

Michigan Community Action and Affiliate
Consolidated Financial Statements
September 30, 2018 and 2017

Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6
Supplementary Information	
Schedule of Grants and Awards Activity	11
Consolidating Statement of Financial Position	12
Consolidating Statement of Activities	14
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	17
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 Auditing Standards</i>	18
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	24



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Independent Auditors' Report

Management and the Board of Directors
Michigan Community Action and Affiliate
Okemos, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Michigan Community Action (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Michigan Community Action and Affiliate as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of grants and award activity, consolidating statement of financial position, and consolidating statement of activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 February 13, 2019 on our consideration of Michigan Community Action and Affiliate'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 Michigan Community Action and Affiliate'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 Michigan Community Action and Affiliate's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Lansing, Michigan
February 13, 2019

Michigan Community Action and Affiliate
Consolidated Statement of Financial Position
September 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 2,893,062	\$ 3,263,495
Investments	1,176,426	1,126,264
Receivables		
Accounts receivable	209,568	176,151
Grants receivable	106,924	210,884
Deposits and prepaid expenses	11,454	8,481
Total current assets	4,397,434	4,785,275
Noncurrent assets		
Fixed assets not being depreciated	82,800	82,800
Fixed assets, net of accumulated depreciation	388,927	379,655
Total noncurrent assets	471,727	462,455
Total assets	\$ 4,869,161	\$ 5,247,730
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,290,144	\$ 2,686,885
Accrued liabilities	58,705	50,066
Deferred revenue	712,976	718,643
Total current liabilities	3,061,825	3,455,594
Net assets		
Unrestricted	1,807,336	1,792,136
Total liabilities and net assets	\$ 4,869,161	\$ 5,247,730

See Accompanying Notes to the Consolidated Financial Statements

Michigan Community Action and Affiliate
Consolidated Statement of Activities
For the Years Ended September 30, 2018 and 2017

	Unrestricted	
	2018	2017
Revenues		
Federal, state, and private grant programs		
U.S. Department of Health and Human Services	\$ 11,366,996	\$ 9,142,810
Maximus Michigan ENROLLS	500,758	1,001,516
Michigan Department of Human Services	326,233	352,362
Michigan Public Service Commission	8,107,234	10,354,922
Community Action Agency	185,598	219,450
Total federal, state, and private grant programs revenues	<u>20,486,819</u>	<u>21,071,060</u>
Other revenue		
Realized and unrealized gain on investments	80,571	92,540
Investment income	26,904	24,765
Contributions	-	205
Registration and membership fees	157,267	136,490
Energy program administrative fee	876,475	1,543,335
Miscellaneous income	46,242	45,769
Total other revenue	<u>1,187,459</u>	<u>1,843,104</u>
Total revenues	<u>21,674,278</u>	<u>22,914,164</u>
Expenses		
Salaries and wages	630,498	623,212
Fringe benefits	172,022	179,062
Insurance	28,975	29,253
Office expenses	27,018	28,611
Telephone	12,996	11,823
Travel	38,390	67,625
Professional and contract services	20,388,785	21,573,159
Office equipment and maintenance	8,699	7,586
Occupancy	31,814	31,083
Workshops	224,364	138,459
Membership dues and subscriptions	52,131	53,934
Miscellaneous	18,250	4,934
Depreciation expense	25,136	21,870
Total expenses	<u>21,659,078</u>	<u>22,770,611</u>
Change in net assets	15,200	143,553
Net assets, beginning of year	<u>1,792,136</u>	<u>1,648,583</u>
Net assets, end of year	<u>\$ 1,807,336</u>	<u>\$ 1,792,136</u>

