



Year Ended  
December 31,  
2012

Financial  
Statements and  
Single Audit Act  
Compliance

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements For the Year Ended December 31, 2012	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	8
Supplementary Information	
Statement of Functional Expenses	16
Single Audit Act Compliance	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	25
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	29



## INDEPENDENT AUDITORS' REPORT

June 12, 2013

Board of Directors  
Community Action Agency of  
South Central Michigan, Inc.  
Battle Creek, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the *Community Action Agency of South Central Michigan, Inc.* (the "Agency") (a not-for-profit corporation) which comprise the statement of financial position as of December 31, 2012, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Statement of Functional Expenses has not been subjected to the auditing procedures applied in the audit of the basic 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 June 12, 2013 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Statement of Financial Position

December 31, 2012

### Assets

#### Current assets

Cash and cash equivalents	\$ 633,953
Grants receivable	1,286,666
Inventory	328,286
Prepays and other assets	<u>232,728</u>

Total current assets 2,481,633

#### Noncurrent assets

Property and equipment, net	<u>3,716,853</u>
-----------------------------	------------------

Total assets \$ 6,198,486

### Liabilities

#### Current liabilities

Accounts payable	\$ 334,312
Current portion of long-term debt	58,792
Accrued liabilities	629,608
Unearned revenue	<u>351,382</u>

Total current liabilities 1,374,094

#### Noncurrent liabilities

Long-term debt, net of current portion	<u>812,396</u>
--	----------------

Total liabilities 2,186,490

### Net assets

#### Unrestricted:

Undesignated	3,766,060
Board designated	<u>64,383</u>
Total unrestricted net assets	3,830,443
Temporarily restricted	<u>181,553</u>

Total net assets 4,011,996

Total liabilities and net assets \$ 6,198,486

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

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Statement of Activities

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>			
Contributions	\$ 63,635	\$ 16,079	\$ 79,714
In-kind donations	366,513	-	366,513
Local grants	1,446	287,576	289,022
Program income	55,589	-	55,589
Educational services	7,545,479	-	7,545,479
Food and nutrition services	1,224,321	-	1,224,321
Housing and support services	3,202,420	5,000	3,207,420
Commodity food received	1,183,773	-	1,183,773
Interest income	49	8	57
Gain on sale of capital assets	11,600	-	11,600
Miscellaneous income	457,272	(2,578)	454,694
Net assets released from restrictions	352,500	(352,500)	-
<b>Total support and revenue</b>	<b>14,464,597</b>	<b>(46,415)</b>	<b>14,418,182</b>
<b>Expenses</b>			
Program services:			
Educational services	7,760,257	-	7,760,257
Food and nutrition services	3,534,557	-	3,534,557
Housing and support services	2,620,289	-	2,620,289
<b>Total program services</b>	<b>13,915,103</b>	<b>-</b>	<b>13,915,103</b>
Support services -			
Management and general	730,510	-	730,510
<b>Total expenses</b>	<b>14,645,613</b>	<b>-</b>	<b>14,645,613</b>
<b>Change in net assets</b>	<b>(181,016)</b>	<b>(46,415)</b>	<b>(227,431)</b>
<b>Net assets, beginning of year</b>	<b>4,011,459</b>	<b>227,968</b>	<b>4,239,427</b>
<b>Net assets, end of year</b>	<b>\$ 3,830,443</b>	<b>\$ 181,553</b>	<b>\$ 4,011,996</b>

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

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Statement of Cash Flows

For the Year Ended December 31, 2012

Cash flows from operating activities	
Change in net assets	\$ (227,431)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	405,094
Book value of disposed capital assets	5,191
Changes in operating assets and liabilities which provided (used) cash:	
Grants receivable	(122,524)
Inventory	50,880
Prepays and other assets	(39,135)
Accounts payable	(40,164)
Accrued liabilities	42,805
Unearned revenue	(280,724)
Net cash used in operating activities	(206,008)
Cash flows from investing activities	
Purchase of capital assets	(154,865)
Cash flows from financing activities	
Payments on long-term debt	(55,798)
Net decrease in cash and cash equivalents	(416,671)
Cash and cash equivalents, beginning of year	1,050,624
Cash and cash equivalents, end of year	\$ 633,953
Supplemental disclosure of cash flow information	
Cash paid for interest	\$ 42,738

