Expenditures AL # 93.045 (Includes subrecipient expenses of \$ 719,494 and COVID-19 subrecipient expenses of \$ 42,722) | | | | 1,006,598 |
| 93.053 | E20213919;3909;4290;4276; 4055 | Nutrition Services Incentive Program | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 459,070 |
| (Includes subrecipient expenses of \$ 459,070) | | | | |
| Total Aging Cluster (93.044, 93.045, and 93.053) | | | | 1,920,482 |
| 93.048 | 90MPPG0039-02 | Special Programs for Aging_ Title IV and Title II - Discretionary Projects | MMAP, Inc. | 7,457 |
| 93.052 | E20213919;3909;4290;4276; 4055 | National Family Caregiver Support , Title III, Part E | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 196,550 |
| | E20213919;3909;4290;4276; 4055 | COVID-19 National Family Caregiver Support , Title III, Part E CARES IIIIE | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 8,891 |
| | E20213919;3909;4290;4276; 4055 | National Family Caregiver Support , Title III, Part E | State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency | 22,282 |
| Total Federal Expenditures AL # 93.052 (Includes subrecipient expenses of \$ 71,196) | | | | 227,723 |
| 93.071 | N/A | Medicare Enrollment Assistance Program | MMAP, Inc. | 5,700 |
| 93.268 | E20214893-00;3919;3909; 4290;4276;4055;4260 | Immunization Cooperative Agreements | US Department of Health & Human Services | 776 |
| 93.324 | 90SAPG0010-03-00 | State Health Insurance Assistance Program | MMAP, Inc. | 21,979 |
| | 90SAPG0010-04-00 | State Health Insurance Assistance Program | MMAP, Inc. | 16,938 |
| Total Federal Expenditures AL # 93.324 | | | | 38,917 |
| 93.498 | N/A | COVID-19 Provider Relief Fund and American Rescue Plan (ARP) | US Department of Health & Human Services | 248,677 |
| 93.558 | E20214092-00 | School Success Program (SSP) | State of Michigan - Department of Health & Human Services | 525,000 |
| 93.568 | WAP 20-04022 (LIHEAP) | Low-Income Home Energy Assistance | State of Michigan - Department of Health & Human Services | 268,898 |

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

| AL Number | Grant Number | Program Name | Grantor Agency | Federal Expenditures |
|--|---|---|---|-------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued) | | | | |
| 93.569 | E20213042-00 | Community Services Block Grant - Discretionary | State of Michigan - Department of Health & Human Services | 18,000 |
| | E20213902-001 | COVID-19 Community Services Block Grant - CARES | State of Michigan - Department of Health & Human Services | 227,613 |
| | E20203257/CSBG-20-04022 (10/19 - 09/21) | Community Services Block Grant | State of Michigan - Department of Health & Human Services | 104,429 |
| | E20210804-002/CSBG-20-04022 (10/20 - 09/22) | Community Services Block Grant | State of Michigan - Department of Health & Human Services | 329,610 |
| Total Federal Expenditures AL # 93.569 | | | | 679,652 |
| Head Start Cluster | | | | |
| 93.600 | 05CH011635-01-03 | Head Start | U.S. Department of Health and Human Services | 9,228,839 |
| | 05CH011635-02-02 | Head Start | U.S. Department of Health and Human Services | 14,783,613 |
| | 05CH01163502C3 | COVID-19 Head Start | U.S. Department of Health and Human Services | 466,037 |
| | 05CH01163502C3 | COVID-19 Head Start C-19 Carryover | U.S. Department of Health and Human Services | 150,677 |
| | 05HE00107101C5 | COVID-19 Head Start C-19 | U.S. Department of Health and Human Services | 414,743 |
| | 05HE00107101C6 | COVID-19 Head Start American Rescue Plan | U.S. Department of Health and Human Services | 170,193 |
| Total Federal Expenditures AL # 93.600 | | | | 25,214,102 |
| (Includes subrecipient expenses of \$ 1,913,926 and COVID-19 subrecipient expenses of \$ 125,092) | | | | |
| Total Department of Health and Human Services | | | | 29,172,583 |
| CORPORATION FOR NATIONAL & COMMUNITY SERVICE | | | | |
| 94.002 | 18SRNMI004 | Retired and Senior Volunteer Program | Corporation for National & Community Service | 135,873 |
| | 21SRCMI005 # 1 | Retired and Senior Volunteer Program | Corporation for National & Community Service | 7,503 |
| Total Federal Expenditures AL # 94.002 | | | | 143,376 |
| Foster Grandparent/Senior Companion Cluster | | | | |
| 94.011 | 19SFNMI003 | Foster Grandparent Program | Corporation for National & Community Service | 222,565 |
| | 19SFNMI003 #2 | Foster Grandparent Program | Corporation for National & Community Service | 22,650 |
| Total Federal Expenditures AL # 94.011 | | | | 245,215 |
| 94.016 | 19SCNMI002 | Senior Companion Program | Corporation for National & Community Service | 132,566 |
| | 19SCNMI002 #2 | Senior Companion Program | Corporation for National & Community Service | 33,503 |
| Total Federal Expenditures AL # 94.016 | | | | 166,069 |
| Total Foster Grandparent/Senior Companion Cluster | | | | 411,284 |
| Total Corporation for National & Community Service | | | | 554,660 |
| TOTAL FEDERAL EXPENDITURES | | | | \$ 37,699,035 |

