

# Northeast Michigan Community Service Agency, Inc.

Financial Statements and  
Supplementary Information

Year Ended September 30, 2020



# Northeast Michigan Community Service Agency, Inc.

Financial Statements and Supplementary Information  
Year Ended September 30, 2020

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## **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, 2020, 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, 2020, 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 March 23, 2021, 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

March 23, 2021  
Madison, Wisconsin

# Northeast Michigan Community Service Agency, Inc.

## Statement of Financial Position

September 30, 2020

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 8,414,709
Grants receivable	4,067,241
Accounts receivable	357,213
Inventory	430,896
Prepaid expenses	47,512
<b>Total current assets</b>	<b>13,317,571</b>
Other assets:	
Certificates of deposit	318,864
<b>Total other assets</b>	<b>318,864</b>
Property and equipment, net	1,408,367
<b>TOTAL ASSETS</b>	<b>\$ 15,044,802</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 2,648,523
Accrued payroll and related expenses	1,081,393
Refundable advances	52,589
<b>Total current liabilities</b>	<b>3,782,505</b>
Net assets:	
Without donor restrictions:	
Designated	5,992,942
Undesignated	3,163,221
Investment in land, building and equipment	1,408,368
<b>Total net assets without donor restrictions</b>	<b>10,564,531</b>
With donor restrictions	697,766
<b>Total net assets</b>	<b>11,262,297</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,044,802</b>

See accompanying notes to financial statements.

# Northeast Michigan Community Service Agency, Inc.

## Statement of Activities

Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Public support	\$ 55,947,426	\$ 325,361	\$ 56,272,787
Program income	110,446	0	110,446
Other	522,114	0	522,114
In-kind contributions	147,808	0	147,808
<b>Total revenue</b>	<b>56,727,794</b>	<b>325,361</b>	<b>57,053,155</b>
Expenses:			
Program Services:			
Early childhood programs	29,191,094	0	29,191,094
Community based care programs	13,514,908	0	13,514,908
Aging programs	4,496,795	0	4,496,795
Client service programs	4,599,501	0	4,599,501
Youth services programs	1,401,553	0	1,401,553
Volunteer programs	787,101	0	787,101
Community development programs	315,787	0	315,787
<b>Total program services</b>	<b>54,306,739</b>	<b>0</b>	<b>54,306,739</b>
Management and general	2,070,889	0	2,070,889
<b>Total expenses</b>	<b>56,377,628</b>	<b>0</b>	<b>56,377,628</b>
Change in net assets	350,166	325,361	675,527
Net assets - Beginning of the year	10,214,365	372,405	10,586,770
<b>Net assets - End of the year</b>	<b>\$ 10,564,531</b>	<b>\$ 697,766</b>	<b>\$ 11,262,297</b>

See accompanying notes to financial statements.