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

This Page Intentionally Left Blank

## NOTES TO FINANCIAL STATEMENTS

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes To Financial Statements

### 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

Community Action Agency of South Central Michigan, Inc. d/b/a Community Action (the "Agency") is a not-for-profit corporation organized in 1966. Community Action was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs. The Agency provides various services to the residents of the following Michigan counties: Barry, Branch, Calhoun, Lenawee, Hillsdale, Jackson and St. Joseph.

The financial statements of the Agency have been prepared on the accrual basis of accounting.

#### *Basis of Presentation*

The financial statements present the Agency's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Agency has no permanently restricted net assets at December 31, 2012.

#### *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.

#### *Cash and Cash Equivalents*

These amounts are considered cash and cash equivalents.

For purposes of the statement of cash flows, the Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Cash and cash equivalents may at times throughout the year include grant monies not yet earned as unearned revenue.

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.

#### *Grants Receivable*

Grants receivable represents amounts due from granting agencies for expenses made in conjunction with grant agreements. Management considers all grant receivables to be fully collectible.

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes To Financial Statements

### *Inventory*

Inventory consists of commodities received from the State of Michigan under the Commodities Supplemental Food Program (CSFP) and the Emergency Food Assistance Program (TEFAP). Commodities received/distributed represent the value of food received from the State of Michigan and distributed to low-income households. Valuations are provided by the State of Michigan. Inventory is accounted for under the first-in, first-out basis of accounting.

### *Prepaid Expenses*

Payments to vendors for services that will benefit periods beyond the Agency's fiscal year-end are recorded as prepaid expenses.

### *Property and Equipment and Depreciation*

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of the gift. The Agency capitalizes equipment purchased with a unit cost of greater than \$5,000 and an estimated useful life of more than one year. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

### *Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

### *Revenue Recognition / Unearned Revenue*

The majority of the Agency's funding is received through exchange contracts in which the Agency and grantor agency each receive and sacrifice approximately equal value. Such grant revenue is recognized as earned when actual expenditures are incurred which meet the specific terms of each grant. Contributions are recognized as revenue when promises to give are received. Revenues from rental income and other charges to tenants are recognized in the month earned. Noncash in-kind contributions, which include donated services, are recognized as revenue in the period in which the services are performed or the contributed asset is received, at fair market value. Unearned revenue consists of grant funds that have been received, but not yet expended.

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes To Financial Statements

### *In-kind Contributions*

The Agency has recorded in-kind contributions for office/operating space and professional services in the statement of activities. Donated materials, food, and equipment are reflected as in-kind contributions in the accompanying statements at their estimated fair value at date of receipt. Generally accepted accounting principles (GAAP) require that contributions of services only be recorded if they (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. The requirements of GAAP are different than the in-kind recognition requirements of several of the Agency's grant awards. The Agency received contributions of services from non-professional volunteers during the year with a value of \$1,514,570 primarily for its Head Start and Aging programs which do not meet the GAAP recognition requirements, and therefore, have not been recorded in the financial statements.

### *Income Taxes*

The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Agency has evaluated the provisions of ASC Topic 740, Accounting for Uncertainty in Income Taxes. The evaluation was performed for tax years 2009 through 2012, the years which remain subject to examination by major tax jurisdictions as of December 31, 2012. The Agency concluded that there are no significant uncertain tax positions requiring recognition in the 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/or penalties related to UTBs at December 31, 2012, and is not aware of any claims for such amounts by federal or state income tax authorities.

