

Community Action Agency

Jackson, Michigan



Financial Statements
For the Years Ended September 30, 2019 and 2018

Community Action Agency

Financial Statements and Additional Information
For the Years Ended September 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

March 20, 2020

Board of Directors
Community Action Agency
Jackson, Michigan

Report on the Financial Statements

We have audited the accompanying basic financial statements of *Community Action Agency* (the "Agency"), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 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.

Independent Auditors' 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 financial statements are free of 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 auditor 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 Community Action Agency as of September 30, 2019 and 2018, 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of Community Action Agency as a whole. The Schedule of Activities for Operations by Program is presented for the purpose of additional analysis and is not a required part of the financial statements. This Schedule has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of the Agency's internal control over financial reporting and 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 the 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 the Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

Community Action Agency

Statements of Financial Position

September 30,

<i>Assets</i>	2019	2018
Current assets:		
Cash and cash equivalents	\$ 294,373	\$ 186,784
Restricted cash and cash equivalents	271,396	335,669
Accounts receivable - grants, interest and other	1,240,730	1,104,482
Prepaid expenses	195,216	73,025
Current portion of mortgage receivable	1,500	1,500
Total current assets	2,003,215	1,701,460
Property and equipment:		
Land	210,058	295,304
Buildings and improvements	4,123,431	4,107,484
Fixtures and equipment	606,904	562,018
Vehicles	262,826	191,959
Leasehold improvements	314,745	314,745
Construction in progress	34,724	0
Total	5,552,688	5,471,510
Less accumulated depreciation	2,854,226	2,682,044
Property and equipment, net	2,698,462	2,789,466
Beneficial interest in community foundations	102,158	99,017
Other noncurrent assets:		
Mortgage receivable, net of current portion	7,105	7,643
Total assets	\$ 4,810,940	\$ 4,597,586

The accompanying notes are an integral part of the financial statements.

September 30,

<i>Liabilities and Net Assets</i>	2019	2018
Current liabilities:		
Accounts payable	\$ 376,726	\$ 195,550
Accrued interest payable	9,960	10,323
Accrued personnel expenses	766,264	621,894
Advanced program income	596,093	739,175
Current portion of long-term debt	43,798	41,965
Total current liabilities	1,792,841	1,608,907
Noncurrent liabilities:		
Long-term debt, net of current portion	965,506	1,009,307
Total liabilities	2,758,347	2,618,214
Net assets:		
Without donor restrictions	1,870,277	1,979,372
With donor restrictions	182,316	0
Total net assets	2,052,593	1,979,372
Total liabilities and net assets	\$ 4,810,940	\$ 4,597,586

The accompanying notes are an integral part of the financial statements.

Community Action Agency

Statement of Activities

For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains, and other support:			
Public support and revenue:			
Program revenue	\$ 13,657,616	\$ 0	\$ 13,657,616
Contributions	218,504	182,316	400,820
Contributed services, facilities, and materials	559,482	0	559,482
Fees and services	210	0	210
Investment change in beneficial interest in assets held by community foundations	3,141	0	3,141
Other	41,275	0	41,275
Total operating revenues, gains, and other support	14,480,228	182,316	14,662,544
Expenses:			
Program services:			
Community development	576,975	0	576,975
Housing services	2,688,993	0	2,688,993
Health and nutrition	371,315	0	371,315
Education	9,499,859	0	9,499,859
Management and General	1,452,181	0	1,452,181
Total expenses	14,589,323	0	14,589,323
Change in net assets	(109,095)	182,316	73,221
Net assets - beginning of year	1,979,372	0	1,979,372
Net assets - end of year	\$ 1,870,277	\$ 182,316	\$ 2,052,593

The accompanying notes are an integral part of the financial statements.

Community Action Agency

Statement of Activities

For the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains, and other support:			
Public support and revenue:			
Program revenue	\$ 13,538,872	\$ 0	\$ 13,538,872
Contributions	140,689	0	140,689
Contributed services, facilities, and materials	790,818	0	790,818
Fees and services	41,795	0	41,795
Investment change in beneficial interest in assets held by community foundations	5,098	0	5,098
Other	164,282	0	164,282
Total operating revenues, gains, and other support	14,681,554	0	14,681,554
Expenses:			
Program services:			
Community development	618,967	0	618,967
Housing services	2,592,867	0	2,592,867
Health and nutrition	518,473	0	518,473
Education	9,676,139	0	9,676,139
Management and General	1,284,682	0	1,284,682
Total expenses	14,691,128	0	14,691,128
Change in net assets	(9,574)	0	(9,574)
Net assets - beginning of year	1,988,946	0	1,988,946
Net assets - end of year	\$ 1,979,372	\$ 0	\$ 1,979,372

The accompanying notes are an integral part of the financial statements.

Community Action Agency

Statement of Functional Expenses For the Year Ended September 30, 2019

	Program Services				Supporting Services	Total
	Community Development	Housing Services	Health and Nutrition	Education	Management and General	
Expenses						
Salaries and related expenses						
Salaries and wages	\$ 181,932	\$ 898,989	\$ 131,153	\$ 4,656,243	\$ 742,603	\$ 6,610,920
Employee benefits	39,689	304,296	28,530	1,798,315	184,600	2,355,430
Payroll taxes	20,846	102,926	16,565	564,250	72,277	776,864
Total salaries and related expenses	242,467	1,306,211	176,248	7,018,808	999,480	9,743,214
Other expenses						
Professional services	81,610	154,231	22,178	521,615	127,022	906,656
Occupancy	51,055	154,121	74,212	493,469	103,422	876,279
Vehicle expenses	112	2,871	0	22,225	6,828	32,036
Repairs and maintenance	8,886	64,431	565	109,392	0	183,274
Telephone	6,095	21,369	4,438	94,520	10,680	137,102
Office expense	17,684	32,592	9,657	139,510	21,091	220,534
Travel	19,817	53,599	4,082	70,804	9,819	158,121
Supplies	22,868	36,268	12,527	211,895	28,492	312,050
Training	22,953	33,315	7,148	76,792	11,549	151,757
Client services	82,054	797,788	47,391	41,908	0	969,141
Other	13,046	5,720	250	26,819	104,514	150,349
Contributed services, facilities, and materials	0	0	0	559,482	0	559,482
Depreciation and interest	8,328	26,477	12,619	112,620	29,284	189,328
Total other expenses	334,508	1,382,782	195,067	2,481,051	452,701	4,846,109
Total expenses	\$ 576,975	\$ 2,688,993	\$ 371,315	\$ 9,499,859	\$ 1,452,181	\$ 14,589,323

The accompanying notes are an integral part of the financial statements.

Community Action Agency

Statement of Functional Expenses For the Year Ended September 30, 2018

	Program Services				Supporting Services	Total
	Community Development	Housing Services	Health and Nutrition	Education	Management and General	
Expenses						
Salaries and related expenses						
Salaries and wages	\$ 179,885	\$ 709,856	\$ 240,092	\$ 4,436,761	\$ 721,200	\$ 6,287,794
Employee benefits	52,564	240,656	59,439	1,714,951	179,737	2,247,347
Payroll taxes	21,524	74,520	27,591	536,251	68,555	728,441
Total salaries and related expenses	253,973	1,025,032	327,122	6,687,963	969,492	9,263,582
Other expenses						
Professional services	106,608	106,952	38,500	937,686	69,296	1,259,042
Occupancy	48,490	111,066	68,651	452,882	107,433	788,522
Vehicle expenses	0	0	0	20,036	7,893	27,929
Repairs and maintenance	6,960	100,872	1,773	46,294	0	155,899
Telephone	6,589	23,647	4,427	103,976	17,083	155,722
Office expense	19,982	19,566	15,490	72,840	15,523	143,401
Travel	11,335	35,368	5,446	78,556	5,987	136,692
Supplies	17,284	11,803	4,767	228,624	39,907	302,385
Training	13,737	12,891	1,224	71,393	8,180	107,425
Client services	119,535	1,107,246	35,611	57,721	0	1,320,113
Other	6,441	12,864	126	12,328	14,829	46,588
Contributed services, facilities, and materials	0	0	0	790,818	0	790,818
Depreciation and interest	8,033	25,560	15,336	115,022	29,059	193,010
Total other expenses	364,994	1,567,835	191,351	2,988,176	315,190	5,427,546
Total expenses	\$ 618,967	\$ 2,592,867	\$ 518,473	\$ 9,676,139	\$ 1,284,682	\$ 14,691,128

The accompanying notes are an integral part of the financial statements.