# Northeast Michigan Community Service Agency, Inc.

## Statement of Functional Expenses Year Ended September 30, 2020

	Early Childhood	Community Based Care	Aging	Client Service	Youth Services	Volunteer	Community Development	Program Services	Management & General	Total Expenses
<b>Expenses:</b>										
Salaries	\$ 15,010,797	\$ 1,556,751	\$ 393,654	\$ 706,212	\$ 934,639	\$ 275,268	\$ 136,745	\$ 19,014,066	\$ 1,053,017	\$ 20,067,083
Payroll taxes and fringe benefits	6,115,891	645,253	148,867	295,257	438,449	115,872	57,849	7,817,438	430,264	8,247,702
Occupancy	1,662,356	43,144	6,326	64,550	0	8,418	1,581	1,786,375	58,403	1,844,778
Travel and transportation:										
Out of area travel	27,417	0	0	809	0	0	0	28,226	0	28,226
Travel and transportation	326,972	38,097	16,130	44,503	7,064	6,938	4,784	444,488	17,873	462,361
Supplies	2,659,688	23,240	14,177	40,106	15,675	9,194	23,290	2,785,370	( 14,031)	2,771,339
Equipment:										
Repairs and maintenance	25,668	2,366	632	2,786	343	49	0	31,844	14,145	45,989
Purchases funding source (exempt)	7,931	0	0	1,209	0	0	0	9,140	23,000	32,140
Audit and legal services	0	0	0	0	0	0	0	0	35,131	35,131
Contractual:										
Subawards and flowthroughs (exempt)	1,785,228	0	899,430	0	0	0	0	2,684,658	0	2,684,658
Subawards and contracts	676,004	58,000	2,766,219	103,107	0	0	22,323	3,625,653	35,197	3,660,850
Trainings and meetings	211,086	1,711	7,496	4,109	573	812	165	225,952	8,792	234,744
Participant costs (exempt)	0	0	0	0	0	362,370	0	362,370	0	362,370
Client services	19,439	11,109,631	224,760	1,363,666	0	0	59,573	12,777,069	4,364	12,781,433
Printing and publications	50,409	2,204	402	6,211	0	69	235	59,530	18,263	77,793
Communication	223,142	29,475	4,542	19,857	1,034	6,464	1,365	285,879	20,541	306,420
Insurance	78,146	3,117	925	7,139	1,925	472	168	91,892	18,798	110,690
Dues and memberships	14,536	135	11,756	0	0	640	0	27,067	6,219	33,286
Other	134,953	1,784	1,399	54,870	1,851	535	7,702	203,094	84,636	287,730
Other (exempt)	13,623	0	80	7,903	0	0	7	21,613	0	21,613
Depreciation	0	0	0	0	0	0	0	0	256,277	256,277
Food commodities distributed (exempt)	0	0	0	1,877,207	0	0	0	1,877,207	0	1,877,207
Match expense:										
Match - Indirect exempt (GAAP)	16,529	0	0	0	0	0	0	16,529	0	16,529
Match (GAAP)	131,279	0	0	0	0	0	0	131,279	0	131,279
<b>Total expenses</b>	<b>\$ 29,191,094</b>	<b>\$ 13,514,908</b>	<b>\$ 4,496,795</b>	<b>\$ 4,599,501</b>	<b>\$ 1,401,553</b>	<b>\$ 787,101</b>	<b>\$ 315,787</b>	<b>\$ 54,306,739</b>	<b>\$ 2,070,889</b>	<b>\$ 56,377,628</b>

# Northeast Michigan Community Service Agency, Inc.

## Statement of Cash Flows

Year Ended September 30, 2020

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Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets \$ 675,527

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

Depreciation 256,277

Gain on disposal of property and equipment ( 2,762)

Changes in operating assets and liabilities:

Grants receivable ( 129,168)

Accounts receivable ( 277,748)

Prepaid expenses ( 20,200)

Inventory ( 61,441)

Accounts payable 14,579

Accrued payroll and related expenses ( 648,465)

Refundable advances ( 58,106)

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Net cash used in operating activities ( 251,507)

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Cash flows from investing activities:

Proceeds from the sale of property and equipment 2,762

Purchase of property and equipment ( 100,857)

Reinvestment of interest on certificates of deposit ( 4,917)

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Net cash used in investing activities ( 103,012)

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Change in cash and cash equivalents ( 354,519)

Cash and cash equivalents - Beginning of the year 8,769,228

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Cash and cash equivalents - End of the year \$ 8,414,709

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# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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### 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 year olds, 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 olds 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 50% 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 24% 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 8% 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 8% 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

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Basis of Presentation**

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

#### **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.

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.

#### **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.

#### **Revenue Recognition**

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

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

Conditional contributions 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. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as revenue without donor restrictions.

# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition (Continued)**

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

##### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances.

##### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of those earned are reflected as deferred revenue.

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.

#### **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.

# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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

#### 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 \$5,992,942 as of September 30, 2020.

#### 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.

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, 2020, was \$611,361.

#### 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, 2020, NEMCSA received \$147,808 of such contributions, primarily for its Head Start and Early Head Start programs. In addition, NEMCSA received contributions of nonprofessional volunteer services of approximately \$6,350,000, 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.

