

**Mid Michigan Community Action
Agency, Inc. and Subsidiaries**

Farwell, Michigan

Consolidated Financial Statements and Supplementary
Information

Year Ended September 30, 2016

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Year Ended September 30, 2016

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Independent Auditor's Report

Board of Directors
Mid Michigan Community Action Agency, Inc. and Subsidiaries
Farwell, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mid Michigan Community Action Agency, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Fourth Street Senior Housing, LLC, Garfield Manor Senior Housing, LLC, Garfield Manor Limited Dividend Housing Association Limited Partnership and Repair Solutions, LLC were not audited in accordance with *Government Auditing Standards* as those entities did not receive federal funding.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mid Michigan Community Action Agency, Inc. and Subsidiaries as of September 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, Schedule B, consolidating statement of activities, Schedule C, and schedule of expenditures of federal awards and other program activity, Schedules A-1 to A-4, which includes the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of Mid Michigan Community Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Mid Michigan Community Action Agency, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

February 15, 2017
Madison, Wisconsin

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Consolidated Statement of Financial Position

September 30, 2016

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 191,038
Reserve and escrow accounts	110,254
Grants receivable	1,214,095
Accounts receivable	23,297
Commodity food inventory	293,788
Prepaid expenses	39,557
Total current assets	1,872,029
Other assets:	
Certificates of deposit	55,000
Investment in 4th Street LDHALP	438,058
Investment in 4th Street Commercial LLC	60,013
Investments	1,398,807
Other assets	82,269
Total other assets	2,034,147
Property and equipment, net	4,204,346
TOTAL ASSETS	\$ 8,110,522
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Line of credit	\$ 100,000
Notes payable, current portion	44,616
Accounts payable	349,705
Accrued payroll and related taxes	225,954
Grant funds received in advance	293,788
Total current liabilities	1,014,063
Long-term liabilities:	
Notes payable, less current portion	1,407,303
Accumulated postretirement benefit obligation	459,220
Total long-term liabilities	1,866,523
Total liabilities	2,880,586
Net assets:	
Unrestricted	5,128,448
Temporarily restricted	101,488
Total net assets	5,229,936
TOTAL LIABILITIES AND NET ASSETS	\$ 8,110,522

See accompanying notes to consolidated financial statements.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Consolidated Statement of Activities
Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 9,597,126	\$ 0	\$ 9,597,126
Performance income	46,138	0	46,138
Rental income	222,817	0	222,817
Donations/other income	471,849	19,821	491,670
In-kind contributions	418,031	0	418,031
Net assets released from restriction through satisfaction of program restrictions	44,754	(44,754)	0
Total revenue	10,800,715	(24,933)	10,775,782
Expenses:			
Salaries and wages	3,887,977	0	3,887,977
Fringe benefits	997,420	0	997,420
Space/utilities	533,889	0	533,889
Communications	139,521	0	139,521
Consumable supplies	441,645	0	441,645
Travel/transportation	230,537	0	230,537
Contractual services	453,641	0	453,641
Direct services	2,124,786	0	2,124,786
Other	795,296	0	795,296
Food commodities distributed	1,102,708	0	1,102,708
In-kind expenses	418,031	0	418,031
Total expenses	11,125,451	0	11,125,451
Changes in net assets from operating activities	(324,736)	(24,933)	(349,669)
Nonoperating revenue:			
Investment income	27,100	0	27,100
Gain on sale of fixed assets	11,500	0	11,500
Realized/unrealized gain on investments	103,927	0	103,927
Equity method earnings	19,977	0	19,977
Postretirement health plan changes other than net periodic cost	(37,250)	0	(37,250)
Total nonoperating revenue	125,254	0	125,254
Change in net assets	(199,482)	(24,933)	(224,415)
Net assets - Beginning of year	5,327,930	126,421	5,454,351
Net assets - End of year	\$ 5,128,448	\$ 101,488	\$ 5,229,936

See accompanying notes to consolidated financial statements.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Consolidated Statement of Cash Flows Year Ended September 30, 2016

Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Change in net assets	(\$ 224,415)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	257,784
Equity method earnings	(19,977)
Donated property	(79,000)
Gain on disposals of property and equipment	(11,500)
Realized and unrealized gain on investments	(103,927)
Change in accumulated postretirement benefit obligation other than net periodic benefit costs	37,250
Changes in operating assets and liabilities:	
Grants receivable	(187,371)
Accounts receivable	9,913
Prepaid expenses	(38,154)
Other assets	38,197
Accounts payable	67,631
Accrued payroll and related taxes	(117,978)
Grant funds received in advance	(557)
Accumulated postretirement benefit obligation	(13,664)
Net cash used in operating activities	(385,768)
Cash flows from investing activities:	
Net deposits to reserve and escrow accounts	(18,033)
Proceeds from sale of investments	195,929
Proceeds from sales of certificates of deposit	25,000
Distributions received from LLC	5,500
Purchase of property and equipment	(260,654)
Proceeds from sales of property and equipment	11,500
Net cash used in investing activities	(40,758)
Cash flows from financing activities:	
Net proceeds on line of credit	100,000
Principal payments on notes payable	(42,395)
Net cash provided by financing activities	57,605
Change in cash and cash equivalents	(368,921)
Cash and cash equivalents - Beginning of year	559,959
Cash and cash equivalents - End of year	\$ 191,038
Supplemental schedule of other cash activity:	
Interest paid and expensed	\$ 65,897
Income taxes paid	2,988
Supplemental schedule of noncash operating activity:	
Decrease in commodity food inventory and grant funds received in advance	21,637

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

Mid Michigan Community Action Agency, Inc. (MMCAA) was organized as a nonprofit corporation in 1973. MMCAA was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in the Bay, Clare, Gladwin, Mecosta, Midland, and Osceola counties in Michigan. MMCAA is primarily supported through federal and state government grants. Approximately 30% of MMCAA's grant funds are received under the Department of Health and Human Services' Head Start program.