Community Action Agency

Statements of Cash Flows

For the Year Ended September 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 73,221	(\$ 9,574)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	179,503	182,573
Loss (Gain) on disposal of property and equipment	80,246	(7,105)
Change in value of assets held by community foundations	(3,141)	(5,098)
Changes in operating assets and liabilities:		
Accounts receivable - grants, interest and other	(136,248)	(104,142)
Prepaid expenses	(122,191)	61,512
Accounts payable	181,176	28,676
Accrued interest payable	(363)	(357)
Accrued personnel liabilities	144,370	(185,645)
Advanced program income	(143,082)	16,168
Net cash provided by (used in) operating activities	253,491	(22,992)
Cash flows from investing activities:		
Restricted cash	64,273	152,859
Acquisition of property and equipment	(173,745)	(32,100)
Proceeds from sale of property and equipment	5,000	15,070
Collections net of loan increase on mortgage receivable	538	1,352
Net cash (used in) provided by investing activities	(103,934)	137,181
Cash flows from financing activities:		
Payments on long-term debt	(41,968)	(42,218)
Net increase in cash and cash equivalents	107,589	71,971
Cash and cash equivalents, beginning of year	186,784	114,813
Cash and cash equivalents, end of year	\$ 294,373	\$ 186,784
Supplemental other cash activity:		
Cash paid for interest	\$ 44,805	\$ 57,122
Supplemental non-cash activity:		
Revolving loans forgiven	\$ 13,735	\$ 31,664

The accompanying notes are an integral part of the financial statements.

Community Action Agency

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The summary of significant accounting policies of Community Action Agency (the “Agency”) is presented to assist in understanding the Agency’s financial statements. The financial statements and notes are representations of the Agency’s management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Agency was established to focus available resources on enabling low-income families and individuals in Jackson, Lenawee, and Hillsdale counties to attain skills, knowledge, and motivations and to secure opportunities needed to become fully self-sufficient. The Agency provides services, instructions, and programs to further this mission.

The Agency receives funds primarily in the form of grants from federal, state, and local governmental agencies. Grants are applied for annually and management anticipates subsequent grants to be renewed at current levels. Approximately 61% for the year ended September 30, 2019 and 59% for the year ended September 30, 2018 of the Agency’s funding is received under a federal Head Start/Early Head Start grant.

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of September 30, 2019, the Agency had net assets with donor restrictions of \$182,316. The net assets are donor restricted for the purpose of the Heat-A-Home program, which supports utility needs and prevents heating emergencies for low-income families in the community. The Agency does not have any net assets with donor-imposed restrictions that are perpetual in nature. The Agency did not have any net assets with donor-imposed restrictions as of September 30, 2018.

Community Action Agency

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Contributed Support

The Agency reports grants received from foundations and corporations as restricted contributions if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, that is, when the purpose restriction is accomplished, 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 a donation restriction is satisfied in the year of donation, the donation is recorded as a contribution without donor restrictions.

Contributed Services, Facilities, and Materials

Some of the Agency's operations are located in various buildings owned by others. If rent is charged, it may be at a reduced rate. The difference between the fair market value and the rent charged is classified as contributed facilities. Various materials may be donated by individuals and local businesses and are reported at their fair market value.

These values are reflected in the statement of activities as both support and expense. The Agency did not have any contributed facilities or materials for the years ended September 30, 2019 and 2018.

Volunteers provide assistance to the Agency on its program and support activities. Contributed professional services requiring a specialized skill were provided to the following programs as summarized below. The Agency assigns values to these services based on similar occupations within the community.

	<u>2019</u>	<u>2018</u>
Head Start	\$ 398,266	\$ 540,533
Early Head Start	161,216	250,285
Total	<u>\$ 559,482</u>	<u>\$ 790,818</u>

Program Revenue

The Agency reports grants received from governmental agencies as operating support if the grants are received with stipulations that specify the method of delivery of services to third-party recipients or that the grants are received in exchange for specified or specific benefits. Amounts received, but not yet earned, are reported as advanced program income. Amounts earned, but not yet received, are reported as accounts receivable. No provision for uncollectible amounts has been recorded inasmuch as management expects all amounts billed by the Agency will be received.

Community Action Agency

Notes to Financial Statements

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

Property, Equipment, and Depreciation

Property and equipment assets acquired by the Agency are stated at cost. Included in such assets are assets purchased with grant funds and in which the grantor retains a reversionary interest. Expenses, which represent additions or betterments, are capitalized. Expenses for maintenance and repairs are charged directly to operations at the time the expense is incurred. Management reviews these assets to determine whether carrying values have been impaired.

Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years. The Agency considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Functional Allocation of Expenses

The costs of provision of programs and the administration of the Agency have been summarized on a functional basis in the statement of activities. The statement of functional expenses for 2019 and 2018 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The various allocation methodologies are noted below:

Salaries and wages, fringes, and payroll taxes – Most staff salaries are directly charged to the function for which services are provided. Certain positions within program services are charged based on board or funder approved cost allocation methods. These include allocations based on the number of units produced and the number of students involved in the programs. Fringes and payroll taxes follow the same allocation as salaries and wages.

Professional Services – Costs are directly charged to the function which is benefitted by the service.

Occupancy – Costs are directly charged to the function using the space. Costs related to buildings with shared space are allocated based on square footage usage.

Vehicle Expenses – Costs are directly charged to the function using the vehicle and typically include expenses such as gas, vehicle repairs and maintenance.

Repair and maintenance – Costs are directly charged to the function using the item being repaired.

Capitalized Expenditures – Costs related to the purchase of a fixed asset valued over \$5,000, which is charged to the function using the item. Agency typically needs prior approval from funder before purchase.

Telephone – Costs are directly charged to the function benefitted. Costs related to telephones, including cell phones, are allocated based on the number of staff per function using the service.

Office expense, travel, supplies, training, client services and other – Costs are directly charged to the function benefitted.

Community Action Agency

Notes to Financial Statements

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

Contributed services, facilities and materials – Costs are directly charged to the program benefitted.

Depreciation and interest – Costs related to the purchase of the fixed asset being depreciated and is allocated based on the square footage usage of the building.

Income Taxes

The Agency is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Agency was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income”. The Agency has been classified as not a private foundation.

The Agency analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Agency has evaluated its income tax filing positions for fiscal years 2015 through 2019, the years which remain subject to examination as of September 30, 2019. The Agency concluded that there are no significant uncertain tax positions requiring recognition in the Agency's financial statements. The Agency does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Agency does not have any amounts accrued for interest and penalties related to UTBs at September 30, 2019 or 2018, and is not aware of any claims for such amounts by federal or state income tax authorities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, useful lives of property and equipment, contributed services, facilities, and materials (donated services), and allocation of certain costs among functions.

Community Action Agency

Notes to Financial Statements

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all certificates of deposit and short-term investments purchased with a maturity date of three months or less to be cash equivalents.

The Agency maintains demand deposits in bank accounts which are insured by the Federal Deposit Insurance Corporation. Management believes the Agency is not exposed to any significant interest rate or other financial risk on these deposits.

Restricted Cash

The Agency had restricted cash as of September 30, 2019 and 2018 of \$271,396 and \$335,669, respectively. The Independence Demonstration Grant programs had restricted cash as of September 30, 2019 and 2018 in the amount of \$196,555 and \$260,843, respectively, which is used to match funds deposited by participants into their individual development accounts which are the participant's bank accounts and are not reflected in these financial statements. The Agency constructed a facility in Hillsdale County funded in part by a United States Department of Agriculture (USDA) loan in the amount of \$1,100,000 which required the establishment of a Replacement and Repair Reserve Account which had a balance at September 30, 2019 and 2018 in the amount of \$74,841 and \$74,826, respectively.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability

For a further discussion of Fair Value Measurements, refer to Note 2 to the financial statements.

Community Action Agency

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Concluded)**

Change in Accounting Principle

As of October 1, 2017, the Agency adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The adoption of this standard had no impact on the classification of the Agency's net assets.

Reclassification

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2019, the most recent statement of financial position presented herein, through March 20, 2020, the date these financial statements were available to be issued.

Note 2 **Beneficial Interest in Community Foundations**

The Agency utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The beneficial interest in community foundations is recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure the beneficial interest in community foundations recorded at fair value. The asset description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Beneficial Interest in Community Foundations: The underlying assets cannot be liquidated or redeemed by the Agency. As such, no quoted prices or active market are available for this asset and this asset is classified as Level 3. As a practical expedient, the carrying value of this asset is equal to the fair value of the total investments held in the community foundation, as determined by the community foundation.

The preceding methods described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Community Action Agency

Notes to Financial Statements

Note 2 Beneficial Interest in Community Foundations (Concluded)

The following table sets forth the summary of changes in the fair value of the Agency's beneficial interest in community foundations (level 3 assets):

	Jackson	Lenawee	Hillsdale	Total
Balance, October 1, 2017	\$ 42,752	\$ 29,281	\$ 21,886	\$ 93,919
Realized and unrealized gain (loss)	2,278	1,882	938	5,098
Balance, September 30, 2018	\$ 45,030	\$ 31,163	\$ 22,824	\$ 99,017
Realized and unrealized gain (loss)	987	564	1,590	3,141
Balance, September 30, 2019	\$ 46,017	\$ 31,727	\$ 24,414	\$ 102,158

Note 3 Revolving Loan Program

The Agency operates a Community Development Block Grant (CDBG) revolving loan program as the third-party administrator for Jackson, Lenawee and Hillsdale Counties, which provides assistance to income eligible participants for housing rehabilitation. Assistance is expensed to the appropriate grant award when the assistance is provided, and a lien is placed on the property by the appropriate County. The majority of CDBG loans require no debt payments and defers repayment until the home is sold or title of the home transfers. As the third-party administrator, the Agency collects proceeds from loan repayments on behalf of the appropriate County to be re-loaned in accordance with the terms of the original grant. Loan repayments, in the form of restricted cash, were held by the County of Jackson, Lenawee and Hillsdale as of September 30, 2019 in the amounts of \$151,269, \$137,518 and \$56,087, respectively.