### *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 December 31, 2012, the most recent statement of net assets presented herein, through June 12, 2013, the date these financial statements were available to be issued. No such significant events or transactions were identified.

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes To Financial Statements

### 2. CAPITAL ASSETS

The following is a summary of property and equipment as of December 31, 2012:

Land	\$ 343,913
Buildings	4,882,740
Machinery and equipment	646,845
Transportation and equipment	<u>1,347,102</u>
Total property and equipment	7,220,600
Less accumulated depreciation	<u>(3,503,747)</u>
Property and equipment, net	<u>\$ 3,716,853</u>

Depreciation expense for year ended December 31, 2012 totaled \$405,094.

### 3. LONG-TERM DEBT

Long-term debt consists of the following obligations at December 31, 2012:

Note payable to the U.S. Department of Agriculture, collateralized by real estate, due in monthly installments of \$1,338, including interest at 4.75% per annum, maturing in December 2041.	\$ 248,930
Note payable to the U.S. Department of Agriculture, collateralized by real estate, due in monthly installments of \$2,997, including interest at 4.625% per annum, maturing in October 2035.	544,512
Note to a bank, due in monthly installments of \$3,876, including interest at 5.05% per annum, maturing in September 2014.	<u>77,746</u>
Total long-term debt	871,188
Less current portion	<u>(58,792)</u>
Long-term debt, net of current portion	<u>\$ 812,396</u>

Interest expense for the year ended December 31, 2012 was \$42,738.

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes To Financial Statements

Scheduled principal maturities of long-term debt for the years succeeding December 31, 2012 are summarized as follows:

Year Ended December 31,	Amount
2013	\$ 58,792
2014	50,102
2015	16,678
2016	17,472
2017	18,304
Thereafter	<u>709,840</u>
Total	<u>\$ 871,188</u>

## 4. TEMPORARILY RESTRICTED NET ASSETS

Net assets have been temporarily restricted for the following purposes:

	Beginning Balance	Contributions	Expenses	Ending Balance
HPR	\$ 30,408	\$ -	\$ (30,408)	\$ -
Utilities	8,086	257,502	(235,454)	30,134
Food programs	-	19,741	(15,000)	4,741
Branch MHR	-	5,000	(236)	4,764
Tax preparation	43,572	30,438	(66,668)	7,342
Nutrition department	77,986	(14,900)	(2,377)	60,709
Housing department	3,576	5,717	(67)	9,226
Transportation department	31,190	1,000	-	32,190
Foster grandparent	27,898	1,163	(2,290)	26,771
Other	5,252	424	-	5,676
	<u>\$ 227,968</u>	<u>\$ 306,085</u>	<u>\$ (352,500)</u>	<u>\$ 181,553</u>

## 5. BOARD-DESIGNATED NET ASSETS

Unrestricted net assets have been board designated for the following purposes:

	Beginning Balance	Contributions	Expenses	Ending Balance
Poker rally fundraiser	\$ 10,331	\$ -	\$ -	\$ 10,331
Franklin fund	11,067	-	-	11,067
Walk for warmth	56,982	47,943	(61,940)	42,985
	<u>\$ 78,380</u>	<u>\$ 47,943</u>	<u>\$ (61,940)</u>	<u>\$ 64,383</u>

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes To Financial Statements

### 6. RETIREMENT PLAN

Employees of the Agency who have at least 1,000 hours of annual service and who have been employed by the Agency for more than one year are eligible to participate in a voluntary self-directed retirement plan authorized under Section 401(k) of the Internal Revenue Code. These employees also have the option to participate in a Roth IRA, with contributions paid through salary/wage reductions and invested at the participants discretion.

Employee contributions to the plan are at an amount fixed by the employee. The Agency will match 100% of the employee's contribution up to 3% of compensation, and will contribute a minimum of 1% for those employees who do not contribute to the plan. Employer contributions to the Plan for the year ended December 31, 2012, were \$111,902. The employer contributions vest with the employee over a period of five years.

