

**Michigan Community Action and Affiliate
Okemos, Michigan**

CONSOLIDATED FINANCIAL STATEMENTS

**Fiscal Years Ended
September 30, 2016 and 2015**

Michigan Community Action and Affiliate

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Michigan Community Action
Okemos, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Michigan Community Action and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years 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 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 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 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 financial statements. The procedures selected depend on the auditor's 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 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 opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial positions of Michigan Community Action and Affiliate as of September 30, 2016 and 2015, and the consolidated 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of grant and award activity are presented for purposes of additional analysis and are not a required part of the 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 also 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 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 March 8, 2017, 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 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 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 8, 2017

CONSOLIDATED FINANCIAL STATEMENTS

Michigan Community Action and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,547,407	\$ 4,516,881
Investments	866,042	798,227
Receivables		
Accounts	98,684	370,006
Grants	352,150	385,197
Deposits and prepaid expenses	<u>11,029</u>	<u>19,550</u>
Total current assets	5,875,312	6,089,861
Noncurrent assets		
Fixed assets not being depreciated	82,800	82,800
Fixed assets, net of accumulated depreciation	<u>369,213</u>	<u>383,547</u>
Total noncurrent assets	<u>452,013</u>	<u>466,347</u>
TOTAL ASSETS	<u>\$ 6,327,325</u>	<u>\$ 6,556,208</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 3,993,449	\$ 4,144,042
Accrued liabilities	46,235	54,979
Deferred revenue	<u>639,058</u>	<u>781,988</u>
TOTAL LIABILITIES	4,678,742	4,981,009
NET ASSETS		
Unrestricted	<u>1,648,583</u>	<u>1,575,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,327,325</u>	<u>\$ 6,556,208</u>

See accompanying notes to consolidated financial statements.

Michigan Community Action and Affiliate
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended September 30, 2016 and 2015

	Unrestricted	
	2016	2015
REVENUE		
Federal, state, and private grant programs		
U.S. Department of Health and Human Services	\$ 9,510,657	\$ 13,023,356
Maximus Michigan ENROLLS	1,001,516	984,168
Michigan Department of Human Services	363,659	345,129
Michigan Public Service Commission	9,687,281	8,781,971
U.S. Department of Agriculture	-	12,796
U.S. Environmental Protection Agency	-	8,046
Consumers Energy	200,000	600,000
Community Action Agency	155,000	222,500
	20,918,113	23,977,966
Other revenue		
Realized and unrealized gains (losses) on investments	52,883	(39,619)
Investment income	37,841	45,544
Contributions	24,628	50,000
Registration and membership fees	97,150	59,445
Energy program administrative fee	282,576	839,307
Miscellaneous income	30,868	37,164
	525,946	991,841
TOTAL REVENUE	21,444,059	24,969,807
EXPENSES		
Salaries and wages	594,685	598,633
Fringe benefits	200,248	211,504
Insurance	26,983	27,977
Office expenses	26,568	31,494
Telephone	9,961	11,292
Travel	61,455	46,863
Professional and contract services	20,214,176	23,729,901
Office equipment and maintenance	4,372	5,400
Occupancy	28,430	26,066
Workshops	127,152	174,852
Membership dues and subscriptions	43,177	50,056
Miscellaneous	4,267	7,822
Depreciation expense	14,334	14,027
Interest expense	14,867	15,502
	21,370,675	24,951,389
CHANGE IN NET ASSETS	73,384	18,418
Net assets, beginning of year	1,575,199	1,556,781
Net assets, end of year	\$ 1,648,583	\$ 1,575,199

See accompanying notes to consolidated financial statements.