Northeast Michigan Community Service Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

| AL Number | Grant Number | Program Name | Grantor Agency | Federal Expenditures |
|--------------|-----------------|-----------------|----------------|-------------------------|
|--------------|-----------------|-----------------|----------------|-------------------------|

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, 2021. 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.
AASA SCHEDULE OF SERVICE CATEGORIES BY FUNDING SOURCE
FOR YEAR ENDING SEPTEMBER 30,202`

| SERVICE CATEGORY | Federal Administration | Title III-B | Title IIIC-1 | Title IIIC-2 | Title III-D | Title III - E | Title VII/EAP | 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 N | Program Income | Cash Match | In-Kind Match | TOTAL |
|----------------------------------|---------------------------|----------------|----------------|----------------|---------------|----------------|---------------|----------------|----------------|-----------------|------------------|----------------|------------------------|------------------|--------------------|---------------|---------------|--------------------------|---------------------------|------------------------------|---------------|---------------------------|-------------------|----------------|------------------|------------------|
| Care Management | | 2,000 | | | | | | | | 28,137 | | | | | 431,825 | | | | | | | | | 51,108 | | 513,070 |
| Case Coord/Support | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Disaster Advocacy | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Information & Assistance | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Outreach | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Transportation | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Chore | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Home Care Assistance | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Home Injury Control | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Homemaker | | 251,191 | | | | | | | | | 426,243 | | | 110,594 | | 22,394 | | | | | | | 128,660 | 96,751 | | 1,035,833 |
| Home Delivered Meals | | | | 347,749 | | | | 389,076 | | | | | 470,178 | | | | | | | | | | 566,660 | 90,881 | | 1,864,544 |
| Home Health Aide | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Medication Management | | | | | | | | | | | | | | | | 21,482 | | | | | | | | | | 21,482 |
| Personal Care | | 76,213 | | | | | | | | | 69,665 | | | | | | | | | | | | 17,886 | 16,578 | | 180,342 |
| PERS/Assist Tech & Devices | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Respite Care | | | | | | 86,150 | | | | | | | | | | | | 63,678 | 56,276 | 2,775 | | 46,598 | 30,358 | 5,885 | | 291,720 |
| Congregate Meals | | | 516,031 | | | | | 69,994 | | | | 9,426 | | | | | | | | | | | 201,151 | 58,487 | | 855,089 |
| Friendly Reassure | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Legal Assistance | | 26,736 | | | | | | | | | | | | | | | | | | | | | 1,200 | 2,685 | | 30,621 |
| Adult Day Care | | | | | | | | | | | | | | | | | | | 64,658 | 7,978 | | 36,119 | 60,578 | 1,318 | | 170,651 |
| Dementia ADC | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Disease Prevent | | | | | 22,902 | 4,978 | | | | | | | | | | | | | | | | | | 2,545 | | 30,425 |
| Health Screening | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Assist to Deaf | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Assistive Devices & Technologies | | | | | | 16,206 | | | | | | | | | | | | | | | | | | | | 16,206 |
| Ombudsman | | 4,949 | | | | | | | | | | | | | | | 24,863 | | | | 11,513 | | | 3,814 | 229 | 45,368 |
| Sr Ctr Operations | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Sr Ctr Staffing | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Kinship Respite Care | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Elder Abuse Prevention | | | | | | | 1,014 | | | | | | | | | | | | | | | | | | | 1,014 |
| Counseling | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Creat.Conf.CG@ CCC | | | | | | 6,265 | | | | | | | | | | | | | | | | | | | | 6,265 |
| Caregiver Supplement | | | | | | 14,553 | | | | | | | | | | | | | | | | | | 1,096 | | 15,649 |
| Kinship Support | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Caregiver E,S,T | | | | | | 68,398 | | | | | | | | | | | | | | | | | | 14,893 | | 83,291 |
| Program Develop | | 32,634 | | | | | | | | | | | | | | | | | | | | | | | | 32,634 |
| Region Specific | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Caregiver Outreach | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| CLPI/ADRC Services | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Administration | 164,106 | | | | | | | | 28,245 | | | | | | | | | | 8,381 | | | | | 26,554 | | 227,286 |
| St CG Administration | | | | | | | | | | | | | | | | | | | | 1,105 | | | | | | 1,105 |
| MATF administration | | | | | | | | | | | | | | | | | | | | | | 6,657 | | | | 6,657 |
| FUNDING SOURCE TOTAL | 164,106 | 393,723 | 516,031 | 347,749 | 22,902 | 196,550 | 1,014 | 459,070 | 28,245 | 28,137 | 495,908 | 9,426 | 470,178 | 110,594 | 431,825 | 43,876 | 24,863 | 63,678 | 129,315 | 11,858 | 11,513 | 89,374 | 1,006,493 | 372,595 | 229 | 5,429,252 |