The revolving loan balances of each respective County at September 30, 2019 and 2018 consists of the following:

	2019	2018
County of Jackson	\$ 938,651	\$ 969,680
County of Lenawee	1,446,868	1,460,603
County of Hillsdale	746,155	646,739
<u>Revolving Loans Total</u>	<u>\$ 3,131,674</u>	<u>\$ 3,077,022</u>

Note 4 Mortgage Receivable

The Agency received a grant from the U.S. Department of Housing and Urban Development (HUD) and the Michigan State Housing Development Authority (MSHDA) to purchase and rehab a dwelling to be used for transitional housing of low-income individuals. The Agency transferred \$89,910 of these grant funds to Aware, Inc. to purchase a home and took a twenty-five-year mortgage on the home, which bears no interest and has no payments due as long as HUD and MSHDA program regulations are followed. The mortgage was to be forgiven January 2, 2027. In October 2015, Aware, Inc. transferred ownership of the home to the Agency and the mortgage was forgiven. The Agency will operate housing programs at this location following HUD and MSHDA program regulations through the required period.

Community Action Agency

Notes to Financial Statements

Note 4 Mortgage Receivable (Concluded)

The Agency purchased a house that was later sold to an outside party on a mortgage which bears interest at a rate of 6%, had an initial value of \$7,210 and a maturity date of November 1, 2015, at which time any remaining balance is payable in full. As the outside party was unable to repay the remaining balance in full, the Agency executed a new mortgage with the outside party on December 31, 2016 which has an initial balance of \$11,336, maturity date of December 25, 2026, and charges no interest. The mortgage has a balance as of September 30, 2019 and 2018 of \$8,605 and \$9,143, respectively. The mortgagor is currently making timely monthly payments.

Note 5 Long-Term Debt

Long-term debt at September 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Mortgage payable – collateralized by building and land, with interest at 5.05% per annum, payable in monthly installments of \$1,774, including interest, with a final payment due in April 2021.	\$185,687	\$197,150
Mortgage payable – loaned through the United States Department of Agriculture, collateralized by building and land, with interest at 4.125% per annum, payable in yearly installments of \$65,736, including interest, with a final payment due in June 2037.	<u>823,617</u>	<u>854,122</u>
	1,009,304	1,051,272
Current portion	<u>(43,798)</u>	<u>(41,965)</u>
Net long-term debt	<u>\$ 965,506</u>	<u>\$1,009,307</u>

The principal payments required at September 30, 2019, during the succeeding years, are as follows:

2020	\$ 43,798
2021	206,723
2022	34,436
2023	35,855
2024	37,336
Thereafter	<u>651,156</u>
Total	<u>\$1,009,304</u>

The Agency's interest expense was \$44,805 and \$46,685 for the years ended September 30, 2019 and 2018, respectively.

Community Action Agency

Notes to Financial Statements

Note 6 Leases

The Agency rents a number of facilities for Head Start classrooms. These facilities are rented on an annual basis. The Agency is responsible for all the minor repairs, maintenance, and utilities of some of these facilities. Rent expense for the years ending September 30, 2019 and 2018 was \$190,810 and \$162,100, respectively. The Agency also leases office equipment under noncancelable operating leases expiring at various times through December 2022. Expenses for equipment leases for the years ending September 30, 2019 and 2018 were \$46,560 and \$46,560, respectively.

Future minimum lease payments are as follows:

<u>Years Ended September 30</u>	<u>Equipment Leases</u>
2020	\$ 46,560
2021	46,560
2022	11,640
<u>Totals</u>	<u>\$ 104,760</u>

Note 7 Retirement Plan

The Agency has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to all employees who have been employed by the Agency for six months and are at least 18 years of age. The Agency's contributions vest as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
One	0%
Two	0%
Three	100%

The Agency contributes 4% plus a match of up to 4% of each employee's contribution made on covered wages. The Agency's employer contribution was \$463,101 and \$380,144 for the years ended September 30, 2019 and 2018, respectively.

Note 8 Contingencies

The Agency receives a substantial amount of its support from federal, state, and local governments. A significant reduction in the level of this support, if it were to occur, may have a negative effect on the Agency's programs and activities.

Federal, state, and local government grants received by the Agency are subject to audit and adjustment by grantor agencies. If grant revenue is received for expenses, which are subsequently disallowed, the Agency may be required to repay the revenue. In the opinion of management of the Agency, liabilities resulting from such disallowed expenses, if any, will not be material to the financial statements.

Community Action Agency

Notes to Financial Statements

Note 8 **Contingencies (Concluded)**

The Agency received a grant in fiscal year 2002 from the HUD and MSHDA to purchase and renovate three houses as part of the Garfield Square Development. The Agency loaned \$89,910 of grant funds to Aware, Inc. to purchase one of the homes. As described in Note 4, in October 2015 Aware, Inc. transferred ownership of the home to the Agency and the mortgage was forgiven. The other two houses were purchased by the Agency for \$134,393. According to the terms of the grant, the Agency must comply with HUD and MSHDA guidelines until January 2, 2027. Should the Agency or Aware, Inc. fail to adhere to HUD and MSHDA grant terms, the Agency would have to re-pay HUD and MSHDA.

Note 9 **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of September 30:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 294,373	\$ 186,784
Accounts receivable – grants, interest and other	1,240,730	1,104,482
 Less amounts unavailable for general expenditures within one year, due to -		
Restricted by donors with purpose restrictions	<u>(182,316)</u>	<u>-</u>
 Total financial assets available within one year for general operating expenses	 <u>\$ 1,352,787</u>	 <u>\$ 1,291,266</u>

The Agency has \$1,352,787 and \$1,291,266 as of September 30, 2019 and 2018, respectively, in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. Accounts receivable – grants, interest, and other are expected to be collected within one year. The Agency manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. To help manage unanticipated liquidity needs, the Agency has interests in in trust accounts, which it could draw upon and receives program revenues through grants to cover general expenditures.

Community Action Agency

Notes to Financial Statements

Note 10 Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, Revenue from Contracts with Customers, which will be effective for the Agency's financial statements for fiscal year 2020. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also specifies the accounting for incremental costs to obtain, or costs to fulfill, a contract with a customer. Further, the ASU states that an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has not yet determined the impact of ASU 2014-09 on its financial statements.

In June 2018, the Financial Accounting Standards Board issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which will be effective for the Agency's financial statements for fiscal year 2020. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Management has not yet determined the impact of ASU 2018-08 on its financial statements.

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	COMMUNITY DEVELOPMENT							
	Community Service Block Grant	MSHDA Partnership Park	Family Self Sufficiency	Community Development Fund	Coordinated Entry Grant	CSBG Discretionary	DOL Youth Build	Jackson U/W Financial Freedom
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Operating revenues, gains, and other support:								
Program revenue	\$ 561,079	\$ 999	\$ 2,684	\$ 0	\$ 11,213	\$ 20,470	\$ 75,652	\$ 24,669
Contributions	0	0	0	0	0	0	0	196
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Fees and services	0	0	0	0	0	0	0	0
Investment income	0	0	0	0	0	0	0	0
Other	0	0	0	8,492	0	0	0	6,249
Total Operating revenues, gains, and other support	561,079	999	2,684	8,492	11,213	20,470	75,652	31,114
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	104,945	0	1,534	0	6,090	0	34,286	8,612
Employee benefits	25,685	0	156	0	4,079	0	6,651	1,479
Payroll taxes	11,405	0	181	0	603	0	4,661	845
Total Salaries and Related Benefits	142,035	0	1,871	0	10,772	0	45,598	10,936
Professional services	59,306	0	21	500	94	0	1,325	1,845
Occupancy	26,115	0	132	0	339	0	667	6,202
Vehicle expenses	0	0	0	0	0	0	0	2
Repairs and maintenance	0	0	0	8,086	0	0	775	0
Telephone	2,208	0	57	5	130	0	1,232	465
Office expense	6,458	0	127	0	0	0	3,347	419
Travel	10,831	0	149	0	441	0	3,506	2,043
Supplies	462	999	0	0	31	0	5,993	71
Training	16,841	0	0	0	0	0	4,091	2,021
Client services	0	0	0	1,783	0	20,470	49	616
Other	1,035	0	48	691	0	0	2,275	4,865
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Indirect cost share	21,163	0	279	0	1,605	0	6,794	1,629
Total operating expenses	286,454	999	2,684	11,065	13,412	20,470	75,652	31,114
Operating revenues in excess (deficiency) of operating expenses	274,625	0	0	(2,573)	(2,199)	0	0	0
Transfer of funds:								
Operating transfers in (out)	(274,625)	0	0	19,254	2,199	0	0	0
Transfers from (to) property and equipment fund (general admin.)	0	0	0	0	0	0	0	0
Total transfers, net	(274,625)	0	0	19,254	2,199	0	0	0
Total operating revenues in excess (deficiency) of operating expenses	0	0	0	16,681	0	0	0	0
Net assets at beginning of year	0	0	0	23,937	0	0	0	0
Net assets at end of year	\$ 0	\$ 0	\$ 0	\$ 40,618	\$ 0	\$ 0	\$ 0	\$ 0