Michigan Community Action and Affiliate
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 73,384	\$ 18,418
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized loss (gain) on investments	(52,883)	39,619
Depreciation	14,334	14,027
Decrease in:		
Accounts receivable	271,322	20,711
Grants receivable	33,047	14,777
Deposits and prepaid expenses	8,521	18,177
Increase (decrease) in:		
Accounts payable	(150,593)	1,336,135
Accrued liabilities	(8,744)	8,797
Deferred revenue	(142,930)	210,783
	<u>(142,930)</u>	<u>210,783</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 45,458	 1,681,444
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(25,463)
Purchase of investments	(14,932)	(21,488)
	<u>(14,932)</u>	<u>(21,488)</u>
 NET CASH (USED) BY INVESTING ACTIVITIES	 <u>(14,932)</u>	 <u>(46,951)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	 30,526	 1,634,493
 Cash and cash equivalents, beginning of year	 <u>4,516,881</u>	 <u>2,882,388</u>
 Cash and cash equivalents, end of year	 <u>\$ 4,547,407</u>	 <u>\$ 4,516,881</u>

See accompanying notes to consolidated financial statements.

Michigan Community Action and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, Michigan Public Service Commission, and Rural Community Assistance Programs.

The accounting policies of the Organization conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

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.

The following is a summary of the significant accounting policies of the Organization:

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.

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.

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

Investments - Investments consist of mutual funds. All investments have readily determinable fair values and are stated at fair value at September 30, 2016 and 2015. 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.

Michigan Community Action and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - continued - The Organization places its cash equivalents and investments with high credit-quality financial institutions (JP Morgan Chase and Mutual of America Institutional Funds, Inc.). 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.

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. Costs of 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.

Grants revenue and receivable - Grants receivable consist of amounts due from various agencies. The grant revenue is recorded in the period related expenses are incurred.

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 expense allocation - 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.

Income taxes - Michigan Community Action and Affiliate are nonprofit corporations which have been granted exemption from income taxes under Section 501 of the Internal Revenue Code. The Organizations are not classified as private foundations.

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.

Comparative data - 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.

Subsequent events - In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 8, 2017, the date the consolidated financial statements were available to be issued.

Michigan Community Action and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE B: 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	
	2016	2015
Mutual Funds	\$ 854,113	\$ 770,898
Money Market Funds	11,929	27,329
Total:	<u>\$ 866,042</u>	<u>\$ 798,227</u>

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.

NOTE C: FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Fixed assets not being depreciated				
Land	\$ 82,800	\$ -	\$ -	\$ 82,800
Fixed assets being depreciated				
Building and improvements	440,531	-	-	440,531
Equipment	16,557	-	-	16,557
Subtotal	457,088	-0-	-0-	457,088
Less accumulated depreciation for:				
Building and improvements	(56,984)	(14,334)	-	(71,318)
Equipment	(16,557)	-	-	(16,557)
Subtotal	(73,541)	(14,334)	-0-	(87,875)
Net fixed assets being depreciated	383,547	(14,334)	-0-	369,213
Fixed assets, net	<u>\$ 466,347</u>	<u>\$ (14,334)</u>	<u>\$ -0-</u>	<u>\$ 452,013</u>

Michigan Community Action and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE C: FIXED ASSETS - CONTINUED

The following is a summary of the changes in fixed assets for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
Fixed assets not being depreciated				
Land	\$ 82,800	\$ -	\$ -	\$ 82,800
Fixed assets being depreciated				
Building and improvements	415,068	25,463	-	440,531
Equipment	16,557	-	-	16,557
Subtotal	431,625	25,463	-0-	457,088
Less accumulated depreciation for:				
Building and improvements	(42,957)	(14,027)	-	(56,984)
Equipment	(16,557)	-	-	(16,557)
Subtotal	(59,514)	(14,027)	-0-	(73,541)
Net fixed assets being depreciated	372,111	11,436	-0-	383,547
Fixed assets, net	<u>\$ 454,911</u>	<u>\$ 11,436</u>	<u>\$ -0-</u>	<u>\$ 466,347</u>

NOTE D: 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 years ended September 30, 2016 and 2015 are \$4,097,279 and \$4,038,369, respectively.

NOTE E: RETIREMENT PLAN

Description of the 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.

Funding Policy

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 8% of participant's compensation received during that plan year.