Fourth Street Senior Housing, LLC, a wholly owned subsidiary of MMCAA, was established in 2008 to invest as one of the general partners in a tax credit housing partnership project in Clare, Michigan, Fourth Street Senior Limited Dividend Housing Association Limited Partnership (4th Street LDHALP). The tax credit project constructed a building which provides apartment units for low to moderate low-income seniors and a senior center. Fourth Street Senior Housing, LLC also has a 50% ownership interest in Fourth Street Commercial, LLC. Fourth Street Commercial, LLC was formed to oversee the leasing activity of the senior center. Fourth Street Senior Housing, LLC records the activity of 4th Street LDHALP and Fourth Street Commercial, LLC on the equity method.

Garfield Manor Services, LLC is a wholly owned subsidiary of MMCAA. Garfield Manor Services, LLC is the General Partner of and has a 1% ownership interest in Garfield Manor Limited Dividend Housing Association Limited Partnership (Garfield LDHALP) which is a tax credit housing partnership in Bay City, Michigan. Garfield LDHALP provides apartment units to seniors of low to moderate low-income. MMCAA owns the remaining 99% of Garfield LDHALP, thus MMCAA owns 100% of Garfield LDHALP as MMCAA's wholly owned subsidiary owns the other 1%. The partnership will cease on December 31, 2034, unless dissolved sooner. MMCAA consolidates the activity of Garfield LDHALP.

Repair Solutions, LLC, a wholly owned subsidiary of MMCAA, was created to provide minor home repairs services for a fee and access grant funding to low-income eligible participants as part of MMCAA's Community Needs Assessment. MMCAA consolidates the activity of Repair Solutions, LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of MMCAA, Fourth Street Senior Housing, LLC, Garfield Manor Services, LLC, Garfield Manor Limited Dividend Housing Association Limited Partnership, and Repair Solutions, LLC (the "Organizations"). All intercompany transactions and balances have been eliminated for financial statement purposes.

Basis of Presentation

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

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MMCAA and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor imposed stipulations are met in the year of contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of MMCAA and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MMCAA. Generally, the donors of these assets permit MMCAA to use all or part of the income earned on any related investments for general or specific purposes. Currently, MMCAA does not have any permanently restricted net assets.

Use of Estimates

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

In-Kind Contributions

MMCAA has recorded in-kind contributions for professional services in accordance with generally accepted accounting principles. MMCAA received contributions of nonprofessional volunteers during the year with a value of approximately \$646,000 primarily for its Head Start program which are not recorded in the consolidated statement of activities as the in-kind does not meet the recognition requirement under accounting principles generally accepted in the United States.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to MMCAA that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. If the restriction is met on a contribution in the year the contribution is received, the contribution is reported as unrestricted revenue.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

Revenue Recognition (Continued)

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grant Awards/Performance Income

Grant awards are either recorded as contributions or exchange transactions based on the criteria contained in the grant award. Grant awards that qualify as contributions are recorded as invoiced to funding sources. Revenue is recognized in the accounting period when the related expense or asset purchase is incurred. Amounts received or receivables in excess of expenses or asset purchase are reflected as grant funds received in advance. Grant awards that qualify as an exchange transaction reimburse a predetermined amount based on services performed without regard to expenses. Revenue is recognized as performance income when the contracted services have been performed. Amounts received in advance of providing the service are reflected as deferred revenue.

Rental Income

Rental income is recorded as revenue when earned.

Cash and Cash Equivalents

The Organizations consider all money market accounts to be cash equivalents.

Certificates of Deposit

Certificates of deposit are valued at cost which approximates fair value.

Food Commodities Distributed/Inventory

Food commodities distributed represent the value of food received through the State of Michigan and distributed to low-income households. Valuations are provided by the State of Michigan. Commodity inventory is charged to expense when the commodities are distributed. Those commodities received during the year that had not been distributed are recognized as inventory with a corresponding balance in grant funds received in advance on the consolidated statement of financial position. Inventory is stated at the values provided by the State of Michigan, Department of Education. At September 30, 2016, commodity food inventory was \$293,788.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

Property and Equipment

Property and equipment are capitalized at cost or appraised value at the date of the donation and are depreciated over their useful lives using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful life of the assets. MMCAA considers assets with a cost greater than \$5,000 and a useful life greater than one year to be capital assets.

Property and equipment purchased with grant funds are owned by MMCAA while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds net of depreciation was \$105,859 at September 30, 2016.

Investments

Investments are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized as realized and unrealized gain on investments in the consolidated statement of activities.

Investments in Other Entities

Investments in other entities in which the Organizations exercise significant influence over their operating and financial activities or those where the Organizations own between 20% and 50% of the entity are accounted for using the equity method.

Income Taxes

MMCAA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Michigan franchise or income tax.