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	COMMUNITY DEVELOPMENT							
	Partners in Transportation (9)	Migrant Services (10)	IDA's Regional Coordination (11)	IDA - T/ TA (12)	IRS VITA Tax Program (13)	Jackson U/W VITA (14)	IDA AFI - 7 (15)	IDA AFI - 8 (16)
Operating revenues, gains, and other support:								
Program revenue	\$ 0	\$ 2,574	\$ 4,368	\$ 9,930	\$ 67,427	\$ 13,488	\$ 37,487	\$ 24,585
Contributions	0	0	0	0	305	0	0	0
Contributed services, facilities, and materials	0	0	0	0	286,825	0	0	0
Fees and services	0	0	0	0	0	0	0	0
Investment income	0	0	0	0	0	0	0	0
Other	275	0	0	0	2,289	0	55	54
Total Operating revenues, gains, and other support	275	2,574	4,368	9,930	356,846	13,488	37,542	24,639
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	0	0	0	0	16,874	5,088	0	4,503
Employee benefits	0	0	0	0	802	284	0	553
Payroll taxes	0	0	0	0	2,294	340	0	517
Total Salaries and Related Benefits	0	0	0	0	19,970	5,712	0	5,573
Professional services	200	4,662	1,511	0	11,894	94	0	158
Occupancy	0	0	60	0	27,214	3,727	55	1,243
Vehicle expenses	0	110	0	0	0	0	0	0
Repairs and maintenance	0	0	0	0	25	0	0	0
Telephone	0	28	8	0	893	879	0	190
Office expense	0	242	67	0	6,045	979	0	0
Travel	0	750	21	0	866	1,210	0	0
Supplies	0	138	2,418	9,930	2,769	36	0	21
Training	0	0	0	0	0	0	0	0
Client services	75	2,574	0	0	0	0	37,487	19,000
Other	0	0	283	0	3,849	0	0	0
Contributed services, facilities, and materials	0	0	0	0	286,825	0	0	0
Indirect cost share	0	0	0	0	2,976	851	0	830
Total operating expenses	275	8,504	4,368	9,930	363,326	13,488	37,542	27,015
Operating revenues in excess (deficiency) of operating expenses	0	(5,930)	0	0	(6,480)	0	0	(2,376)
Transfer of funds:								
Operating transfers in (out)	0	5,930	0	0	6,480	0	0	2,376
Transfers from (to) property and equipment fund (general admin.)	0	0	0	0	0	0	0	0
Total transfers, net	0	5,930	0	0	6,480	0	0	2,376
Total operating revenues in excess (deficiency) of operating expenses	0	0	0	0	0	0	0	0
Net assets at beginning of year	0	0	0	0	0	0	0	0
Net assets at end of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Community Action Agency

Statement of Functional Expenses
For the Year Ended September 30, 2019

	HOUSING SERVICES							
	Total Community Development	FEMA/EFSP	Rapid Rehousing Program	COC Planning Project-JXN	PSH-SSO Supportive Service	Mechanic PP Permanent Housing	Weatherization Initiatives	
	(17)	(18)	(19)	(20)	(21)	(21)	(22)	
Operating revenues, gains, and other support:								
Program revenue	\$ 856,625	\$ 8,000	\$ 140,084	\$ 24,543	\$ 99,417	\$ 295,155	\$ 26,847	\$ 0
Contributions	501	0	0	0	0	0	0	0
Contributed services, facilities, and materials	286,825	0	0	0	0	0	0	0
Fees and services	0	0	0	0	0	0	0	0
Investment income	0	0	0	0	0	0	0	0
Other	17,414	0	0	0	0	5,158	0	0
Total Operating revenues, gains, and other support	1,161,365	8,000	140,084	24,543	99,417	300,313	26,847	0
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	181,932	0	33,197	2,892	61,893	72,235	10,694	0
Employee benefits	39,689	0	15,496	571	22,726	26,637	3,007	0
Payroll taxes	20,846	0	3,407	247	6,378	7,039	1,306	0
Total Salaries and Related Benefits	242,467	0	52,100	3,710	90,997	105,911	15,007	0
Professional services	81,610	0	962	19,991	1,739	2,474	394	0
Occupancy	65,754	0	6,901	322	10,430	43,786	2,726	0
Vehicle expenses	112	0	0	0	0	0	0	0
Repairs and maintenance	8,886	0	0	0	0	22,031	0	0
Telephone	6,095	0	914	33	1,282	1,763	213	0
Office expense	17,684	0	1,736	0	82	3,252	2,225	0
Travel	19,817	0	2,953	33	438	3,036	3,704	0
Supplies	22,868	0	201	6	208	492	37	0
Training	22,953	0	0	891	325	3,700	305	0
Client services	82,054	8,000	79,465	0	0	131,578	0	0
Other	13,046	0	0	0	0	775	0	0
Contributed services, facilities, and materials	286,825	0	0	0	0	0	0	0
Indirect cost share	36,127	0	7,763	553	13,559	15,781	2,236	0
Total operating expenses	906,298	8,000	152,995	25,539	119,060	334,579	26,847	0
Operating revenues in excess (deficiency) of operating expenses	255,067	0	(12,911)	(996)	(19,643)	(34,266)	0	0
Transfer of funds:								
Operating transfers in (out)	(238,386)	0	12,911	996	19,643	34,266	0	(19,254)
Transfers from (to) property and equipment fund (general admin.)	0	0	0	0	0	0	0	0
Total transfers, net	(238,386)	0	12,911	996	19,643	34,266	0	(19,254)
Total operating revenues in excess (deficiency) of operating expenses	16,681	0	0	0	0	0	0	(19,254)
Net assets at beginning of year	23,937	0	0	0	0	0	0	19,254
Net assets at end of year	\$ 40,618	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	HOUSING SERVICES							
	Lead Hazard Control Program-Med (23)	Permanent Support Hsg-Hillsdale (24)	State Innovation Model (25)	HUD-Jackson Housing Commission (26)	Homeless MIS (27)	Homeless MIS Hillsdale (28)	Service for Veterans Families (29)	MSHDA Emergency Shelter Grant (30)
Operating revenues, gains, and other support:								
Program revenue	\$ 398,243	\$ 89,281	\$ 254,196	\$ 86,962	\$ 55,634	\$ 7,987	\$ 613,711	\$ 5,705
Contributions	0	0	0	0	0	0	0	0
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Fees and services	0	0	0	0	0	0	0	0
Investment income	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Total Operating revenues, gains, and other support	398,243	89,281	254,196	86,962	55,634	7,987	613,711	5,705
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	106,767	36,467	118,878	44,812	27,128	4,489	221,761	1,421
Employee benefits	33,541	16,894	50,854	20,922	7,561	1,928	63,162	164
Payroll taxes	14,525	5,093	14,580	5,423	2,363	478	24,764	108
Total Salaries and Related Benefits	154,833	58,454	184,312	71,157	37,052	6,895	309,687	1,693
Professional services	21,288	804	26,271	1,196	846	24	35,002	2,677
Occupancy	31,719	3,044	1,025	0	5,224	155	37,303	0
Vehicle expenses	2,871	0	0	0	0	0	0	0
Repairs and maintenance	42,400	0	0	0	0	0	0	0
Telephone	1,947	830	1,664	984	2,521	55	4,969	0
Office expense	5,949	621	250	1,341	3,461	805	6,650	0
Travel	3,701	4,977	243	602	980	127	22,755	0
Supplies	25,679	460	1,965	114	2,823	5	1,753	0
Training	12,343	709	4,450	966	431	150	5,399	0
Client services	1,358	19,607	6,554	0	0	0	191,709	1,233
Other	697	0	0	0	0	0	0	0
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Indirect cost share	23,070	8,710	27,462	10,602	5,521	1,027	46,143	252
Total operating expenses	327,855	98,216	254,196	86,962	58,859	9,243	661,370	5,855
Operating revenues in excess (deficiency) of operating expenses	70,388	(8,935)	0	0	(3,225)	(1,256)	(47,659)	(150)
Transfer of funds:								
Operating transfers in (out)	0	8,935	0	0	3,225	1,256	47,659	150
Transfers from (to) property and equipment fund (general admin.)	(70,388)	0	0	0	0	0	0	0
Total transfers, net	(70,388)	8,935	0	0	3,225	1,256	47,659	150
Total operating revenues in excess (deficiency) of operating expenses	0	0	0	0	0	0	0	0
Net assets at beginning of year	0	0	0	0	0	0	0	0
Net assets at end of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	HOUSING SERVICES							
	MSHDA - ESG Jackson (31)	MSHDA - ESG Hillsdale I (32)	MSHDA - ESG Hillsdale II (33)	Home Links/FSS/ Housing (34)	Housing Education Program (35)	Fair Housing Initiative (36)	CDBG Jackson (37)	CDBG Hillsdale (38)
Operating revenues, gains, and other support:								
Program revenue	\$ 208,367	\$ 28,517	\$ 73,352	\$ 0	\$ 26,306	\$ 81,989	\$ 133	\$ 55
Contributions	0	0	0	0	0	0	0	0
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Fees and services	0	0	0	0	0	0	0	0
Investment income	0	0	0	0	0	0	0	0
Other	0	0	7	9,951	193	0	0	0
Total Operating revenues, gains, and other support	208,367	28,517	73,359	9,951	26,499	81,989	133	55
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	38,052	5,002	27,427	0	16,394	45,256	0	0
Employee benefits	7,089	727	9,998	0	6,059	9,496	0	0
Payroll taxes	3,949	721	2,997	0	1,751	5,292	0	0
Total Salaries and Related Benefits	49,090	6,450	40,422	0	24,204	60,044	0	0
Professional services	32,264	115	682	0	676	4,452	0	0
Occupancy	6,592	729	3,554	0	6,145	9,360	0	0
Vehicle expenses	0	0	0	0	0	0	0	0
Repairs and maintenance	0	0	0	0	0	0	0	0
Telephone	994	166	600	0	675	997	0	0
Office expense	427	122	570	0	2,585	307	17	0
Travel	228	1,421	2,123	0	1,602	3,429	0	0
Supplies	111	0	365	0	540	20	54	55
Training	15	150	1,265	0	731	0	0	0
Client services	111,722	22,041	26,914	221	0	0	0	0
Other	0	0	0	2,525	970	0	62	0
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Indirect cost share	7,314	961	6,023	0	3,606	8,947	0	0
Total operating expenses	208,757	32,155	82,518	2,746	41,734	87,556	133	55
Operating revenues in excess (deficiency) of operating expenses	(390)	(3,638)	(9,159)	7,205	(15,235)	(5,567)	0	0
Transfer of funds:								
Operating transfers in (out)	390	3,638	9,159	(15,235)	15,235	5,567	0	0
Transfers from (to) property and equipment fund (general admin.)	0	0	0	0	0	0	0	0
Total transfers, net	390	3,638	9,159	(15,235)	15,235	5,567	0	0
Total operating revenues in excess (deficiency) of operating expenses	0	0	0	(8,030)	0	0	0	0
Net assets at beginning of year	0	0	0	22,320	0	0	0	0
Net assets at end of year	\$ 0	\$ 0	\$ 0	\$ 14,290	\$ 0	\$ 0	\$ 0	\$ 0