Annual Retirement Expense

Annual retirement expense for the years ended September 30, 2016 and 2015 was \$31,282 and \$30,593, respectively.

Michigan Community Action and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE F: FUNCTIONAL EXPENSES

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

	Years Ended September 30,	
	<u>2016</u>	<u>2015</u>
Program	\$ 20,905,260	\$ 24,522,765
Administrative	<u>465,415</u>	<u>428,624</u>
Total expenses	<u>\$ 21,370,675</u>	<u>\$ 24,951,389</u>

NOTE G: 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.

SUPPLEMENTARY INFORMATION

Michigan Community Action and Affiliate
SCHEDULES OF GRANTS AND AWARDS ACTIVITY
Years Ended September 30, 2016 and 2015

Grants Title	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Revenue	Expense	Grants Receivable	Revenue	Expense	Grants Receivable
U.S. Department of Health and Human Services						
Federal Capacity - CSBG	\$ 404,259	\$ 404,259	\$ 91,810	\$ 405,241	\$ 405,241	\$ 150,084
Low-Income Home Energy Assistance	9,106,398	9,106,398	-	12,618,115	12,618,115	-
Total U.S. Department of Health and Human Services	9,510,657	9,510,657	91,810	13,023,356	13,023,356	150,084
Maximus Michigan ENROLLS	1,001,516	1,001,516	166,919	984,168	984,168	166,919
Michigan Department of Human Services						
Efficiency United	363,659	363,659	-	336,329	336,329	-
Rural Community Assistance Program (RCAP)	-	-	-	8,800	8,800	2,991
Total Michigan Department of Human Services	363,659	363,659	-0-	345,129	345,129	2,991
Michigan Public Service Commission (MPSC)						
MPSC - EO/EU (Efficiency United)	9,687,281	9,687,281	89,239	8,781,971	8,781,971	42,175
U.S. Department of Agriculture						
Technitrain	-	-	-	12,796	12,796	-
U.S. Environmental Protection Agency						
EPA Wastewater	-	-	-	8,046	8,046	-
Consumers Energy						
Agency support fee	200,000	200,000	-	600,000	600,000	-
Community Action Agency						
MCA training	155,000	155,000	4,182	222,500	222,500	23,028
TOTAL GRANTS AND AWARD ACTIVITY	<u>\$ 20,918,113</u>	<u>\$ 20,918,113</u>	<u>\$ 352,150</u>	<u>\$ 23,977,966</u>	<u>\$ 23,977,966</u>	<u>\$ 385,197</u>

Michigan Community Action and Affiliate

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Indiana Community Action Association Inc. Community Services Block Grant Discretionary Awards	93.570	90ET0446/01	\$ 400,000
Passed through State of Michigan Department of Licensing and Regulatory Affairs Low-Income Home Energy Assistance ^(a)	93.568	PSC-16-07	<u>4,414,831</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,814,831</u>

^(a) Indicates program selected for testing as major.

Michigan Community Action and Affiliate

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2016

NOTE A: 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, 2016. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. Michigan Community Action and Affiliate has elected not to use the 10 percent *de minimus* indirect rate allowed under the Uniform Guidance.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C: SUBRECIPIENTS

The Organization did not provide federal funds to subrecipients for any of the programs listed on the Schedule.

NOTE D: RECONCILIATION OF TOTAL EXPENSES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the total expenses reported in the September 30, 2016 consolidated financial statements of Michigan Community Action and Affiliate to the expenditures of Federal awards reported on the Schedule of Expenditures of Federal Awards:

Total expenses per consolidated financial statements	\$ 21,370,675
Less: Amounts funded with State and local grants and contributions	<u>(16,555,844)</u>
Total Federal award expenditures	<u>\$ 4,814,831</u>

Principals

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To 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 (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related 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 March 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 8, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To 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 Michigan Community Action and Affiliate's major federal program for the year ended September 30, 2016. Michigan Community Action and Affiliate'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

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2016.

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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 8, 2017

Michigan Community Action and Affiliate
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Michigan Community Action and Affiliate
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2016

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.