Employees can also choose to contribution to a Roth IRA which is paid through employee contributions and invested at the participants discretion.

### 7. OPERATING LEASES

The Agency leases various facilities under operating lease agreements that expire through 2017. Operating lease expense for the year ended December 31, 2012 was \$234,529. These leases provide for cancellation of the lease payments over the term of the leases.

### 8. LITIGATION

In the normal course of its activities, the Agency has become a party in various legal actions, including employment and labor related matters. Management of the Agency is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Agency.

■ ■ ■ ■ ■

This Page Intentionally Left Blank

## SUPPLEMENTARY INFORMATION

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Statement of Functional Expenses

For the Year Ended December 31, 2012

	Program Services				Support Services	Grand Total
	Educational Services	Food and Nutrition Services	Housing and Support Services	Total Program Services	Management and General	
Salaries and wages	\$ 3,112,938	\$ 431,367	\$ 642,375	\$ 4,186,680	\$ 135,092	\$ 4,321,772
Fringes	1,499,245	160,714	305,381	1,965,340	9,339	1,974,679
Training and travel	205,298	83,016	17,855	306,169	13,375	319,544
Occupancy	529,269	120,777	100,395	750,441	20,881	771,322
Equipment	73,827	46,469	113,787	234,083	1,633	235,716
Depreciation	212,392	37,976	128,629	378,997	26,097	405,094
Direct client assistance	838,931	987,320	868,487	2,694,738	-	2,694,738
Supplies	388,514	17,891	14,502	420,907	7,119	428,026
Contracted services	74,078	6,759	248,282	329,119	24,948	354,067
Communication	47,140	12,030	11,728	70,898	2,236	73,134
In-kind expenses	145,422	221,091	-	366,513	-	366,513
Commodities	-	1,183,773	-	1,183,773	-	1,183,773
Indirect costs	467,316	186,973	131,167	785,456	67,442	852,898
Other costs	165,887	38,401	37,701	241,989	422,348	664,337
Total functional expenses	<u>\$ 7,760,257</u>	<u>\$ 3,534,557</u>	<u>\$ 2,620,289</u>	<u>\$ 13,915,103</u>	<u>\$ 730,510</u>	<u>\$ 14,645,613</u>

## SINGLE AUDIT ACT COMPLIANCE

**COMMUNITY ACTION AGENCY OF  
SOUTH CENTRAL MICHIGAN, INC.**

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2012

Federal Agency / Program or Cluster Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Child and Adult Care Food Program (10/01/11-09/30/12)	10.558	MDE	13-000-0008	\$ 198,552
Child and Adult Care Food Program (10/01/12-09/30/13)	10.558	MDE	13-000-0008	172,205
Early Head Start Program (10/01/11-09/30/12)	10.558	MDE	13-000-0008	26,143
Early Head Start Program (10/01/12-09/30/13)	10.558	MDE	13-000-0008	20,241
				<u>417,141</u>
<b>Commodity Supplemental Food Program (CSFP):</b>				
Administration (10/01/11-09/30/12)	10.565	MDE	13-000-0008	155,295
Administration (10/01/12-09/30/13)	10.565	MDE	13-000-0008	59,027
Commodities (10/01/11-09/30/12)	10.565	MDE	13-000-0008	546,369
Commodities (10/01/12-09/30/13)	10.565	MDE	13-000-0008	175,312
				<u>936,003</u>
<b>Emergency Food Assistance Program Cluster (TEFAP):</b>				
Administration (10/01/11-09/30/12)	10.568	MDE	13-000-0008	75,643
Administration (10/01/12-09/30/13)	10.568	MDE	13-000-0008	25,741
Commodities (10/01/11-09/30/12)	10.569	MDE	13-000-0008	353,197
Commodities (10/01/12-09/30/13)	10.569	MDE	13-000-0008	108,894
				<u>563,475</u>
<b>Total U.S. Department of Agriculture</b>				<u>1,916,619</u>
<b>U.S. Department of Housing and Urban Development</b>				
<b>Community Development Block Grant:</b>				
Minor Home Repair (07/01/10-06/30/12)	14.218	CoBC	45870-6200 CDBG11	<u>935</u>
HOME Rehabilitation - Administration (07/01/11-06/30/12)	14.239	CoBC	45870-6250 HOME12	8,004
HOME Rehabilitation - Program Services (07/01/11-06/30/12)	14.239	CoBC	45870-6250 HOME12	162,591
HOME Rehabilitation - Program Services (07/01/12-06/30/13)	14.239	CoBC	45870-6250 HOME13	21,451
				<u>192,046</u>
Emergency Shelter Grant	14.231	MSHDA	HML-2011-00200-ESF	<u>414</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>193,395</u>
<b>U.S. Department of Treasury</b>				
VITA Matching Grant Program (07/01/11 - 06/30/12)	21.009	Direct	V12050	<u>23,979</u>
<b>U.S. Department of Transportation</b>				
Senior Transportation (09/22/2010-09/21/2013)	20.513	MDOT	MI-16-X004	<u>28,711</u>