#### 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.

# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes (Continued)**

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 functional expenses. 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.

#### **Change in Accounting Policy**

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in the Update assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and determining whether a transaction is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The amendments in this ASU also apply to both resources received by a recipient and resources given by a resource provider. NEMCSA has applied the amendments in this ASU as of October 1, 2019 on a modified retrospective basis. There was no change in opening balances of net assets and no prior period results were restated.

#### **New Accounting Pronouncements**

In 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 replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. On June 3, 2020, FASB issued ASU No. 2020-05, that extended the effective date for certain entities to annual periods beginning after December 15, 2019. NEMCSA is currently evaluating the impact of the provisions of ASU Topic 606.

In 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 ASU Topic 842.

# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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

#### Subsequent Events

Subsequent events have been evaluated through March 23, 2021, 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, 2020, are comprised of the following:

Cash	\$ 8,414,709
Grants receivable	4,067,241
<u>Accounts receivable</u>	<u>357,213</u>
Subtotal financial assets	12,839,163
Less: accounts payable	( 2,648,523)
Less: accrued payroll and related expenses	( 1,081,393)
Less: refundable advances	( 52,589)
Less: board designated net assets	( 5,992,942)
<u>Less: net assets with donor restrictions in cash</u>	<u>( 266,870)</u>
<u>Net financial assets available</u>	<u>\$ 2,796,846</u>

NEMCSA does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately one month of operating expenses. 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 \$17,679,000 at September 30, 2020.

# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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### Note 4: Grants Receivable

Grants receivable at September 30, 2020, 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	\$ 1,975,970
Aging Services Programs	1,235,633
Client Services Programs	353,092
Community Based Care Programs	127,854
Volunteer Programs	39,601
Community Development Programs	53,851
Housing	281,240
<u>Total</u>	<u>\$ 4,067,241</u>

### Note 5: Property and Equipment

A summary of property and equipment at September 30, 2020, is as follows:

Land and land improvements	\$ 144,136
Buildings	368,739
Leasehold improvements	1,525,062
Vehicles and equipment	1,887,391
Total property and equipment	3,925,328
Accumulated depreciation	(2,516,961)
<u>Property and equipment, net</u>	<u>\$ 1,408,367</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	\$ 430,896
Education and Literacy Programs	1,756
Energy Assistance Programs	206,123
Youth and Family Services	2,950
Other Programs	56,041
<u>Total</u>	<u>\$ 697,766</u>

The above net assets have a specific purpose. When the restrictions are met, net assets are released from restriction and reported as net assets without donor restrictions.

# Northeast Michigan Community Service Agency, Inc.

## Notes to Financial Statements

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### 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, 2020 was \$1,292,701.

### 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 2022. The office space leases generally contain renewal options for periods ranging from one to ten years. Lease expense for the year ended September 30, 2020, was \$1,462,720.

Future minimum lease payments under operating leases as of September 30, 2020 are as follows:

2021	\$	213,301
2022		<u>1,406</u>
Total	\$	<u>214,707</u>

### Note 9: Grant Awards

At September 30, 2020, NEMCSA had received commitments for future funding under various grant awards of approximately \$17,679,000. 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**

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# Northeast Michigan Community Service Agency, Inc.