Fourth Street Senior Housing, LLC and Garfield Manor, LLC are C Corporations and are classified as a taxable entity for tax purposes. Garfield LDHALP is a partnership for tax purposes and income or loss is passed through to the partners. Garfield Manor Services, LLC and Repair Solutions, LLC are solely owned by MMCAA and therefore, treated as disregarded entities for tax purposes. The activities of these entities are included in MMCAA's annual federal return filed with the Internal Revenue Service (IRS).

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective.

Subsequent Events

Subsequent events have been evaluated through February 15, 2017, which is the date the financial statements were available to be issued.

Note 2 Investments

Investments are stated at fair value and are summarized as follows at September 30, 2016:

Bonds	\$ 309,561
U.S. bond mutual funds	11,049
International bonds	106,401
U.S. equity mutual funds	434,091
International equity mutual funds	151,457
U.S. equities	249,572
International equities	101,620
<u>Brokered certificates of deposit</u>	<u>35,056</u>
<u>Total investments</u>	<u>\$ 1,398,807</u>

Investment income consists of interest and dividends of \$27,100 which is net of investment fees of \$8,425.

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional standards are described as follows:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Quoted prices in markets that are not considered to be active or financial statements for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 Investments (Continued)

Bonds, international bonds and brokered certificates of deposit are valued by the trustee using the market approach which utilizes quoted market prices and other observable market data.

The following table presents assets at fair value on a recurring basis during the period by level within the fair value hierarchy, at September 30, 2016.

	Level 1	Level 2	Level 3	Total
Bonds	\$ 0	\$309,561	\$ 0	\$309,561
U.S. bond mutual funds	11,049	0	0	11,049
International bonds	0	106,401	0	106,401
U.S. equity mutual funds	434,091	0	0	434,091
International equity mutual funds	151,457	0	0	151,457
U.S. equities	249,572	0	0	249,572
International equities	101,620	0	0	101,620
Brokered certificate of deposits	0	35,056	0	35,056
Total	\$947,789	\$451,018	\$ 0	\$1,398,807

No assets or liabilities were measured at fair value on a nonrecurring basis for the year ended September 30, 2016.

Note 3 Grants Receivable

The grants receivable balance represents amounts due from the various funding sources as follows:

Federal government	\$ 361,998
State of Michigan	638,037
Other sources	214,060
Total	\$ 1,214,095

Note 4 Property and Equipment

A summary of property and equipment is as follows:

Land	\$ 180,550
Building and improvements	5,732,960
Leasehold improvements	73,259
<u>Equipment</u>	<u>860,807</u>
Subtotal	6,847,576
<u>Accumulated depreciation and amortization</u>	<u>(2,643,230)</u>
Property and equipment, net	\$ 4,204,346

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 Grant Funds Received in Advance

Grant funds received in advance represent the undistributed portion of commodity foods received for \$293,788.

Note 6 Investment in LDHALP and Investment in LLC

Fourth Street Senior Housing, LLC has a .005% ownership interest in Fourth Street Senior Limited Dividend Housing Association Limited Partnership and a 50% ownership interest in Fourth Street Commercial, LLC.

Fourth Street Commercial, LLC operates on a December 31 year end. As of and for the year ended September 30, 2016, unaudited Fourth Street Commercial, LLC financial information is as follows:

Assets	\$ 470,442
Liabilities	(350,417)
<u>Equity</u>	<u>\$ 120,025</u>
<u>Income</u>	<u>\$ 40,954</u>

Fourth Street Senior Limited Dividend Housing Association Limited Partnership operates on a December 31 year end. As of and for the year ended September 30, 2016, unaudited Fourth Street Senior Limited Dividend Housing Association Limited Partnership financial information is as follows:

Assets	\$ 2,334,373
Liabilities	(331,267)
<u>Equity</u>	<u>\$ 2,003,106</u>
<u>Loss</u>	<u>(\$ 31,522)</u>

Current year equity method earnings consist of the following:

	Investment	Equity Method Earnings
Investment in 4 th Street LDHALP	\$ 438,058	\$ 0
Investment in 4 th Street Commercial LLC	60,013	19,977
<u>Totals</u>	<u>\$ 498,071</u>	<u>\$ 19,977</u>

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 **Accumulated Postretirement Benefit Obligation**

MMCAA has a Retiree Health Insurance Plan (the “Plan”). The Plan provides that MMCAA will pay a portion of the health insurance premiums for eligible retired employees. In order to be eligible, an employee must be at least 62 years old and have completed at least 20 years of regular full-time employment with MMCAA as of the employee’s separation date. During 2015, the Plan was modified to dissolve future coverage for all employees that did not have 20 years of service as of December 31, 2015.

MMCAA will pay a portion of the health insurance costs for eligible employees under MMCAA’s group health insurance plan until age 65. After age 65, the eligible employees will receive a portion of the cost of Medicare supplemental coverage under MMCAA’s health plan. The Medicare supplemental coverage will continue for the lifetime of the employee.

The Plan calls for MMCAA to pay for 50% of the cost of the coverage for each eligible retiree who has completed 20 years of regular full-time employment up to a maximum monthly cost of \$200 and 100% of the cost coverage for each eligible employee who has completed 25 years of regular, full-time employment up to a maximum monthly cost of \$400. Any health cost in excess of the above amounts would be paid by the insured person. Plan participants do not contribute to the postretirement health plan.