See Accompanying Notes to the Consolidated Financial Statements

Michigan Community Action and Affiliate
Consolidated Statement of Cash Flows
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 15,200	\$ 143,553
Items not requiring cash		
Net realized and unrealized gain on investments	(80,571)	(92,540)
Depreciation	25,136	21,870
Changes in operating assets and liabilities		
Accounts receivable	(33,417)	(77,467)
Grants receivable	103,960	141,266
Deposits and prepaid expenses	(2,973)	2,548
Accounts payable	(396,741)	(1,306,564)
Accrued liabilities	8,639	3,831
Deferred revenue	(5,667)	79,585
	<u>(366,434)</u>	<u>(1,083,918)</u>
Net cash used by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(34,408)	(32,312)
Proceeds from sale of investments	231,185	97,291
Purchase of investments	(200,776)	(264,973)
	<u>(3,999)</u>	<u>(199,994)</u>
Net cash used by investing activities		
Net change in cash and cash equivalents	(370,433)	(1,283,912)
Cash and cash equivalents, beginning of year	<u>3,263,495</u>	<u>4,547,407</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,893,062</u></u>	<u><u>\$ 3,263,495</u></u>

**Michigan Community Action and Affiliate
Notes to the Consolidated Financial Statements
September 30, 2018 and 2017**

Note 1 - Organization and Summary of Significant Accounting Policies

Organization and Purpose and Principles of Consolidation

Michigan Community Action (the Organization) (MCA) is a Michigan-based, private, nonprofit corporation organized to act as an advocate for persons in poverty. The Organization's membership consists of approximately twenty-nine (29) Community Action Agencies and one (1) associated agency.

Michigan Community Action operates under an appointed Board of Directors and an Executive Director. Its principal source of revenue is various federal and state programs, including the Michigan Department of Health and Human Services, Maximus Michigan ENROLLS, and Michigan Public Service Commission.

The accompanying consolidated financial statements reflect the activities of Michigan Community Action and its affiliate, 2173 Holding Company. 2173 Holding Company is a 501(c)(2) title-holding company created by MCA for the purpose of owning and maintaining the premises located at 2173 Commons Parkway in Okemos, Michigan. The two organizations have separate Boards of Directors, however the members are shared between both entities and therefore they are considered to be related. All intercompany transactions have been eliminated in the consolidation.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the consolidated financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The consolidated financial statements of the Organization are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Basis of Presentation

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. All of the Organization's net assets were classified as unrestricted.

GAAP also require contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization has not received any contributions with donor imposed restrictions that would result in either temporarily restricted or permanently restricted net assets.

Comparative Financial Information

Comparative data for the prior year have been presented in the accompanying consolidated financial statements in order to provide an understanding of the changes in the Organization's financial position and operations.

Cash and cash equivalents

Cash and cash equivalents consist of checking and savings accounts and a money market account.

Michigan Community Action and Affiliate
Notes to the Consolidated Financial Statements
September 30, 2018 and 2017

Investments

Investments consist of mutual funds. All investments have readily determinable fair values and are stated at fair value at September 30, 2018 and 2017. Fair values of all of these short-term investments are determined based on quoted market prices and other relevant information generated by market transactions. Realized and unrealized gains or losses on investments are recorded in the consolidated statement of activities in the period that such gains or losses or fluctuations occur. Dividend and interest income is recorded when earned on an accrual basis. There were no changes in valuation techniques and related inputs during the period.

The Organization is required by accounting principles generally accepted in the United States of America to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk are described in subsequent notes.

The Organization places its cash equivalents and investments with high credit-quality financial institutions. Although such investments and cash equivalents are not federally insured, they are, in the opinion of management, subject to minimal risk.

Accounts receivable

Accounts receivable consists of amounts due from various members. The Organization has not recorded a provision for doubtful accounts because in the opinion of management, those receivables are collectible in full.

Fixed Assets

Fixed assets consist of land, equipment, a building and improvements, and are recorded at cost. Depreciation was computed using the straight-line method over the estimated useful lives of the assets. Improvements over \$5,000 are capitalized while expenditures for maintenance and repairs are charged to expense when incurred.

Deferred Revenue

Deferred revenue relates to grant monies that the Organization has received but not yet expended.

Membership Fees

Membership fees are for the period from October 1 through September 30. Fees paid in advance are recorded as deferred revenue.

The Organization collects dues on behalf of other organizations and remits them directly to those organizations. No income or expense related to these dues has been recognized in the accompanying consolidated financial statements.

Grant Revenue and Receivable

The Organization enters into contracts with certain governmental and private agencies. Revenue under these contracts is recognized when earned. The Organization has not provided allowances for potential adjustments because such amounts, if any, are not expected to be significant.