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	HOUSING SERVICES							
	CDBG Lenawee	NSP - Leoni Township	HUD Housing Counseling	JCF Financial Freedom	CASS	Heat a Home	Unmet Needs	Hillsdale Community Foundation
	(39)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
Operating revenues, gains, and other support:								
Program revenue	\$ 231	\$ 32	\$ 34,917	\$ 7,000	\$ 12,844	\$ 0	\$ 17,800	\$ 0
Contributions	0	0	0	0	135	339,792	7,308	1,221
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Fees and services	0	0	0	0	0	0	0	0
Investment income	0	0	0	0	0	0	0	0
Other	0	0	0	0	1,473	0	158	0
Total Operating revenues, gains, and other support	231	32	34,917	7,000	14,452	339,792	25,266	1,221
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	0	0	20,576	2,054	1,594	0	0	0
Employee benefits	0	0	6,094	1,246	124	0	0	0
Payroll taxes	0	0	1,954	315	236	0	0	0
Total Salaries and Related Benefits	0	0	28,624	3,615	1,954	0	0	0
Professional services	0	0	597	0	1,277	0	100	400
Occupancy	0	0	3,703	0	528	0	580	0
Vehicle expenses	0	0	0	0	0	0	0	0
Repairs and maintenance	0	0	0	0	0	0	0	0
Telephone	0	0	570	0	92	0	100	0
Office expense	0	0	2,126	0	66	0	0	0
Travel	0	0	977	0	270	0	0	0
Supplies	58	0	67	0	434	0	0	821
Training	0	0	645	0	840	0	0	0
Client services	0	0	0	2,846	8,700	157,476	24,486	0
Other	173	32	486	0	0	0	0	0
Contributed services, facilities, and materials	0	0	0	0	0	0	0	0
Indirect cost share	0	0	4,265	539	291	0	0	0
Total operating expenses	231	32	42,060	7,000	14,452	157,476	25,266	1,221
Operating revenues in excess (deficiency) of operating expenses	0	0	(7,143)	0	0	182,316	0	0
Transfer of funds:								
Operating transfers in (out)	0	0	7,143	0	0	0	0	0
Transfers from (to) property and equipment fund (general admin.)	0	0	0	0	0	0	0	0
Total transfers, net	0	0	7,143	0	0	0	0	0
Total operating revenues in excess (deficiency) of operating expenses	0	0	0	0	0	182,316	0	0
Net assets at beginning of year	0	0	0	0	0	0	0	0
Net assets at end of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 182,316	\$ 0	\$ 0

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	HOUSING SERVICES		HEALTH AND NUTRITION			EDUCATION		
	HCCF Grant (46)	Total Housing Services (47)	Warm the Children (48)	Lenawee WIC (49)	Total Health and Nutrition	Head Start (50)	Early Head Start (51)	Great Start Readiness Program-HSD (52)
Operating revenues, gains, and other support:								
Program revenue	\$ 0	\$ 2,597,308	\$ 0	\$ 349,025	\$ 349,025	\$ 6,852,988	\$ 2,126,436	\$ 295,892
Contributions	3,878	352,334	47,391	239	47,630	0	0	0
Contributed services, facilities, and materials	0	0	0	974,129	974,129	1,739,791	552,636	0
Fees and services	0	0	0	15	15	150	45	0
Investment income	0	0	0	0	0	0	0	0
Other	0	16,940	0	0	0	0	0	0
Total Operating revenues, gains, and other support	3,878	2,966,582	47,391	1,323,408	1,370,799	8,592,929	2,679,117	295,892
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	0	898,989	0	131,153	131,153	3,130,783	1,070,088	169,167
Employee benefits	0	304,296	0	28,530	28,530	1,249,539	374,901	59,742
Payroll taxes	0	102,926	0	16,565	16,565	389,382	114,844	23,029
Total Salaries and Related Benefits	0	1,306,211	0	176,248	176,248	4,769,704	1,559,833	251,938
Professional services	0	154,231	0	22,178	22,178	355,508	64,146	13,492
Occupancy	0	173,826	0	85,925	85,925	405,520	117,432	5,441
Vehicle expenses	0	2,871	0	0	0	7,131	14,969	125
Repairs and maintenance	0	64,431	0	565	565	102,445	4,399	955
Telephone	0	21,369	0	4,438	4,438	63,168	23,919	3,411
Office expense	0	32,592	0	9,657	9,657	117,073	15,934	3,189
Travel	0	53,599	0	4,082	4,082	37,580	33,039	76
Supplies	0	36,268	0	12,527	12,527	175,772	15,857	15,603
Training	0	33,315	0	7,148	7,148	51,496	23,930	714
Client services	3,878	797,788	47,391	0	47,391	24,366	16,176	127
Other	0	5,720	0	250	250	21,180	4,432	821
Contributed services, facilities, and materials	0	0	0	974,129	974,129	1,739,791	552,636	0
Indirect cost share	0	194,625	0	26,261	26,261	710,686	232,415	37,539
Total operating expenses	3,878	2,876,846	47,391	1,323,408	1,370,799	8,581,420	2,679,117	333,431
Operating revenues in excess (deficiency) of operating expenses	0	89,736	0	0	0	11,509	0	(37,539)
Transfer of funds:								
Operating transfers in (out)	0	135,684	0	0	0	0	0	37,539
Transfers from (to) property and equipment fund (general admin.)	0	(70,388)	0	0	0	(11,509)	0	0
Total transfers, net	0	65,296	0	0	0	(11,509)	0	37,539
Total operating revenues in excess (deficiency) of operating expenses	0	155,032	0	0	0	0	0	0
Net assets at beginning of year	0	41,574	0	0	0	0	0	0
Net assets at end of year	\$ 0	\$ 196,606	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Community Action Agency

Schedule of Activities for Operations by Program
For the Year Ended September 30, 2019