Assumptions	Percentage
Discount rate used to calculate benefit obligation	3.00
Discount rate used to calculate net periodic benefit cost	4.00

The effect of a one-percentage point change in assumed rates would have no effect on the benefit obligation and the sum of the service cost and interest cost components since the current costs exceed the maximum reimbursement. Additionally, there is no effect of increasing or decreasing the inflation assumption on the sum of the service and interest cost components because costs have exceeded the benefit cap.

MMCAA is recognizing the liability for this benefit as the service is rendered by employees. MMCAA uses an October 1 measurement date for the Plan. The following table sets forth the status of the postretirement benefit obligation:

Accumulated and projected postretirement benefit obligation:	
Balance, October 1, 2015	\$ 435,634
Service costs	1,359
Interest cost	16,177
Expected benefits paid	(31,200)
Actuarial loss	37,250
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Accumulated and projected postretirement benefit obligation - September 30, 2016	\$ 459,220

The net periodic benefit cost is \$ 40,674.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 **Accumulated Postretirement Benefit Obligation (Continued)**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the following years:

<u>Year</u>	<u>Amount</u>
2017	\$ 31,200
2018	30,610
2019	29,980
2020	29,306
2021	28,587
<u>2022-2026</u>	<u>134,029</u>
<u>Total</u>	<u>\$ 283,712</u>

MMCAA expects to set aside \$1,709 of cash for its Retiree Health Insurance Plan in 2017.

The Plan is unfunded, in that any funds set aside for future health insurance benefits is available to the general creditors of MMCAA. However, MMCAA has set aside investments that exceed the liability.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") of 2003, was enacted. Among other features, the Act introduces a prescription drug benefit under Medicare Part D and a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Because, at this time, MMCAA has not been able to determine whether prescription benefits included in its postretirement health care plan are actuarially equivalent to Medicare Part D, neither postretirement benefit expense nor the benefit obligation reflects effects of the Act.

Note 8 **Line of Credit**

MMCAA has a \$500,000 variable interest rate line of credit agreement with a bank. Interest is at the prime rate with a floor of 4.5%, the rate on the line of credit at September 30, 2016 was 4.5%. The line of credit is secured by the investments held by the bank and has no stated maturity date. At September 30, 2016, MMCAA had a balance outstanding of \$100,000.

Note 9 **Notes Payable**

Notes payable are collateralized by property and consist of the following at September 30, 2016:

Mortgage with the USDA, Department of Rural Development for the office and family/youth services building, dated July 27, 2007, in the amount of \$1,000,000. Payments are due in monthly installments of \$4,894 with interest of 4.125%. Maturity date July 27, 2037.	\$ 781,697
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Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 Notes Payable (Continued)

Mortgage with the USDA, Department Rural Development for the purchase of the food storage warehouse, Clare, Michigan, dated November 20, 2008, in the amount of \$400,000. Payments are due in annual installments of \$21,740 with interest of 4.5%. Maturity date November 20, 2048. 365,034

Mortgage with Isabella Bank and Trust, issued to Garfield Manor Limited Dividend Housing Association Limited Partnership. Payments are due in monthly installments of \$2,327 with interest of 5.25%. Maturity date February 2, 2033. 305,188

Total	1,451,919
Current portion	(44,616)

<u>Long-term debt</u>	<u>\$ 1,407,303</u>
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Future debt maturities beyond September 30, 2016, are as follows:

2017	\$ 44,616
2018	46,658
2019	48,794
2020	50,962
2021	53,305
Thereafter	1,207,584

<u>Total</u>	<u>\$ 1,451,919</u>
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Note 10 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for future expenses of the following activities:

Children's services	\$ 52,416
Emergency funds - Funder directed	16,639
United Way	18,042
Other specific designations	8,166
Walk for warmth	6,014
Clare County Emergency Food Pantry	211

<u>Total</u>	<u>\$ 101,488</u>
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Note 11 Grant Awards

At September 30, 2016, MMCAA had commitments under various grant awards of approximately \$2,400,000. The revenue relating to these grants is not recognized in the accompanying financial statements as the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12 Operating Leases

MMCAA leases various facilities for the operation of its programs. One of the leases contains options for renewal through 2025. Operating lease payments were \$220,643 for the year ended September 30, 2016. Future minimum lease payments beyond September 30, 2016, are as follows:

2017	\$ 141,342
2018	82,211
2019	62,316
2020	48,989
<hr/>	
<u>Total</u>	<u>\$ 334,858</u>

Note 13 Concentration of Credit Risk

The Organization maintains its cash, cash equivalents and certificates of deposit at several banks, which at times may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 14 Reserve and Escrow Accounts

The United States Department of Agriculture, Rural Development, requires reserve accounts for the loans Mid Michigan Community Action Agency received for the Office and Family/Youth Services building (building) and the Ludington Drive warehouse (warehouse). The annual reserve requirements are determined to be \$5,871 for the building and \$2,174 for the warehouse. These amounts must be deposited each year in the reserve accounts until \$58,710 is accumulated in the building reserve and \$21,738 is accumulated in the warehouse reserve. The reserve balance at September 30, 2016, was \$52,839 for the building and \$17,392 for the warehouse.

The Michigan State Housing Development Authority (MSHDA) requires reserve accounts for Garfield LDHALP for real estate property taxes, insurance and repairs and replacements. The reserve and escrow accounts are maintained under the control of MSHDA for the benefit of the project and are restricted as to use based on the applicable regulatory agreements. The balance of the reserve and escrows was \$31,302 for repairs and replacements, and \$8,721 for taxes and insurance.