Contracted Services

The Organization subcontracts with member agencies to assist in meeting the requirements of their federal and state grants. Amounts paid for subcontractors are recorded as expenses in the period the service is performed.

Functional Expenses

Expenses identified as applying to a specific program or support service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or support service are allocated between service areas based upon predetermined amounts in their related grant agreements.

Michigan Community Action and Affiliate
Notes to the Consolidated Financial Statements
September 30, 2018 and 2017

Income Tax Status

Michigan Community Action and Affiliate is a nonprofit organization and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation. The Organization files information returns in the U.S. Federal jurisdiction.

Concentration of Credit Risk

The Organization has deposits held with financial institutions that are not federally insured due to either the type of financial instruments that were purchased having greater than FDIC limits on deposit at a particular financial institution or the particular type of investment not being covered by FDIC insurance due to the nature of the investment. The amounts not covered by FDIC insurance for the year ended September 30, 2018 is \$2,645,498.

Use of Estimates

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 13, 2019, the date the financial statements were available to be issued.

Note 2 - Investments

The Organization's investments are reported in the consolidated financial statements at a carrying value equal to the fair value of the investments. The investments are held in trust by a financial institution and consist of the following:

	Quoted Prices in Active Markets for Identical Assets	
	2018	2017
Mutual Funds	\$ 1,170,091	\$ 1,113,558
Money Market Funds	6,335	12,706
Total:	\$ 1,176,426	\$ 1,126,264

These investments are not federally insured due to the nature of the financial instruments not being covered by FDIC insurance. The fair value of all the investments presented above is based on measurements at the reporting date using quoted market prices in active markets for identical assets (Level 1 observable inputs) as required by the Financial Accounting Standards Board.

**Michigan Community Action and Affiliate
Notes to the Consolidated Financial Statements
September 30, 2018 and 2017**

Note 3 - Fixed Assets

Fixed assets consists of the following amounts at September 30,

	<u>Useful lives</u>	<u>2018</u>	<u>2017</u>
Building and improvements	15-39 years	\$ 474,939	\$ 440,531
Software	3 years	<u>32,312</u>	<u>32,312</u>
		507,251	472,843
Less: Accumulated depreciation		<u>(118,324)</u>	<u>(93,188)</u>
		388,927	379,655
Land		<u>82,800</u>	<u>82,800</u>
Total fixed assets		<u>\$ 471,727</u>	<u>\$ 462,455</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$25,136 and \$21,870, respectively.

Note 4 - Net Asset Reserve

The Board of Directors has earmarked \$200,000 of the amount shown as unrestricted net assets to provide a reserve to insure the continuation of the Organization if funding is reduced or eliminated.

Note 5 - Retirement Plan

The Organization has established a simplified employee pension plan. This plan is a defined contribution retirement plan under IRS Code 403(b) covers substantially all employees without minimum age or service requirements. The obligation to contribute to and maintain the plan for employees is established by the Board of Directors. Participants are entitled to receive an allocation of employer matching contributions for each plan year equal to the lesser of 100% of a participant's salary reduction contributions deferred during that plan year or 6% of participant's compensation received during that plan year. Annual retirement expense for the years ended September 30, 2018 and 2017 was \$33,955 and \$33,139, respectively.

Note 6 - Functional Expenses

Functional expenses related to providing the Organization's services are as follows:

	Years Ended September 30,	
	<u>2018</u>	<u>2017</u>
Program	\$ 21,021,567	\$ 22,219,423
Administrative	<u>637,511</u>	<u>551,188</u>
Total expenses	<u>\$ 21,659,078</u>	<u>\$ 22,770,611</u>

**Michigan Community Action and Affiliate
Notes to the Consolidated Financial Statements
September 30, 2018 and 2017**

Note 7 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended September 30, 2018.

Note 8 - Current Vulnerability Due to Concentrations

For 2018, the Organization received approximately 41% of its support from the Michigan Public Service Commission and 55% from U.S. Department of Health and Human Services. It is always possible that a federal grant program could cease, which could cause a significant impact on the Organization's operations. The Organization does not expect that the support for the grants will be lost in the near term.