	EDUCATION			MANAGEMENT AND GENERAL				
	Great Start Readiness Program-JXN	Total Education	Total Program Operating Expenses	General Administration	Copy Postage Cost Allocation	Facility Cost Allocation	Business Service Cost Allocation	Management And General
	(53)			(53)	(54)	(55)	(56)	
Operating revenues, gains, and other support:								
Program revenue	\$ 579,342	\$ 9,854,658	\$ 13,657,616	\$ 0	\$ 0	0	\$ 0	\$ 0
Contributions	0	0	400,465	355	0	0	0	355
Contributed services, facilities, and materials	0	2,292,427	3,553,381	0	0	0	0	0
Fees and services	0	195	210	0	0	0	1,348,710	1,348,710
Investment income	0	0	0	3,141	0	0	0	3,141
Other	0	0	34,354	354	90,433	753,182	0	843,969
Total Operating revenues, gains, and other support	579,342	12,147,280	17,646,026	3,850	90,433	753,182	1,348,710	2,196,175
Operating expenses:								
Salaries and Related Benefits								
Salaries and wages	286,205	4,656,243	5,868,317	0	0	222,120	742,603	964,723
Employee benefits	114,133	1,798,315	2,170,830	0	0	52,160	184,600	236,760
Payroll taxes	36,995	564,250	704,587	0	0	33,736	72,277	106,013
Total Salaries and Related Benefits	437,333	7,018,808	8,743,734	0	0	308,016	999,480	1,307,496
Professional services	88,469	521,615	779,634	4,391	0	4,133	122,631	131,155
Occupancy	37,562	565,955	891,460	0	0	125,231	119,764	244,995
Vehicle expenses	0	22,225	25,208	3,326	0	3,218	3,502	10,046
Repairs and maintenance	1,593	109,392	183,274	0	5,469	131,987	0	137,456
Telephone	4,022	94,520	126,422	0	0	7,379	10,680	18,059
Office expense	3,314	139,510	199,443	0	76,367	22,698	21,091	120,156
Travel	109	70,804	148,302	0	0	356	9,819	10,175
Supplies	4,663	211,895	283,558	0	8,597	13,466	28,492	50,555
Training	652	76,792	140,208	0	0	1,106	11,549	12,655
Client services	1,239	41,908	969,141	0	0	0	0	0
Other	386	26,819	45,835	2,566	0	647	21,702	24,915
Contributed services, facilities, and materials	0	2,292,427	3,553,381	0	0	0	0	0
Indirect cost share	65,163	1,045,803	1,302,816	0	0	45,894	0	45,894
Total operating expenses	644,505	12,238,473	17,392,416	10,283	90,433	664,131	1,348,710	2,113,557
Operating revenues in excess (deficiency) of operating expenses	(65,163)	(91,193)	253,610	(6,433)	0	89,051	0	82,618
Transfer of funds:								
Operating transfers in (out)	65,163	102,702	0	0	0	0	0	0
Transfers from (to) property and equipment fund (general admin.)	0	(11,509)	(81,897)	0	0	(89,051)	0	(89,051)
Total transfers, net	65,163	91,193	(81,897)	0	0	(89,051)	0	(89,051)
Total operating revenues in excess (deficiency) of operating expenses	0	0	171,713	(6,433)	0	0	0	(6,433)
Net assets at beginning of year	0	0	65,511	509,428	0	0	0	509,428
Net assets at end of year	\$ 0	\$ 0	\$ 237,224	\$ 502,995	\$ 0	\$ 0	\$ 0	\$ 502,995

Community Action Agency

Schedule of Activities for Operations by Program For the Year Ended September 30, 2019

	Total Operating Expenses	Eliminations	2019 Operating Expenses	2018 Operating Expenses
Operating revenues, gains, and other support:				
Program revenue	\$ 13,657,616	\$ 0	\$ 13,657,616	\$ 13,538,872
Contributions	400,820	0	400,820	140,689
Contributed services, facilities, and materials	3,553,381	(2,993,899)	559,482	790,818
Fees and services	1,348,920	(1,348,710)	210	41,795
Investment income	3,141	0	3,141	5,264
Other	878,323	(843,615)	34,708	150,859
Total Operating revenues, gains, and other support	19,842,201	(5,186,224)	14,655,977	14,668,297
Operating expenses:				
Salaries and Related Benefits				
Salaries and wages	6,833,040	(222,120)	6,610,920	6,479,391
Employee benefits	2,407,590	(52,160)	2,355,430	2,284,852
Payroll taxes	810,600	(33,736)	776,864	755,542
Total Salaries and Related Benefits	10,051,230	(308,016)	9,743,214	9,519,785
Professional services	910,789	(4,133)	906,656	1,266,495
Occupancy	1,136,455	(260,176)	876,279	518,915
Vehicle expenses	35,254	(3,218)	32,036	30,788
Repairs and maintenance	320,730	(137,456)	183,274	155,899
Telephone	144,481	(7,379)	137,102	155,722
Office expense	319,599	(99,065)	220,534	143,401
Travel	158,477	(356)	158,121	136,900
Supplies	334,113	(22,063)	312,050	302,385
Training	152,863	(1,106)	151,757	108,849
Client services	969,141	0	969,141	1,320,703
Other	70,750	(647)	70,103	54,563
Contributed services, facilities, and materials	3,553,381	(2,993,899)	559,482	790,818
Indirect cost share	1,348,710	(1,348,710)	0	0
Total operating expenses	19,505,973	(5,186,224)	14,319,749	14,505,223
Operating revenues in excess (deficiency) of operating expenses	336,228	0	336,228	163,074
Transfer of funds:				
Operating transfers in (out)	0	0	0	0
Transfers from (to) property and equipment fund (general admin.)	(170,948)	0	(170,948)	(93,546)
Total transfers, net	(170,948)	0	(170,948)	(93,546)
Total operating revenues in excess (deficiency) of operating expenses	165,280	0	165,280	69,528
Net assets at beginning of year	574,939	0	574,939	505,411
Net assets at end of year	\$ 740,219	\$ 0	\$ 740,219	\$ 574,939

INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

March 20, 2020

Board of Directors
Community Action Agency
Jackson, Michigan

We have audited the financial statements of *Community Action Agency* (the "Agency"), as of and for the year ended September 30, 2019, and the related notes to the financial statements. We have issued our report thereon dated March 20, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Rehmann Robson LLC".

Community Action Agency

Schedule A-1
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2019

Federal Grantor/Pass Through Agency/Program Title	Grant Period	Federal CFDA Number	Pass Through/ Grantor's Number	Program/ Award Amount	Accrued (Deferred) Revenue 10/01/18	Current Year Cash Payment/ In Kind Received	Federal Expenses		Accrued (Deferred) Revenue 09/30/19
							Prior Year	Current Year	
U.S. DEPARTMENT OF AGRICULTURE									
Passed-Through Michigan State University									
Differing Levels Support for Family Mealtimes on Obesity Prev.in HS	03/15/15 - 03/14/18	10.310	20156800123239	\$ 262,923	\$ -	\$ -	\$ 8,461	\$ -	\$ -
Subtotal 10.310					\$ -	\$ -	\$ 8,461	\$ -	\$ -
Passed-Through Michigan Department of Health & Human Services									
Special Supplemental Food Program for Women, Infants, and Children	10/01/17 - 09/30/18	10.557	E20180107-00	379,515	\$ -	\$ -	\$ 379,515	\$ -	\$ -
Special Supplemental Food Program for Women, Infants, and Children-BFPC	10/01/17 - 09/30/18	10.557	E20180703-00	48,891	9,447	9,447	48,891	-	-
Special Supplemental Food Program for Women, Infants, and Children	10/01/18 - 09/30/19	10.557	E20190916-00	379,515	-	269,642	-	301,071	31,429
Special Supplemental Food Program for Women, Infants, and Children-BFPC	10/01/18 - 09/30/19	10.557	E20190922-00	48,891	-	37,775	-	45,510	7,735
Subtotal 10.557					\$ 9,447	\$ 316,864	\$ 428,406	\$ 346,581	\$ 39,164
Passed-Through Michigan Department of Education									
Child Care Food Program	10/01/18 - 09/30/19	10.558	38-000-0001	N/A	\$ 9,325	\$ 68,438	\$ 107,889	\$ 64,127	\$ 5,014
Subtotal 10.558					\$ 9,325	\$ 68,438	\$ 107,889	\$ 64,127	\$ 5,014
Total U.S. Department of Agriculture					\$ 18,772	\$ 385,302	\$ 544,756	\$ 410,708	\$ 44,178
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Direct Programs									
Housing Counseling	10/01/15 - 03/31/17	14.169	HC160321011	27,501	\$ -	\$ -	\$ 17,447	\$ -	\$ -
Housing Counseling	10/01/16 - 03/31/18	14.169	HC170321014	31,025	3,958	14,341	3,958	10,383	-
Housing Counseling	10/01/17 - 09/30/19	14.169	HC180321057	38,875	-	7,657	-	24,534	16,877
Subtotal 14.169					\$ 3,958	\$ 21,998	\$ 21,405	\$ 34,917	\$ 16,877
Passed-Through MEDC Through the County of Lenawee									
Community Development Block Grant	01/01/16 - 12/31/17	14.228	MSC-2015-0797-HOA	354,000	\$ -	\$ -	\$ 45,768	\$ -	\$ -
Subtotal 14.228					\$ -	\$ -	\$ 45,768	\$ -	\$ -
Direct Programs									
Rapid Rehousing Program	05/01/17 - 04/30/18	14.235	MI0545L5F171600	147,748	\$ -	\$ -	\$ 87,877	\$ -	\$ -
Rapid Rehousing Program	05/01/18 - 04/30/19	14.235	MI0545L5F171701	148,120	64,637	148,120	64,637	83,483	-
Rapid Rehousing Program	05/01/19 - 04/30/20	14.235	MI0545L5F171802	147,052	-	31,588	-	56,601	25,013
Permanent Supportive Housing - Supportive Services	10/01/17 - 09/30/18	14.235	MI0512L5F171601	99,417	30,146	30,146	99,417	-	-
Permanent Supportive Housing - Supportive Services	10/01/18 - 09/30/19	14.235	MI0512L5F171702	99,417	-	79,058	-	99,417	20,359
Partnership Park Permanent Housing	10/01/17 - 09/30/18	14.235	MI0261L5F171609	245,339	75,118	75,118	234,377	-	-
Partnership Park Permanent Housing	10/01/18 - 09/30/19	14.235	MI0261L5F171710	295,155	-	250,813	-	295,155	44,342
Supportive Housing Program-Garfield Square Development	10/01/17- 09/30/18	14.235	MI0544L5F171600	46,122	17,474	17,474	46,122	-	-
Subtotal 14.235					\$ 187,375	\$ 632,317	\$ 532,430	\$ 534,656	\$ 89,714
Passed-Through City of Jackson									
CHDO - City of Jackson	05/11/17-05/10/18	14.239	N/A	2,500	\$ -	\$ -	\$ 2,500	\$ -	\$ -
Subtotal 14.239					\$ -	\$ -	\$ 2,500	\$ -	\$ -
Direct Programs									
Permanent Supportive Housing - Hillsdale	10/01/18 - 09/30/19	14.267	MI0562L5F001700	\$ 133,172	\$ -	\$ 57,038	\$ -	\$ 89,281	\$ 32,243
Continuum of Care Planning Project - Jackson	10/01/18 - 09/30/19	14.267	MI0591L5F171700	24,543	-	3,436	-	24,543	21,107
CoC Planning	04/01/17 - 03/31/18	14.267	MI0259L5F171609	55,979	-	-	34,677	-	-
Jackson HMIS	04/01/18 - 03/31/19	14.267	MI0259L5F171710	55,979	-	43,133	21,707	34,272	(8,861)
Jackson HMIS	04/01/19 - 03/31/20	14.267	MI0259L5F171811	55,979	8,861	14,236	-	21,362	15,987
Passed-Through Michigan State Housing Development Authority									
Coordinated Entry Grant	08/01/18 - 07/31/19	14.267	MI0559L5F001700	8,000	-	8,000	-	8,000	-
Coordinated Entry Grant	08/01/19 - 07/31/20	14.267	MI0559L5F001801	8,000	-	-	-	3,213	3,213
HMS - MI BoS CoC LPB System Coordination Funds	07/01/18 - 06/30/19	14.267	N/A	1,000	-	1,000	-	13	(987)
HMS - MI BoS CoC LPB System Coordination Funds	06/20/18 - 12/31/18	14.267	N/A	1,294	(1,294)	-	2,000	1,294	-
Passed-Through Michigan Coalition against Homeless (MCAH)									
BOS - 2017-2018 Technology Stipend	02/02/18 - 02/16/18	14.267	N/A	850	-	-	850	-	-
BOS - HMIS Stipend thru MCAH	03/01/17 - 01/31/18	14.267	N/A	4,500	-	-	1,343	-	-
BOS - HMIS Stipend thru MCAH	03/01/19 - 01/31/20	14.267	N/A	7,000	-	5,000	-	6,680	1,680
Subtotal 14.267					\$ 7,567	\$ 131,843	\$ 60,577	\$ 188,658	\$ 64,382