Note 15 Retirement Plan

MMCAA has a defined contribution retirement plan. The plan is open to all employees who have been employed by MMCAA for one year and worked a minimum of 1,000 hours. Employees with one to five years of vested service receive a contribution of 4% of wages and employees with more than five years of vested service receive 8% of wages. MMCAA's contributions vest over a five-year period. MMCAA's contribution for the year ended September 30, 2016 was \$203,040.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 Lessor Activity

All or a portion of the space in some of MMCAA's properties is leased to third parties. Garfield Manor LDHALP apartment units are rented on short-term leases. Income on these leases for the year ended September 30, 2016, was \$222,817 and is included in rental income in the consolidated statement of activities. A summary of the acquisition costs and accumulated depreciation on these properties at September 30, 2016, is as follows:

Land	\$ 49,100
<u>Building and improvements</u>	<u>1,581,092</u>
Subtotal	1,630,192
<u>Accumulated depreciation</u>	<u>(658,987)</u>
Net	\$ 971,205

Note 17 Functional Classification of Expenses

The following program and supporting services are reflected in the consolidated statement of activities for the year ended September 30, 2016:

Children's services	\$ 4,419,741
Emergency services	2,822,205
Food programs	1,807,103
Community services	952,121
<u>Housing activities</u>	<u>433,837</u>
Total program activities	10,435,007
Fund-raising expenses	20,699
<u>Management and general expenses</u>	<u>669,745</u>
Total expenses	\$ 11,125,451

Note 18 Endowment Fund

MMCAA is the beneficiary under two endowment fund agreements with the Midland County Community Foundation, on behalf of the Clare County Community Foundation. The assets of the endowment fund, \$39,358, are included on the statement of financial position of the Midland County Community Foundation. MMCAA does not reflect the balance within the consolidated statement of financial position. MMCAA does not exercise any control over the principal of the fund but, based on a formula, certain amounts of the fund may be distributed to and expended by MMCAA. MMCAA's spendable balance as of September 30, 2016, was \$9,353.

Variance power has been granted to the Midland County Community Foundation for the assets in the endowment funds. If MMCAA ceases to exist or no longer performs its functions under the provisions of the agreement, the Midland County Community Foundation shall continue to administer and disburse fund assets in a manner deemed appropriate.

Investment and spending policies are determined by the Midland County Community Foundation, in accordance with established guidelines adopted by the Foundation's governing board.

Supplementary Information

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Schedule A-1

Schedule of Expenditures of Federal Awards and Other Program Activity

Year Ended September 30, 2016

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Grant Revenue	Other Revenue	Federal Expenses	Other Expenses	Change in Net Assets
DEPARTMENT OF AGRICULTURE (DOA)									
10.433	26-018	Housing Preservation Grant	US Rural Development	10/01/14-10/31/15	\$ 4,017	\$ 0	(\$ 4,017)	\$ 0	\$ 0
10.433	26-018	Housing Preservation Grant	US Rural Development	10/01/15-11/30/16	15,905	0	(15,905)	0	0
		Total Federal Expenditures CFDA #10.433			19,922	0	(19,922)	0	0
10.557	20140355-00	Women, Infants, and Children	Michigan Department of Community Health	10/01/15-09/30/16	300,964	0	(300,964)	0	0
10.557	20140347-00	Women, Infants, and Children BFPC	Michigan Department of Community Health	10/01/15-09/30/16	38,225	0	(38,225)	0	0
		Total Federal Expenditures CFDA #10.557			339,189	0	(339,189)	0	0
10.558	180000131	School Lunch Program	Michigan Dept. of Education	10/01/15-09/30/16	152,547	0	(152,547)	0	0
		Total Federal Expenditures CFDA #10.558			152,547	0	(152,547)	0	0
10.565	180000131	Commodity Supplemental Food Program	Michigan Dept. of Education	10/01/15-09/30/16	230,359	0	(230,359)	0	0
10.565	180000131	CSFP Food Distribution	Michigan Dept. of Education	10/01/15-09/30/16	711,082	0	(711,082)	0	0
		Total Federal Expenditures CFDA #10.565			941,441	0	(941,441)	0	0
10.568	180000131	TEFAP Food Program	Michigan Dept. of Education	10/01/15-09/30/16	83,345	0	(83,345)	0	0
10.569	180000131	TEFAP Food Distribution	Michigan Dept. of Education	10/01/15-09/30/16	391,626	0	(391,626)	0	0
		Total Federal Expenditures Food Distribution Cluster CFDA #10.565 ,10.568 & 10.569			1,416,412	0	(1,416,412)	0	0
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)									
14.231	HML-2014-MID MICH-92-ESF	Emergency Solutions	Michigan State Housing Development Authority	10/01/14-11/13/15	2,683	0	(2,683)	0	0
14.231	HML-2015-MID MICH-92-ESF (Includes subrecipient expenditures of \$143,912)	Emergency Solutions	Michigan State Housing Development Authority	10/01/15-10/31/16	364,112	0	(364,112)	0	0
		Total Federal Expenditures CFDA #14.231			366,795	0	(366,795)	0	0
14.235	SHP-16-06005	Supportive Rural Housing	Michigan Department of Health & Human Services	10/01/15-09/30/16	139,783	0	(139,783)	0	0
		Total Federal Expenditures CFDA #14.235			139,783	0	(139,783)	0	0