Supplementary Information

**Michigan Community Action and Affiliate
Schedule of Grants and Award Activity
For the Years Ended September 30, 2018 and 2017**

Grants Title	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Revenue	Expense	Grants Receivable	Revenue	Expense	Grants Receivable
U.S. Department of Health and Human Services						
Federal Capacity - CSBG	\$ 60,000	\$ 60,000	\$ 21,331	\$ 60,000	\$ 60,000	\$ 7,044
Low-Income Home Energy Assistance	11,306,996	11,306,996	-	9,082,810	9,082,810	-
Total U.S. Department of Health and Human Services	11,366,996	11,366,996	21,331	9,142,810	9,142,810	7,044
Maximus Michigan ENROLLS	500,758	500,758	-	1,001,516	1,001,516	166,920
Michigan Public Service Commission (MPSC)						
Efficiency United	326,233	326,233	-	352,362	352,362	-
MPSC - EO/EU (Efficiency United)	8,107,234	8,107,234	74,995	10,354,922	10,354,922	19,879
Total Michigan Public Service Commission	8,433,467	8,433,467	74,995	10,707,284	10,707,284	19,879
Community Action Agency						
MCA training	185,598	185,598	10,598	219,450	219,450	17,041
Total grants and award activity	<u>\$ 20,486,819</u>	<u>\$ 20,486,819</u>	<u>\$ 106,924</u>	<u>\$ 21,071,060</u>	<u>\$ 21,071,060</u>	<u>\$ 210,884</u>

Michigan Community Action and Affiliate
Consolidating Statement of Financial Position
September 30, 2018 and 2017

	2018			
	Michigan Community Action	2173 Holding Company	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 2,892,452	\$ 610	\$ -	\$ 2,893,062
Investments	1,176,426	-	-	1,176,426
Receivables				
Note (current portion)	16,213	-	(16,213)	-
Accounts	237,976	-	(28,408)	209,568
Grants	106,924	-	-	106,924
Deposits and prepaid expenses	11,454	-	-	11,454
Total current assets	4,441,445	610	(44,621)	4,397,434
Noncurrent assets				
Fixed assets not being depreciation	-	82,800	-	82,800
Fixed assets, net of accumulated depreciation	13,463	375,464	-	388,927
Noncurrent portion of note receivable	312,192	-	(312,192)	-
Total noncurrent assets	325,655	458,264	(312,192)	471,727
Total assets	\$ 4,767,100	\$ 458,874	\$ (356,813)	\$ 4,869,161
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 2,289,466	\$ 678	\$ -	\$ 2,290,144
Accrued liabilities	58,705	-	-	58,705
Deferred revenue	712,976	-	-	712,976
Long term debt	-	356,813	(356,813)	-
Total current liabilities	3,061,147	357,491	(356,813)	3,061,825
Net assets				
Unrestricted	1,705,953	101,383	-	1,807,336
Total liabilities and net assets	\$ 4,767,100	\$ 458,874	\$ (356,813)	\$ 4,869,161

Michigan Community Action and Affiliate
Consolidating Statement of Financial Position
September 30, 2018 and 2017

	2017			Total
	Michigan Community Action	2173 Holding Company	Eliminating Entries	
Assets				
Current assets				
Cash and cash equivalents	\$ 3,257,962	\$ 5,533	\$ -	\$ 3,263,495
Investments	1,126,264	-	-	1,126,264
Receivables				
Note (current portion)	16,213	-	(16,213)	-
Accounts	179,293	5,500	(8,642)	176,151
Grants	210,884	-	-	210,884
Deposits and prepaid expenses	8,481	-	-	8,481
Total current assets	4,799,097	11,033	(24,855)	4,785,275
Noncurrent assets				
Fixed assets not being depreciation	-	82,800	-	82,800
Fixed assets, net of accumulated depreciation	24,234	355,421	-	379,655
Noncurrent portion of note receivable	329,753	-	(329,753)	-
Total noncurrent assets	353,987	438,221	(329,753)	462,455
Total assets	\$ 5,153,084	\$ 449,254	\$ (354,608)	\$ 5,247,730
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 2,686,842	\$ 43	\$ -	\$ 2,686,885
Accrued liabilities	50,066	-	-	50,066
Deferred revenue	718,643	-	-	718,643
Long term debt	-	354,608	(354,608)	-
Total current liabilities	3,455,551	354,651	(354,608)	3,455,594
Net assets				
Unrestricted	1,697,533	94,603	-	1,792,136
Total liabilities and net assets	\$ 5,153,084	\$ 449,254	\$ (354,608)	\$ 5,247,730