Community Action Agency

Schedule A-2
 Schedule of Expenditures of Federal Awards (continued)
 For the Year Ended September 30, 2019

Federal Grantor/Pass Through Agency/Program Title	Grant Period	Federal CFDA Number	Pass Through/ Grantor's Number	Program/ Award Amount	Accrued (Deferred) Revenue 10/01/18	Current Year Cash Payment/ In Kind Received	Federal Expenses		Accrued (Deferred) Revenue 09/30/19
							Prior Year	Current Year	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)									
Direct Program									
Fair Housing Initiative	05/01/18 - 04/30/19	14.416	FE0180049-01-00	125,000	\$ (6,989)	\$ 75,000	\$ 43,011	\$ 81,989	\$ -
Subtotal 14.416					\$ (6,989)	\$ 75,000	\$ 43,011	\$ 81,989	\$ -
Passed-Through Jackson Housing Commission									
HUD through Jackson Housing Commission	07/01/18 - 06/30/19	14.850	N/A	40,000	\$ 2,350	\$ 2,350	\$ 44,019	\$ -	\$ -
Subtotal 14.850					\$ 2,350	\$ 2,350	\$ 44,019	\$ -	\$ -
Passed-Through Michigan State Housing Development Authority									
HOME - Family Self Sufficiency	01/01/17 - 12/31/18	14.871	16-82-FSS	N/A	\$ (520)	\$ 725	\$ 6,379	\$ 1,245	\$ -
HOME - Family Self Sufficiency	01/01/18 - 12/31/19	14.871	19-49-FSS	N/A	-	12,273	-	1,439	(10,834)
Subtotal 14.871					\$ (520)	\$ 12,998	\$ 6,379	\$ 2,684	\$ (10,834)
Total U.S. Department of Housing and Urban Development					\$ 193,741	\$ 876,506	\$ 756,089	\$ 842,904	\$ 160,139
U.S. DEPARTMENT OF LABOR									
Direct Program									
Youthbuild	02/01/19 - 05/31/22	17.274	YB-33012-18-60-A-26	900,000	\$ -	\$ 55,495	\$ -	\$ 75,652	\$ 20,157
Subtotal 17.274					\$ -	\$ 55,495	\$ -	\$ 75,652	\$ 20,157
Total U.S. Department of Labor					\$ -	\$ 55,495	\$ -	\$ 75,652	\$ 20,157
U.S. DEPARTMENT OF TREASURY									
Direct Program									
Volunteer Income Tax Assistance (VITA)	08/01/16 - 07/31/18	21.009	17VITA0045	200,000	\$ -	\$ -	\$ 90,122	\$ -	\$ -
Volunteer Income Tax Assistance (VITA)	08/01/18 - 07/31/20	21.009	19VITA0089	140,000	7,723	70,000	7,723	65,868	3,591
Subtotal 21.009					\$ 7,723	\$ 70,000	\$ 97,845	\$ 65,868	\$ 3,591
Total U.S. Department of Treasury					\$ 7,723	\$ 70,000	\$ 97,845	\$ 65,868	\$ 3,591
DEPARTMENT OF VETERANS AFFAIRS									
Direct Program									
VA Supportive Services for Veteran Families Program	10/01/17 - 10/19/18	64.033	14-MI-220	688,866	\$ 78,770	\$ 81,497	\$ 649,297	\$ 2,727	\$ -
VA Supportive Services for Veteran Families Program	10/01/18 - 10/19/19	64.033	14-MI-220	632,406	-	553,559	-	610,984	57,425
Total Department of Veterans Affairs 64.033					\$ 78,770	\$ 635,056	\$ 649,297	\$ 613,711	\$ 57,425
U.S. DEPARTMENT OF ENERGY									
Passed-Through Michigan Dept. of HHS Through Monroe Co. Opport.Prog.									
Weatherization Assistance for Low-Income Persons-Sub-recipient	07/01/17 - 06/30/18	81.042	3972-620-17-18	20,000	\$ -	\$ -	\$ 10,506	\$ -	\$ -
Weatherization Assistance for Low-Income Persons-Sub-recipient	07/01/18 - 06/30/19	81.042	3972-620-18-19	20,000	239	20,000	239	19,761	-
Weatherization Assistance for Low-Income Persons-Sub-recipient	07/01/19 - 06/30/20	81.042	3972-620-19-20	20,000	-	-	-	7,086	7,086
Total U.S. Department of Energy 81.042					\$ 239	\$ 20,000	\$ 10,745	\$ 26,847	\$ 7,086
U.S. DEPARTMENT OF EDUCATION									
Passed-Through Michigan Department of Education and Jackson ISD									
McKinney-Vento Homeless Students' Assistance Grant	07/01/16 - 06/30/18	84.196A	172320-1617	N/A	\$ -	\$ -	\$ 339	\$ -	\$ -
Subtotal 84.196A					\$ -	\$ -	\$ 339	\$ -	\$ -
Total U.S. Department of Education					\$ -	\$ -	\$ 339	\$ -	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed-Through Michigan Depart. Of HHS Through Michigan Agency for Energy Through Michigan Community Action									
MCA/MEAP LIHEAP	10/01/17 - 09/30/18	93.568	MEAP LIHEAP 2017-2018	201,400	\$ -	\$ -	\$ 201,400	\$ -	\$ -
Passed-Through Michigan Department of Health & Human Services	01/01/18 - 08/31/18	93.568	LCA-16-38026 NFA #3	260,400	-	-	170,135	-	-
LIHEAP					\$ -	\$ -	\$ 371,535	\$ -	\$ -
Subtotal 93.568					\$ -	\$ -	\$ 371,535	\$ -	\$ -

Community Action Agency

Schedule A-3
 Schedule of Expenditures of Federal Awards (concluded)
 For the Year Ended September 30, 2019