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>				
10.178	04-000-1021 (190990)	Trade Mitigation Program Eligible Recipient Agency Operational Funds	State of Michigan - Department of Education	\$ 10,973
10.178	04-000-1021 (190990)	Trade Mitigation Program Eligible Recipient Agency Operational Funds-Commodities	State of Michigan - Department of Education	326,949
<b>Total Federal Expenditures CFDA # 10.178</b>				<b>337,922</b>
10.558	040000001	Child and Adult Care Food Program - Meal Reimbursement	State of Michigan - Department of Education	863,766
	040000001	Child Care Cash in lieu of Commodities	State of Michigan - Department of Education	34,466
<b>Total Federal Expenditures CFDA # 10.558</b>				<b>898,232</b>
<i>Food Distribution Program Cluster</i>				
10.565	04-000-1021 (200930)	Commodity Supplement Food Program	State of Michigan - Department of Education	310,099
	04-000-1021 (200930)	Commodity Supplemental Food Distribution	State of Michigan - Department of Education	1,179,641
<b>Total Federal Expenditures CFDA # 10.565</b>				<b>1,489,740</b>
10.568	04-000-1021 (190990)	Emergency Food Assistance Program	State of Michigan - Department of Education	100,816
	04-000-1021	COVID-19 Emergency Food Assistance Program CARES & FFCRA	State of Michigan - Department of Education	25,595
<b>Total Federal Expenditures CFDA # 10.568</b>				<b>126,411</b>
10.569	04-000-1021 (190990)	Emergency Food Asst. Prgm - Food Commodities	State of Michigan - Department of Education	370,617
<b>Total Food Distribution Cluster (10.565, 10.568, and 10.569)</b>				<b>1,986,768</b>
<b>Total Department of Agriculture</b>				<b>3,222,922</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
14.169	18-18 HUD	Housing Counseling Assistance Program	Michigan State Housing Development Authority	32,680
14.231	HML-2018-103-ESF	Emergency Solutions Grant Program	Michigan State Housing Development Authority	325,629
	HML-2020-Northeas-103-C19	COVID-19 Emergency Solutions Grant - CRF Eviction Diversion	Michigan State Housing Development Authority	2,408
<b>Total Federal Expenditures CFDA # 14.231</b>				<b>328,037</b>
14.235	E20202652-00	Supportive Housing Program	State of Michigan - Department of Health & Human Services-Housing Division	406,276
<b>Total Department of Housing and Urban Development</b>				<b>766,993</b>
<b>DEPARTMENT OF LABOR</b>				
17.235	20180431;E20182850	Senior Community Service Employment Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	51,090
	E20193051;2954;3052;2994;2997	Senior Community Service Employment Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	17,850
<b>Total Department of Labor; Total Federal Expenditures CFDA # 17.235</b>				<b>68,940</b>

# Northeast Michigan Community Service Agency, Inc.

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Federal Expenditures
<b>DEPARTMENT OF TREASURY</b>				
21.019	E20203427;3887;3538;3430 ;3428'3429;3426	COVID-19 Coronavirus Relief Fund	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	51,854
	HML-2020-Northeas-103-CRF	COVID-19 Coronavirus Relief Fund	Michigan State Housing Development Authority	169,104
<b>Total Department of Treasury; Total Federal Expenditures CFDA #21.019</b>				<b>220,958</b>
<b>DEPARTMENT OF ENERGY</b>				
81.042	WAP-16-04022 (DOE)	Weatherization Assistance for Low Income Persons	State of Michigan - Department of Health & Human Services	510,665
	WAP-16-04022 (DOE)	Weatherization Assistance for Low Income Persons	State of Michigan - Department of Health & Human Services	114,508
<b>Total Department of Energy; Total Federal Expenditures CFDA #81.042</b>				<b>625,173</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
93.041	E20203427;3887;3538;3430 ;3428'3429;3426	Title VII, Ch. 3-Prgms for Prev. of Elder Abuse, Neglect & Exploitation	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	<b>3,356</b>
<b>(Includes subcontractor expenses of \$ 600)</b>				
93.042	E20203427;3887;3538;3430 ;3428'3429;3426	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	<b>11,662</b>
93.043	E20203427;3887;3538;3430 ;3428'3429;3426	Title III, Part D - Disease Prevention & Health Promotion Services	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	<b>15,887</b>
<b>(Includes subcontractor expenses of \$ 10,065)</b>				
<i>Aging Cluster</i>				
93.044	E20203427;3887;3538;3430 ;3428'3429;3426	Title III, Part B-Grants for Supportive Services & Senior Centers	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	46,599
	E20203427;3887;3538;3430 ;3428'3429;3426	Title III, Part B-Grants for Supportive Services & Senior Centers	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	309,922
	E20203427;3887;3538;3430 ;3428'3429;3426	COVID-19 Title III, Part B-Grants for Supportive Services & Senior Centers CARES IIIB	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	204,671
<b>Total Federal Expenditures CFDA # 93.044</b>				<b>561,192</b>
<b>(Includes subcontractor expenses of \$ 287,989 and COVID-19 subcontractor expenses of \$ 179,004)</b>				
93.045	E20203427;3887;3538;3430 ;3428'3429;3426	Title III, Part C - Nutrition Services	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	93,750
	E20203427;3887;3538;3430 ;3428'3429;3426	Title III, Part C - Nutrition Services	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	767,371
	E20203427;3887;3538;3430 ;3428'3429;3426	COVID-19 Title III, Part C - Nutrition Services CARES IIIC	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	529,019