Michigan Community Action and Affiliate
Consolidating Statement of Activities
For the Years Ended September 30, 2018 and 2017

	2018			Total
	Michigan Community Action	2173 Holding Company	Eliminating Entries	
Revenues				
Federal, state, and private grant programs				
U.S. Department of Health and Human Services	\$ 11,366,996	\$ -	\$ -	\$ 11,366,996
Maximus Michigan ENROLLS	500,758	-	-	500,758
Michigan Department of Human Services	326,233	-	-	326,233
Michigan Public Service Commission	8,107,234	-	-	8,107,234
Community Action Agency	185,598	-	-	185,598
Total federal, state, and private grant programs revenues	<u>20,486,819</u>	<u>-</u>	<u>-</u>	<u>20,486,819</u>
Other revenue				
Rental income	-	66,000	(66,000)	-
Realized and unrealized gain (loss) on investments	80,571	-	-	80,571
Investment income	40,423	-	(13,519)	26,904
Contributions	-	-	-	-
Registration and membership fees	157,267	-	-	157,267
Energy program administrative fee	876,475	-	-	876,475
Miscellaneous income	46,242	-	-	46,242
Total other revenue	<u>1,200,978</u>	<u>66,000</u>	<u>(79,519)</u>	<u>1,187,459</u>
Total revenues	<u>21,687,797</u>	<u>66,000</u>	<u>(79,519)</u>	<u>21,674,278</u>
Expenses				
Salaries and wages	630,498	-	-	630,498
Fringe benefits	172,022	-	-	172,022
Insurance	26,461	2,514	-	28,975
Office expenses	27,018	-	-	27,018
Telephone	12,996	-	-	12,996
Travel	38,390	-	-	38,390
Professional and contract services	20,386,485	2,300	-	20,388,785
Office equipment and maintenance	3,839	4,860	-	8,699
Office rent and maintenance	76,172	21,642	(66,000)	31,814
Workshops	224,364	-	-	224,364
Membership dues and subscriptions	52,111	20	-	52,131
Miscellaneous	18,250	-	-	18,250
Depreciation expense	10,771	14,365	-	25,136
Interest expense	-	13,519	(13,519)	-
Total expenses	<u>21,679,377</u>	<u>59,220</u>	<u>(79,519)</u>	<u>21,659,078</u>
Change in net assets	<u>8,420</u>	<u>6,780</u>	<u>-</u>	<u>15,200</u>
Net assets, beginning of year	<u>1,697,533</u>	<u>94,603</u>	<u>-</u>	<u>1,792,136</u>
Net assets, end of year	<u><u>\$ 1,705,953</u></u>	<u><u>\$ 101,383</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,807,336</u></u>

Michigan Community Action and Affiliate
Consolidating Statement of Activities
For the Years Ended September 30, 2018 and 2017