continued...

COMMUNITY ACTION AGENCY OF  
SOUTH CENTRAL MICHIGAN, INC.

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2012

Federal Agency / Program or Cluster Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Energy</b>				
Weatherization Assistance (04/01/09-03/31/12)	81.042	MDHS	DOE-09-13005	\$ 113,688
Weatherization Assistance (04/01/12-06/30/13)	81.042	MDHS	DOE-12-13005	82,182
ARRA - Weatherization Assistance	81.042	MDHS	DOE-S-09-13005	951,486
<b>Total U.S. Department of Energy</b>				<b>1,147,356</b>
<b>U.S. Department of Health and Human Services</b>				
<b>Head Start:</b>				
Head Start - Full-year, Part-day	93.600	Direct	05CH4006/46	5,492,252
Head Start Training and Technical Assistance	93.600	Direct	05CH4006/46	73,291
Early Head Start	93.600	Direct	05CH4006/46	1,131,391
Early Head Start Training and Technical Assistance	93.600	Direct	05CH4006/46	27,750
				<b>6,724,684</b>
<b>Area on Aging Cluster:</b>				
Congregate Meals (10/01/11-09/30/12)	93.045	R3B AAAC	n/a	152,374
Congregate Meals (10/01/12-09/30/13)	93.045	R3B AAAC	n/a	29,131
Home Delivered Meals (10/01/11-09/30/12)	93.045	R3B AAAC	n/a	68,298
Home Delivered Meals (10/01/12-09/30/13)	93.045	R3B AAAC	n/a	12,982
Congregate Meals Calhoun County (10/01/11-09/30/12)	93.053	R3B AAAC	n/a	28,236
Congregate Meals Calhoun County (10/01/12-09/30/13)	93.053	R3B AAAC	n/a	3,026
Home Delivered Meals Calhoun County (10/01/11-09/30/12)	93.053	R3B AAAC	n/a	33,217
Home Delivered Meals Calhoun County (10/01/12-09/30/13)	93.053	R3B AAAC	n/a	6,071
Congregate Meals (10/01/11-09/30/12)	93.045	R3C AAAC	n/a	29,531
Congregate Meals (10/01/12-09/30/13)	93.045	R3C AAAC	n/a	11,574
Home Delivered Meals (10/01/11-09/30/12)	93.045	R3C AAAC	n/a	28,811
Home Delivered Meals (10/01/12-09/30/13)	93.045	R3C AAAC	n/a	4,989
Congregate Meals Branch County (10/01/11-09/30/12)	93.053	R3C AAAC	n/a	4,575
Congregate Meals Branch County (10/01/12-09/30/13)	93.053	R3C AAAC	n/a	1,771
Home Delivered Meals Branch County (10/01/11-09/30/12)	93.053	R3C AAAC	n/a	26,205
Home Delivered Meals Branch County (10/01/12-09/30/13)	93.053	R3C AAAC	n/a	4,432
				<b>445,223</b>
<b>Low-Income Home Energy Assistance Program</b>	93.568	MDHS	LCA-11-13005	<b>261,123</b>
<b>Community Services Block Grant</b>	93.569	MDHS	CSBG-10-13005-3	530,076
Community Services Block Grant	93.569	MDHS	CSBG-13-13005	187,101
Community Services Block Grant - Tax Assistance	93.569	MDHS	CSBG-T-12-13005	20,000
Community Services Block Grant - Tax Assistance	93.569	MDHS	CSBG-T-13-13005	515
Community Services Block Grant - Discretionary	93.569	MDHS	CSBG-D-12-13005	357
				<b>738,049</b>
<b>Total U.S. Department of Health and Human Services</b>				<b>8,169,079</b>