See Independent Auditor's Report.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Schedule A-2

Schedule of Expenditures of Federal Awards and Other Program Activity

Year Ended September 30, 2016

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Grant Revenue	Other Revenue	Federal Expenses	Other Expenses	Change in Net Assets
DEPARTMENT OF VETERANS AFFAIRS									
64.033	SSVF MI-14-222 (Includes subrecipient expenditures of \$201,915)	Supportive Services for Veterans Families	U.S. Department of Veterans Affairs	10/01/15 - 09/30/16	436,541	0 (	436,541)	0	0
Total Federal Expenditures CFDA #64.033					436,541	0 (	436,541)	0	0
DEPARTMENT OF ENERGY (DOE)									
81.042	DOE-13-18019 3	Weatherization Program	Michigan Department of Health & Human Services	07/01/15-06/30/16	101,116	0 (	101,116)	0	0
81.042	WAP 16-18019	Weatherization Program	Michigan Department of Health & Human Services	07/01/16-06/30/17	25,663	0 (	25,663)	0	0
Total Federal Expenditures CFDA #81.042					126,779	0 (	126,779)	0	0
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)									
93.558	HYR 16-09001 TANF Cluster	Homeless Youth & Runaway	Michigan Department of Health & Human Services	10/01/15-09/30/16	8,080	0 (	8,080)	0	0
93.568	LIEAP-13-18019	LIHEAP Weatherization	Michigan Department of Health & Human Services	10/01/15-09/30/16	76,269	0 (	76,269)	0	0
93.569	CSBG- 14-18019	Community Services Block Grant	Michigan Department of Health & Human Services	10/01/15-09/30/16	773,335	0 (	773,335)	0	0
93.569	CSBG-D-14-18019	Community Services Block Grant	Michigan Department of Health & Human Services	10/01/15-09/30/16	17,297	0 (	17,297)	0	0
Total Federal Expenditures CFDA #93.569					790,632	0 (	790,632)	0	0
93.600	05CH8280/07	Early Head Start -	U.S. Dept. of Health and Human Services	08/01/15-07/31/16	1,302,308	492,370 (	1,302,308) (	492,370)	0
93.600	05CH8280/08	Early Head Start -	U.S. Dept. of Health and Human Services	08/01/16-07/31/17	245,757	83,477 (	245,757) (	83,477)	0
93.600	N/A	NEMCSA Head Start 2014-2015	Northeast Michigan Community Svcs. Agency	02/01/15-01/31/16	330,165	238,415 (	330,165) (	238,415)	0
93.600	N/A	NEMCSA Head Start 2015-2016	Northeast Michigan Community Svcs. Agency	02/01/16-01/31/17	962,446	250,142 (	962,446) (	250,142)	0
Total Federal Expenditures CFDA #93.600					2,840,676	1,064,404 (	2,840,676) (	1,064,404)	0
93.667	HYR 16-09001	Homeless Youth & Runaway	Michigan Department of Health & Human Services	10/01/15-09/30/16	8,080	0 (	8,080)	0	0

See Independent Auditor's Report.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Schedule A-3

Schedule of Expenditures of Federal Awards and Other Program Activity

Year Ended September 30, 2016

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Grant Revenue	Other Revenue	Federal Expenses	Other Expenses	Change in Net Assets
DEPARTMENT OF HOMELAND SECURITY									
97.024	30-4648-00	Food and Shelter Program Bay County	United Way	10/01/14-09/30/16	6,000	0 (	6,000)	0	0
97.024	30-4802-00	Food and Shelter Program Osceola County	United Way	10/01/14-09/30/16	854	0 (	854)	0	0
Total Federal Expenditures CFDA #97.024					6,854	0 (	6,854)	0	0
TOTAL FEDERAL EXPENDITURES					\$ 6,728,559	\$ 1,064,404	(\$ 6,728,559)	(\$ 1,064,404)	\$ 0
STATE, LOCAL, AND OTHER PROGRAMS									
	HML-2015-MID MICH-92-ESM	Emergency Solutions Mecosta/Osceola	Michigan State Housing Development Authority	10/01/14-11/30/15	7,637	0 (	7,637)	0	0
	HML-2016-MID MICH-92-ESM	Emergency Solutions Mecosta/Osceola	Michigan State Housing Development Authority	10/01/15-09/30/16	83,930	0 (	83,930)	0	0
	HML-2015-0092-SP	Homeless Initiatives	Michigan State Housing Development Authority	02/01/15-05/31/16	4,848	0 (	4,848)	0	0
	HML-2016-Mid Mich-92-ESM-04	Homeless Initiatives	Michigan State Housing Development Authority	10/01/15-09/30/16	12,639	0 (	12,639)	0	0
	2015-HEP-092	Home Education Program	Michigan State Housing Development Authority	07/01/15-06/30/16	1,312	0 (	1,312)	0	0
	2016-HEP-047	Home Education Program	Michigan State Housing Development Authority	07/01/16-06/30/17	1,344	0 (	1,344)	0	0
	2016/17 HUD	Hud Counseling Program	Michigan State Housing Development Authority	07/01/16-03/31/17	28	0 (	28)	0	0
	2015-NMS-017	National Mortgage Settlement	Michigan State Housing Development Authority	08/12/15-09/30/16	28,417	0 (	28,417)	0	0
	LCA-13-18019	LCA MEAP	Michigan Department of Health & Human Services	09/01/15-08/31/16	956,900	0 (	956,900)	0	0
	LCA-16-18019	LCA MEAP	Michigan Department of Health & Human Services	09/01/16-08/31/17	6,086	0 (	6,086)	0	0
	LCA-13-18019	Liheap Summer Fuel	Michigan Department of Health & Human Services	10/01/15-08/31/16	526,134	0 (	526,134)	0	0
	N/A	Great Starts Readiness Program All Counties	Clare-Gladwin RESD - MDE	10/01/15-09/30/16	875,925	0 (	875,925)	0	0
	MCAAA/MEAP 2016	Vulnerable Household Warmth	Michigan Community Action Agency Association	10/01/15-09/30/16	290,607	0 (	290,607)	0	0