# Northeast Michigan Community Service Agency, Inc.

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>				
93.045	E20203427;3887;3538;3430 ;3428'3429;3426	COVID-19 Title III, Part C - Nutrition Services FFCRA IIIC	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	287,561
<b>Total Federal Expenditures CFDA # 93.045 (Includes subcontractor expenses of \$ 666,938 and COVID-19 subcontractor expenses of \$ 748,275)</b>				<b>1,677,701</b>
93.053	E20203427;3887;3538;3430 ;3428'3429;3426	Nutrition Services Incentive Program	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	<b>461,350</b>
<b>(Includes subcontractor expenses of \$ 461,350)</b>				
<b>Total Aging Cluster (93.044, 93.045, and 93.053)</b>				<b>2,700,243</b>
93.048	90MPPG0039-02	Special Programs for Aging_ Title IV and Title II - Discretionary Projects	MMAP, Inc.	9,869
	90MPPG0039-03	Special Programs for Aging_ Title IV and Title II - Discretionary Projects	MMAP, Inc.	2,412
<b>Total Federal Expenditures CFDA # 93.048</b>				<b>12,281</b>
93.051	20180431;E20182850	Alzheimer's Disease Demonstration Grants to States	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	<b>18,557</b>
93.052	E20203427;3887;3538;3430 ;3428'3429;3426	National Family Caregiver Support , Title III, Part E	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	131,441
	E20203427;3887;3538;3430 ;3428'3429;3427	COVID-19 National Family Caregiver Support , Title III, Part E CARES IIIE	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	76,297
	E20203427;3887;3538;3430 ;3428'3429;3426	National Family Caregiver Support , Title III, Part E	State of Michigan - Dept. of Health & Human Services - Aging and Adult Services Agency	22,020
<b>Total Federal Expenditures CFDA # 93.052 (Includes subcontractor expenses of \$ 63,288 and COVID-19 subcontractor expenses of \$ 33,850)</b>				<b>229,758</b>
93.071	N/A	Medicare Enrollment Assistance Program	MMAP, Inc.	<b>88</b>
93.324	90SAPG0010-03-00	State Health Insurance Assistance Program	MMAP, Inc.	26,008
	90SAPG0010-04-00	State Health Insurance Assistance Program	MMAP, Inc.	15,595
<b>Total Federal Expenditures CFDA # 93.324</b>				<b>41,603</b>
93.568	WAP 16-04022 (LIHEAP)	Low-Income Home Energy Assistance	State of Michigan - Department of Health & Human Services	341,177
	E20203028-00	Low-Income Home Energy Assistance	State of Michigan - Department of Health & Human Services	24,581
	MCA MEAP Assurance 16 Extra	Low-Income Home Energy Assistance	Michigan Community Action	634
<b>Total Federal Expenditures CFDA# 93.568</b>				<b>366,392</b>