	2017			Total
	Michigan Community Action	2173 Holding Company	Eliminating Entries	
Revenues				
Federal, state, and private grant programs				
U.S. Department of Health and Human Services	\$ 9,142,810	\$ -	\$ -	\$ 9,142,810
Maximus Michigan ENROLLS	1,001,516	-	-	1,001,516
Michigan Department of Human Services	352,362	-	-	352,362
Michigan Public Service Commission	10,354,922	-	-	10,354,922
Community Action Agency	219,450	-	-	219,450
Total federal, state, and private grant programs revenues	<u>21,071,060</u>	<u>-</u>	<u>-</u>	<u>21,071,060</u>
Other revenue				
Rental income	-	66,000	(66,000)	-
Realized and unrealized gain (loss) on investments	92,540	-	-	92,540
Investment income	38,971	-	(14,206)	24,765
Contributions	205	-	-	205
Registration and membership fees	136,490	-	-	136,490
Energy program administrative fee	1,543,335	-	-	1,543,335
Miscellaneous income	45,769	-	-	45,769
Total other revenue	<u>1,857,310</u>	<u>66,000</u>	<u>(80,206)</u>	<u>1,843,104</u>
Total revenues	<u>22,928,370</u>	<u>66,000</u>	<u>(80,206)</u>	<u>22,914,164</u>
Expenses				
Salaries and wages	623,212	-	-	623,212
Fringe benefits	179,062	-	-	179,062
Insurance	29,253	-	-	29,253
Office expenses	28,532	79	-	28,611
Telephone	11,823	-	-	11,823
Travel	67,625	-	-	67,625
Professional and contract services	21,573,159	-	-	21,573,159
Office equipment and maintenance	5,064	2,522	-	7,586
Office rent and maintenance	76,777	20,306	(66,000)	31,083
Workshops	138,459	-	-	138,459
Membership dues and subscriptions	53,894	40	-	53,934
Miscellaneous	4,934	-	-	4,934
Depreciation expense	8,078	13,792	-	21,870
Interest expense	-	14,206	(14,206)	-
Total expenses	<u>22,799,872</u>	<u>50,945</u>	<u>(80,206)</u>	<u>22,770,611</u>
Change in net assets	<u>128,498</u>	<u>15,055</u>	<u>-</u>	<u>143,553</u>
Net assets, beginning of year	<u>1,569,035</u>	<u>79,548</u>	<u>-</u>	<u>1,648,583</u>
Net assets, end of year	<u>\$ 1,697,533</u>	<u>\$ 94,603</u>	<u>\$ -</u>	<u>\$ 1,792,136</u>

**Michigan Community Action and Affiliate
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018**

Federal Agency Pass-through Agency Program Title	Federal CFDA Number	Project/Grant Number	Federal Expenditures	Subrecipient Expenditures
U.S. Department of Health and Human Services				
Passed through the Minnesota Community Action Partnership Community Services Block Grant Discretionary Awards	93.570	90ET0464	\$ 60,000	\$ -
Passed through the State of Michigan Department of Licensing and Regulatory Affairs Low-Income Home Energy Assistance	93.568	MAE-18-03	<u>5,683,986</u>	<u>5,683,986</u>
Total expenditures of federal awards			<u>\$ 5,743,986</u>	<u>\$ 5,683,986</u>

See Accompanying Notes to the Schedule of Expenditures and Federal Awards

Michigan Community Action and Affiliate
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Michigan Community Action and Affiliate under programs of the federal government for the year ended September 30, 2018. 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 Michigan Community Action and Affiliate, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Michigan Community Action and Affiliate.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Michigan Community Action and Affiliate has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The following is a reconciliation between grant revenue reported on the Consolidated Statement of Activities and the Schedule of Expenditures of Federal Awards:

Total Federal, State, and private grant programs revenues per consolidated financial statements	\$ 20,486,819
Less: Amounts funded with State and local grants and contributions	<u>(14,742,833)</u>
Total federal award expenditures	<u><u>\$ 5,743,986</u></u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Directors
Michigan Community Action and Affiliate
Okemos, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Michigan Community Action and Affiliate, which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan Community Action and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Michigan Community Action and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan Community Action and Affiliate'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 Michigan Community Action and Affiliate's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Yeo & Yeo, P.C.

Lansing, Michigan
February 13, 2019



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Directors
Michigan Community Action and Affiliate
Okemos, Michigan

Report on Compliance for Each Major Federal Program

We have audited Michigan Community Action and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Michigan Community Action and Affiliate's major federal programs for the year ended September 30, 2018. Michigan Community Action and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Michigan Community Action and Affiliate 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, 2018.

Report on Internal Control over Compliance

Management of Michigan Community Action and Affiliate 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 Michigan Community Action and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Michigan Community Action and Affiliate'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 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.

Yeo & Yeo, P.C.

Lansing, Michigan
February 13, 2019

**Michigan Community Action and Affiliate
Schedule of Findings and Questioned Costs
September 30, 2018**

Section II - Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended September 30, 2018.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2018.

**Michigan Community Action and Affiliate
Summary Schedule of Prior Audit Findings
September 30, 2018**

Section IV - Prior Audit Findings

Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended September 30, 2017.

Section V - Federal Award Findings

Federal Awards Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2017.