See Independent Auditor's Report.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Schedule A-4

Schedule of Expenditures of Federal Awards and Other Program Activity

Year Ended September 30, 2016

Grant Number	Program Name	Grantor Agency	Program Period	Grant Revenue	Other Revenue	Grant Expenses	Other Expenses	Change in Net Assets
STATE, LOCAL, AND OTHER PROGRAMS (continued)								
N/A	Regional Lead Navigator	Michigan Consumers for Healthcare	10/01/15-08/31/16	25,000	0	(25,000)	0	0
N/A	Clare County Church Fund	Various Clare Co. Churches	Ongoing	0	2,672	0	(2,888)	(216)
N/A	Emergency Services Mini Grants	Various	Ongoing	0	61,228	0	(62,952)	(1,724)
N/A	Michigan Coalition Against Homelessness	Michigan Coalition Against Homelessness	Ongoing	0	26,022	0	(23,486)	2,536
N/A	Clare County Emergency Food Pantry	Various	Ongoing	0	9,111	0	(8,900)	211
N/A	United Way - Clare	United Way	Ongoing	11,879	0	(4,875)	0	7,004
N/A	United Way - Gladwin	United Way	Ongoing	3,601	0	(1,618)	0	1,983
N/A	United Way Mec/Osc	United Way	Ongoing	7,030	0	0	0	7,030
N/A	United Way Bay	United Way	Ongoing	21,750	0	(25,540)	0	(3,790)
N/A	Walk for Warmth	Various	Ongoing	0	48,331	0	(93,085)	(44,754)
N/A	Specific Designated Activities	Various	Ongoing	0	573	0	0	573
N/A	Various Local Activates	Various	Ongoing	0	33,872	0	(31,158)	2,714
N/A	Helping Homes	United Way	Ongoing	3,500	0	0	0	3,500
TOTAL STATE, LOCAL AND OTHER PROGRAMS				\$ 2,868,567	\$ 181,809	(\$ 2,852,840)	(\$ 222,469)	(\$ 24,933)
TOTAL PROGRAM ACTIVITY				\$ 9,597,126	\$ 1,246,213	(\$ 9,581,399)	(\$ 1,286,873)	(\$ 24,933)
DISCRETIONARY ACTIVITIES								
N/A	Repair Solutions	Customers	Ongoing	0	5,028	0	(7,307)	(2,279)
	Non-GAAP In-kind	N/A	Ongoing	0	(646,373)	0	646,373	0
	Grant-Funded Equipment	N/A	Ongoing	0	7,000	0	(39,426)	(32,426)
	Discretionary Activities	Childcare Fees, Performance Revenue, Interest, Donations, and Other	Ongoing	0	729,292	0	(894,069)	(164,777)
TOTAL				\$ 9,597,126	\$ 1,341,160	(\$ 9,581,399)	(\$ 1,581,302)	(\$ 224,415)

Notes to Schedule of Expenditures of Federal Awards and Other Program Activity

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and other program activity (the "Schedule") includes the federal grant activity of Mid Michigan Community Action Agency, Inc. under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mid Michigan Community Action Agency, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Mid Michigan Community Action Agency, Inc.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Allocation

Mid Michigan Community Action Agency, Inc. has not elected to use the 10-percent de minimis indirect cost rate.

See Independent Auditor's Report.