# Northeast Michigan Community Service Agency, Inc.

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>				
93.569	CSBG-20-04022	Community Services Block Grant Discretionary	State of Michigan - Department of Health & Human Services	18,000
	CSBG-20-04022	COVID-19 Community Services Block Grant CARES	State of Michigan - Department of Health & Human Services	94,913
	CSBG-14-04022 (10/18 - 9/20)	Community Services Block Grant	State of Michigan - Department of Health & Human Services	109,860
	CSBG-14-04022 (10/19 - 09/21)	Community Services Block Grant	State of Michigan - Department of Health & Human Services	425,460
<b>Total Federal Expenditures CFDA # 93.569</b>				<b>648,233</b>
<b>Head Start Cluster</b>				
93.600	05CH8420-05-03	Head Start	U.S. Department of Health and Human Services	9,752,497
	05CH8420-06-02	Head Start	U.S. Department of Health and Human Services	10,548,763
	05CH011635-01-03	Head Start	U.S. Department of Health and Human Services	4,599,110
	05CH011635-01-01 C3	COVID-19 Head Start	U.S. Department of Health and Human Services	715,654
<b>Total Head Start Cluster (CFDA # 93.600)</b>				<b>25,616,024</b>
<b>(Includes subcontractor expenses of \$ 1,810,724 and COVID-19 subcontractor expenses of \$ 24,504)</b>				
<b>Total Department of Health and Human Services</b>				<b>29,664,084</b>
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>				
94.002	18SRNMI004 # 2	Retired and Senior Volunteer Program	Corporation for National & Community Service	113,008
	18SRNMI004 # 3	Retired and Senior Volunteer Program	Corporation for National & Community Service	44,488
<b>Total Federal Expenditures CFDA # 94.002</b>				<b>157,496</b>
<b>Foster Grandparent/Senior Companion Cluster</b>				
94.011	19SFNMI003	Foster Grandparent Program	Corporation for National & Community Service	220,527
	19SFNMI003 #2	Foster Grandparent Program	Corporation for National & Community Service	37,416
<b>Total Federal Expenditures CFDA # 94.011</b>				<b>257,943</b>
94.016	19SCNMI002	Senior Companion Program	Corporation for National & Community Service	158,061
	19SCNMI002 #2	Senior Companion Program	Corporation for National & Community Service	42,040
<b>Total Federal Expenditures CFDA # 94.016</b>				<b>200,101</b>
<b>Total Foster Grandparent/Senior Companion Cluster</b>				<b>458,044</b>
<b>Total Corporation for National &amp; Community Service</b>				<b>615,540</b>
<b>TOTAL FEDERAL EXPENDITURES</b>				<b>\$ 35,184,610</b>

# Northeast Michigan Community Service Agency, Inc.

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2020

### **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, 2020. 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, 2020

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 VIII/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		193,199										411,674			110,822		23,400							107,301	86,399			932,795
Home Delivered Meals					313,806				354,178					457,966										507,035	86,760			1,718,745
Home Health Aide																												-
Medication Management																	16,565											16,565
Personal Care		79,626																						20,565	16,382			184,372
PERS/Assist Tech & Devices							13,580																					13,580
Respite Care						49,769																						49,769
Congregate Meals			453,565						107,172				9,426							47,023	61,048	6,543		37,872	22,139	12,318		236,712
Friendly Reassurance																								233,128	51,445			854,736
Legal Assistance		15,164																						875	1,685			17,724
Adult Day Care																				57,065	7,784		44,687	43,775	1,691			155,002
Dementia ADC																												-
Disease Prevent					15,887	8,773																			25	1,898		26,583
Health Screening																												-
Assist to Deaf																												-
Home Repair																												-
LTC Ombudsman		4,949																24,863					11,513		2,857	1,186		45,368
Sr Ctr Operations																												-
Sr Ctr Staffing																												-
Kinship Respite Care						11,483																			1,398			12,881
Elder Abuse Prevention							3,356																					3,356
Counseling																												-
Creat Conf CG@ CCC						3,873																						3,873
Caregiver Supplement						7,069																			815			7,884
Kinship Support																												-
Caregiver E.S.T																												-
Program Develop		14,984																										14,984
Region Specific																												-
Caregiver Outreach						36,894																			525			37,419
CLPIADRC Services																												-
Administration	162,369									27,047																		189,416
SI CG Administration																												886
MATF administration																					11,202							18,017
<b>FUNDING SOURCE TOTAL</b>	<b>162,369</b>	<b>309,922</b>	<b>453,565</b>	<b>313,806</b>	<b>15,887</b>	<b>131,441</b>	<b>3,356</b>	<b>-</b>	<b>461,350</b>	<b>27,047</b>	<b>28,137</b>	<b>479,473</b>	<b>9,426</b>	<b>457,966</b>	<b>110,822</b>	<b>431,825</b>	<b>39,965</b>	<b>24,863</b>	<b>47,023</b>	<b>129,315</b>	<b>15,213</b>	<b>11,513</b>	<b>89,374</b>	<b>935,368</b>	<b>313,756</b>	<b>1,186</b>	<b>5,003,968</b>	