| NORTHEAST MICHIGAN COMMUNITY SERVICE AGENCY, INC. | | | | | | | | | | | |
|--|-------------------------------|----------------------------|------------------------------|--------------------|--------------------|---------------|------------------|----------------|------------|---------------|--------|
| AASA CARES And Consolidated Appropriations Act. 2021 Supplemental Nutrition Funding Schedule | | | | | | | | | | | |
| FOR YEAR ENDED SEPTEMBER 30, 2021 | | | | | | | | | | | |
| SERVICE CATEGORY | (SSC3) Federal Ad Title III-B | (S) Federal Ad Title III-C | (B) Federal Ad Title III - E | (SSC3) Title III-B | (HDC5) Title III-C | Title III - E | Title VII (OMC3) | Program Income | Cash Match | In-Kind Match | TOTAL |
| Care Management | | | | | | | | | | | 0 |
| Homemaker | | | | 10,033 | | | | 135 | | | 10,168 |
| Home Delivered Meals | | | | | 42,722 | | | 1,666 | | | 44,388 |
| Personal Care | | | | | | | | | | | 0 |
| Respite Care | | | | | | 8,891 | | | | | 8,891 |
| Congregate Meals | | | | | | | | | | | 0 |
| Friendly Reassure | | | | | | | | | | | 0 |
| Legal Assistance | | | | | | | | | | | 0 |
| LTC Ombudsman | | | | | | | 11,283 | | | | 11,283 |
| Kinship Respite Care | | | | | | | | | | | 0 |
| Program Develop | | | | | | | | | | | 0 |
| Administration | 4,205 | 5,125 | | | | | | | 3,111 | | 12,441 |
| FUNDING SOURCE TOTAL | 4,205 | 5,125 | 0 | 10,033 | 42,722 | 8,891 | 11,283 | 1,801 | 3,111 | 0 | 87,171 |

See Independent Auditor's Report

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 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, 2021, 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 May 26, 2022.

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 may exist that have not been identified.

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.

Wipfli LLP

Wipfli LLP

May 26, 2022
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

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, 2021. 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.

Management's Responsibility.

Management of Northeast Michigan Community Service Agency, Inc.'s is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeast Michigan Community Service Agency, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Michigan Community Service Agency, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northeast Michigan Community Service Agency, Inc.'s compliance.

Opinion

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, 2021.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

Northeast Michigan Community Service Agency, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Northeast Michigan Community Service Agency, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Northeast Michigan Community Service Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northeast Michigan Community Service Agency, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeast Michigan Community Service Agency, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

May 26, 2022
Madison, Wisconsin

Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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 |
|--|------------|

| | |
|---|-----|
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? | Yes |
|---|-----|

Identification of major federal programs:

U.S. Department of the Treasury

Assistance Listing No.

| | |
|--------------------------------|--------|
| Coronavirus Relief Funds (CRF) | 21.019 |
|--------------------------------|--------|

| | |
|--|--------|
| Emergency Rental Assistance Program (CERA) | 21.023 |
|--|--------|

U.S. Department of Health and Human Services

Assistance Listing No.

| | |
|--------------------|--------|
| Head Start Cluster | 93.600 |
|--------------------|--------|

| | |
|---|-------------|
| Dollar threshold used to distinguish between Type A and Type B program: | \$1,130,971 |
|---|-------------|

| | |
|--|-----|
| Auditee qualified as low-risk auditee? | Yes |
|--|-----|

Section II - Financial Statement Findings: None

Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section III - Federal Award Findings and Questioned Costs

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.

Cause: The addition of this reporting requirement was not included in the standard communications that Northeast Michigan Community Service Agency, Inc. normally reviews to be aware of new grant requirements such as Head Start information memorandums and program instructions.

Effect: Because of the above conditions, Northeast Michigan Community Service Agency, Inc. was not in compliance with this compliance requirement as it relates to timely reporting.

Recommendation: We recommend that Northeast Michigan Community Service Agency, Inc. establish procedures to ensure future Transparency Act reports are filed timely.

View of Responsible Officials: Management agrees with the finding and has committed to a corrective action plan.

Section IV - Prior Year Findings: None