Federal Grantor/Pass Through Agency/Program Title	Grant Period	Federal CFDA Number	Pass Through/ Grantor's Number	Program/ Award Amount	Accrued (Deferred) Revenue 10/01/18	Current Year Cash Payment/ In Kind Received	Federal Expenses		Accrued (Deferred) Revenue 09/30/19
							Prior Year	Current Year	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)									
Passed-Through Michigan Department of Health & Human Services									
Community Service Block Grant	10/01/16 - 09/30/18	93.569	CSBG-14-38026-4	714,501	\$ (66,034)	\$ (66,034)	\$ 18,454	\$ -	\$ -
Community Service Block Grant	10/01/17 - 09/30/19	93.569	CSBG-14-38026-5	609,575	-	208,975	520,575	89,000	(119,975)
Community Service Block Grant	10/01/17 - 09/30/19	93.569	CSBG-14-38026-6	609,575	-	314,682	-	472,079	157,397
Community Service Block Grant - Discretionary	10/01/17 - 09/30/18	93.569	CSBGD14-38026(NFA19)	45,000	13,500	13,500	20,500	-	-
Community Service Block Grant - Discretionary	10/01/18 - 09/30/19	93.569	CSBGD14-38026(NFA23)	24,000	-	14,785	-	20,470	5,685
Subtotal 93.569					\$ (52,534)	\$ 485,908	\$ 559,529	\$ 581,549	\$ 43,107
Direct Programs									
Head Start (1)	07/01/17 - 06/30/18	93.600	05CH10092-03-01	6,481,755	\$ -	\$ -	\$ 5,227,922	\$ -	\$ -
Head Start (1)	07/01/18 - 06/30/19	93.600	05CH10092-04-01	6,671,889	350,264	5,707,437	1,287,264	5,357,173	-
Head Start (1)	07/01/19 - 06/30/20	93.600	05CH10092-05-01	6,788,575	-	1,108,436	-	1,445,879	337,443
Early Head Start (1)	07/01/17 - 06/30/18	93.600	05CH10092-03-01	2,145,433	-	-	1,627,186	-	-
Early Head Start (1)	07/01/18 - 06/30/19	93.600	05CH10092-04-01	2,199,907	85,887	1,707,000	488,887	1,621,113	-
Early Head Start (1)	07/01/19 - 06/30/20	93.600	05CH10092-05-01	2,237,955	-	400,000	-	505,323	105,323
Subtotal 93.600					\$ 436,151	\$ 8,922,873	\$ 8,631,259	\$ 8,929,488	\$ 442,766
Direct Programs									
Assets for Independence Demonstration Program (IDA)	09/30/12 - 09/29/19	93.602	90EI0786-01-02	88,235	\$ (34,435)	\$ (15,691)	\$ 40,565	\$ 18,744	\$ -
Assets for Independence Demonstration Program (IDA)	09/30/14 - 09/29/19	93.602	90EI0866-01-01	88,235	(79,789)	-	2,507	12,293	(67,496)
Assets for Independence Demonstration Program (IDA)	09/30/11 - 09/29/17	93.602	90EI0723-01-02	114,706	-	-	16,000	-	-
Subtotal 93.602					\$ (114,224)	\$ (15,691)	\$ 59,072	\$ 31,037	\$ (67,496)
Passed-Through Michigan Department of Health & Human Services Through Henry Ford Allegiance Health									
State Innovation Model	11/01/17 - 10/31/18	93.624	Jackson_CAA_A_20171101	291,112	\$ 71,173	\$ 325,808	\$ 116,974	\$ 254,196	\$ (439)
Subtotal 93.624					\$ 71,173	\$ 325,808	\$ 116,974	\$ 254,196	\$ (439)
Passed-Through Michigan Department of Health & Human Services									
Children's Health Insurance Program	10/01/18 - 09/30/19	93.767	E20192798-001	845,695	\$ -	\$ 285,143	\$ -	\$ 398,243	\$ 113,100
Subtotal 93.767					\$ -	\$ 285,143	\$ -	\$ 398,243	\$ 113,100
Passed-Through Michigan Department of Health & Human Services									
Substance Abuse Prevention and Treatment	02/01/15 - 09/30/15	93.959	N/A	5,250	\$ -	\$ -	\$ 1,987	\$ -	\$ -
Subtotal 93.959					\$ -	\$ -	\$ 1,987	\$ -	\$ -
Total U.S. Department of Health and Human Services					\$ 340,566	\$ 10,004,041	\$ 9,740,356	\$ 10,194,513	\$ 531,038
DEPARTMENT OF HOMELAND SECURITY									
Passed-Through United Way Through Hillsdale County Community Foundation									
FEMA/EFSP	10/01/16 - 01/31/18	97.024	LRO-469600-002	7,000	\$ -	\$ -	\$ 5,720	\$ -	\$ -
FEMA/EFSP	02/01/18 - 01/31/19	97.024	LRO-469600-002	8,000	-	8,000	-	8,000	-
FEMA/EFSP	02/01/19 - 01/31/20	97.024	LRO-469600-002	7,800	-	3,900	-	-	(3,900)
Total Department of Homeland Security 97.024					\$ -	\$ 11,900	\$ 5,720	\$ 8,000	\$ (3,900)
TOTAL FEDERAL AWARDS					\$ 639,811	\$ 12,058,300	\$ 11,805,147	\$ 12,238,203	\$ 819,714

See notes to schedule of expenditures of federal awards.

Community Action Agency

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Action Agency (the "Agency") under programs of the federal government for the year ended September 30, 2019. 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 of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the financial statements. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the Agency has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

INDEPENDENT AUDITORS' 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*

March 20, 2020

Board of Directors
Community Action Agency
Jackson, Michigan

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Community Action Agency* (the "Agency"), which comprise the statement of financial position as of September 30, 2019, 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 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lobson LLC

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

March 20, 2020

Board of Directors
Community Action Agency
Jackson, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of *Community Action Agency* (the "Agency") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended September 30, 2019. The Agency's major federal program is identified in the summary of auditors' 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 requirement 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 the Agency'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 the Agency's compliance.

Opinion on the Major Federal Program

In our opinion, the Agency 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 identified in the summary of auditors' result section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency'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 the Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 and -002 that we consider to be significant deficiencies.

The Agency's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

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.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive style with a large, prominent 'R' at the beginning.

COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? 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) identified? X yes none reported

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

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
93.600	Head Start	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001 - Allowable Costs/Cost Principles - Approval of Disbursements

Finding Type. Significant deficiency in internal control over compliance

Program. Head Start; U.S. Department of Health and Human Services; CFDA Number 93.600; Award Numbers 05CH10092-04-01 and 05CH10092-05-01.

Criteria. The Uniform Guidance requires the Agency to support disbursements charged to federal cost objectives with adequate documentation in accordance with the Agency's purchasing policies, which require approved purchase orders and invoices. These purchase orders should be properly reviewed and approved.

Condition. Three of the forty disbursements selected for testing did not include the required purchase order and other documentation of approvals by management.

Cause. Management did not consistently follow its documented purchasing policies during the year.

Effect. As a result of this condition, the Agency was exposed to increased risk that disbursements of federal awards could be made for unallowable costs.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We recommend that the Agency review its written policies and procedures over federal awards to ensure that all disbursements have the appropriate documentation and evidence of review and approval prior to payment.

View of Responsible Officials. The Chief Financial Officer will review the purchase order/disbursement process and develop a training for the Finance Department staff to assure that the purchasing process in the Agency's Financial Policies and Procedures are followed.

COMMUNITY ACTION AGENCY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-002 - Allowable Costs/Cost Principles - Independent Approval of Journal Entries

Finding Type. Significant deficiency in internal control over compliance

Program. Head Start; U.S. Department of Health and Human Services; CFDA Number 93.600; Award Numbers 05CH10092-04-01 and 05CH10092-05-01.

Criteria. Management is responsible for establishing effective internal controls to safeguard the Agency's assets, and to prevent or detect misstatements to the financial statements. Manual journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the Agency's records in a way that bypasses normal internal controls. Accordingly, the Agency should have a system in place to ensure that all manual journal entries and similar adjustments made to the Agency's accounting records are reviewed and approved by an appropriate member of management, independent of the preparer.

Condition. Two of nineteen journal entries selected for testing did not include the required documentation of independent review or approval by members of senior management.

Cause. Management did not consistently follow its documented manual journal entry policies during the year.

Effect. While we are not aware of any actual misstatements caused by this condition, the Agency was nevertheless exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

Questioned Costs. No costs have been questioned as a result of this finding inasmuch as no unallowable costs were identified.

Recommendation. We recommend that the Agency review its written policies and procedures for review and approval of manual journal entries. This review should be evidenced by signature/initials and date, attached to the supporting documentation, and retained for audit purposes.

View of Responsible Officials. Finance Department staff has reviewed the process of preparing and approval of journal entries and management is confident this will not be an issue in the future.



COMMUNITY ACTION AGENCY

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2019

2018-001 - Significant Audit Adjustment

An adjustment related to health insurance accruals and expense allocations was identified and proposed by the auditors (which was approved and posted by management) that was significant to the Agency's financial statements. No such adjustments were noted during the current year audit. The finding was adequately resolved.

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