<b>NORTHEAST MICHIGAN COMMUNITY SERVICE AGENCY, INC.</b>								
AASA FFCRA Supplemental Schedule								
FOR YEAR ENDED SEPTEMBER 30, 2020								
<b>SERVICE CATEGORY</b>	(CMC2) Federal Admin Title III-C-1	(HDC2) Federal Admin Title III-C-2	Title III-C-1	Title III-C-2	Program Income	Cash Match	In-Kind Match	TOTAL
Home Delivered Meals				195,610	6,667			202,277
Congregate Meals			62,269		6,878			69,147
Administration	9,894	19,788				9,894		39,576
St CG Administration								-
MATF administration								-
<b>FUNDING SOURCE TOTAL</b>	9,894	19,788	62,269	195,610	13,545	9,894	-	311,000

<b>NORTHEAST MICHIGAN COMMUNITY SERVICE AGENCY, INC.</b>											
AASA CARES Supplemental Schedule											
FOR YEAR ENDED SEPTEMBER 30, 2020											
<b>SERVICE CATEGORY</b>	(SSC3) Federal Admin Title III-B	(HDC3) Federal Admin Title III-C	(FCC3) Federal Admin Title III - E	Title III-B	Title III-C-HDC	Title III - E	Title VII (OMC3)	Program Income	Cash Match	In-Kind Match	TOTAL
Care Management				5,556							5,556
Homemaker				128,036				3,288			131,324
Home Delivered Meals					445,304			13,228			458,532
Personal Care				33,186				525			33,711
Respite Care						63,310		268			63,578
Congregate Meals					45,092						45,092
Friendly Reassure				4,500							4,500
Legal Assistance				13,282				1,700			14,982
LTC Ombudsman							11,662				11,662
Kinship Respite Care						1,625					1,625
Program Develop				3,184							3,184
Administration	16,927	38,623	11,362						22,306		89,218
<b>FUNDING SOURCE TOTAL</b>	16,927	38,623	11,362	187,744	490,396	64,935	11,662	19,009	22,306	-	862,964



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

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, 2020, 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 March 23, 2021.

### **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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

March 23, 2021  
Madison, Wisconsin

## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance**

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 effect on its major federal program for the year ended September 30, 2020. Northeast Michigan Community Service Agency, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility for Compliance**

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 Northeast Michigan Community Service Agency, Inc.'s major federal program 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 the 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 its major federal program for the year ended September 30, 2020.

## 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

March 23, 2021  
Madison, Wisconsin

# Northeast Michigan Community Service Agency, Inc.

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

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## 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?	No
Noncompliance material to financial statements noted?	No

### **Federal Awards**

Internal control over major federal program:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
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)]?	No
Identification of major federal program:	
<u>U.S. Department of Health and Human Services</u>	<u>CFDA No.</u>
Head Start Cluster	93.600
Dollar threshold used to distinguish between Type A and Type B program:	\$1,055,538
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings:** None

**Section III - Federal and State Award Findings and Questioned Costs:** None

**Section IV - Prior Year Findings:** None