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position

September 30, 2016

	Mid Michigan CAA	4th Street Senior Housing LLC	Garfield Manor LDHALP	Eliminations	Consolidated
<i>Assets</i>					
Current assets:					
Cash and cash equivalents	\$ 161,202	\$ 11,767	\$ 18,069	\$ 0	\$ 191,038
Reserve and escrow accounts	70,231	0	40,023	0	110,254
Grants receivable	1,214,095	0	0	0	1,214,095
Accounts receivable	22,987	0	310	0	23,297
Commodity food inventory	293,788	0	0	0	293,788
Prepaid expenses	38,008	0	1,549	0	39,557
Total current assets	1,800,311	11,767	59,951	0	1,872,029
Other assets:					
Certificates of deposit	55,000	0	0	0	55,000
Investment in 4th Street LDHALP	0	438,058	0	0	438,058
Investment in 4th Street Commercial LLC	0	60,013	0	0	60,013
Investments	1,992,114	0	0	(593,307)	1,398,807
Other assets	277,077	0	2,471	(197,279)	82,269
Total other assets	2,324,191	498,071	2,471	(790,586)	2,034,147
Property and equipment, net	3,662,170	0	542,176	0	4,204,346
TOTAL ASSETS	\$ 7,786,672	\$ 509,838	\$ 604,598	(\$ 790,586)	\$ 8,110,522
<i>Liabilities and Net Assets</i>					
Current liabilities:					
Line of credit	\$ 100,000	\$ 0	\$ 0	\$ 0	\$ 100,000
Notes payable, current portion	32,413	0	12,203	0	44,616
Accounts payable	331,043	0	18,662	0	349,705
Accrued payroll and related taxes	225,954	0	0	0	225,954
Grant funds received in advance	293,788	0	0	0	293,788
Total current liabilities	983,198	0	30,865	0	1,014,063
Long-term liabilities:					
Notes payable, less current portion	1,114,318	0	490,264	(197,279)	1,407,303
Accumulated postretirement benefit obligation	459,220	0	0	0	459,220
Total long-term liabilities	1,573,538	0	490,264	(197,279)	1,866,523
Total liabilities	2,556,736	0	521,129	(197,279)	2,880,586
Net assets:					
Unrestricted	5,128,448	0	0	0	5,128,448
Temporarily restricted	101,488	0	0	0	101,488
Total net assets	5,229,936	0	0	0	5,229,936
Stockholders' equity:					
Common stock	0	10	0	(10)	0
Retained earnings	0	509,828	83,469	(593,297)	0
Total stockholders' equity	0	509,838	83,469	(593,307)	0
TOTAL LIABILITIES AND NET ASSETS	\$ 7,786,672	\$ 509,838	\$ 604,598	(\$ 790,586)	\$ 8,110,522

Mid Michigan Community Action Agency, Inc. and Subsidiaries

Schedule C

Consolidating Statement of Activities

Year Ended September 30, 2016

	Mid Michigan CAA	4th Street Senior Housing LLC	Garfield Manor LDHALP	Eliminations	Total
Revenue:					
Grant revenue	\$ 9,597,126	\$ 0	\$ 0	\$ 0	\$ 9,597,126
Performance income	46,138	0	0	0	46,138
Rental income	57,106	0	165,711	0	222,817
Donations/other income	535,793	0	2,259	(46,382)	491,670
In-kind contributions	418,031	0	0	0	418,031
Total revenue	10,654,194	0	167,970	(46,382)	10,775,782
Expenses:					
Salaries and wages	3,887,977	0	0	0	3,887,977
Fringe benefits	997,420	0	0	0	997,420
Space/utilities	451,351	0	82,538	0	533,889
Communications	139,521	0	0	0	139,521
Consumable supplies	441,645	0	0	0	441,645
Travel/transportation	230,537	0	0	0	230,537
Contractual services	453,641	0	0	0	453,641
Direct services	2,124,786	0	0	0	2,124,786
Other	736,269	5,514	55,168	(1,655)	795,296
Food commodities distributed	1,102,708	0	0	0	1,102,708
In-kind expenses	418,031	0	0	0	418,031
Total expenses	10,983,886	5,514	137,706	(1,655)	11,125,451
Changes in net assets from operating activities	(329,692)	(5,514)	30,264	(44,727)	(349,669)
Nonoperating:					
Investment income	27,100	0	0	0	27,100
Gain on sale of fixed assets	11,500	0	0	0	11,500
Realized / unrealized gain on investments	103,927	0	0	0	103,927
Equity method income	0	19,977	0	0	19,977
Postretirement health plan changes other than net periodic cost	(37,250)	0	0	0	(37,250)
Total nonoperating activities	105,277	19,977	0	0	125,254
Change in net assets	(224,415)	14,463	30,264	(44,727)	(224,415)
Net assets - Beginning of year	5,454,351	495,375	42,205	(537,580)	5,454,351
Capital contributions	0	0	11,000	(11,000)	0
Net assets - End of year	\$ 5,229,936	\$ 509,838	\$ 83,469	(\$ 593,307)	\$ 5,229,936



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

Board of Directors
Mid Michigan Community Action Agency, Inc. and Subsidiaries
Farwell, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Mid Michigan Community Action Agency, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 15, 2017. The financial statements of Fourth Street Senior Housing, LLC, Garfield Manor Senior Housing, LLC, Garfield Manor Limited Dividend Housing Association Limited Partnership and Repair Solutions, LLC were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid Michigan Community Action Agency, Inc.'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 purposes of expressing an opinion on the effectiveness of Mid Michigan Community Action Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mid Michigan Community Action Agency, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid Michigan Community Action Agency, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Mid Michigan Community Action Agency, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid Michigan Community Action Agency, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wipfli LLP

February 15, 2017
Madison, Wisconsin



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

Board of Directors
Mid Michigan Community Action Agency, Inc.
Farwell, Michigan

Report on Compliance for Each Major Federal Program

We have audited Mid Michigan Community Action Agency, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. Mid Michigan Community Action Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mid Michigan Community Action Agency, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Mid Michigan Community Action 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 each major federal program. However, our audit does not provide a legal determination on Mid Michigan Community Action Agency, Inc.'s compliance.

Opinion

In our opinion, Mid Michigan Community Action Agency, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of Mid Michigan Community Action Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mid Michigan Community Action Agency, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Mid Michigan Community Action Agency, Inc.'s internal control over compliance.

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

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

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



Wipfli LLP

February 15, 2017
Madison, Wisconsin

Mid Michigan Community Action Agency, Inc.

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
Identification of major federal programs:	
<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Food Distribution Cluster	10.565, 10.568 & 10.569
Community Services Block Grant	93.569
Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None