continued...

COMMUNITY ACTION AGENCY OF  
SOUTH CENTRAL MICHIGAN, INC.

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2012

Federal Agency / Program or Cluster Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
Corporation for National and Community Service Foster Grandparent	94.011	Direct	10SFNMI001	<u>\$ 310,052</u>
U.S. Department of Homeland Security Emergency Food and Shelter National Board Program	97.024	UWGBC	465600-002	3,398
Emergency Food and Shelter National Board Program	97.024	UWofBC	465600-001	<u>3,288</u>
				<u>6,686</u>
Total Expenditures of Federal Awards				<u>\$ 11,795,877</u>

concluded.

See notes to schedule of expenditures of federal awards.

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Action (the "Agency") under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Agency's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, 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.

Cash received is recorded on the cash basis; expenditures are recorded on the accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

### 3. IN-KIND CONTRIBUTIONS

In-kind contributions were received for the following programs/activities for the year ended December 31, 2012:

Child education activities:	
Head Start and Early Head Start	\$ 1,659,992
Senior services:	
Aging Cluster	<u>221,091</u>
Total in-kind contributions	<u>\$ 1,881,083</u>

Of the total in-kind contributions reported above, \$366,513 is recognized in the accompanying financial statements because it meets the criteria as established by GAAP.

## Notes to Schedule of Expenditures of Federal Awards

### 4. PASS-THROUGH AGENCIES

The Agency receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MDHS	Michigan Department of Human Services
MDOT	Michigan Department of Transportation
MSHDA	Michigan State Housing Development Authority
CoBC	City of Battle Creek
R3B AAAC	Region III B Area Agency on Aging
R3C AAAC	Region III C Area Agency on Aging
UWGBC	United Way of the Battle Creek and Kalamazoo Region
UWofBC	United Way of Branch County

■ ■ ■ ■ ■

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*

June 12, 2013

To the Board of Directors of  
Community Action  
Battle Creek, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Community Action Agency of South Central Michigan, Inc.* (the "Agency"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2013.

#### 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. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

June 12, 2013

To the Board of Directors of  
Community Action  
Battle Creek, Michigan

Report on Compliance for Each Major Federal Program

We have audited the *Community Action Agency of South Central Michigan, Inc.* (the "Agency") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2012. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

### *Opinion on Each 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 each of its major federal programs for the year ended December 31, 2012.

### *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 OMB Circular A-133, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rehmann Lobson LLC*

# COMMUNITY ACTION AGENCY OF SOUTH CENTRAL MICHIGAN, INC.

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

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?

\_\_\_\_\_ yes      X none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes      X no

Identification of major programs:

#### CFDA Number

#### Name of Federal Program or Cluster

10.558  
10.565  
81.042  
93.600

Child and Adult Care Food Program  
Commodity Supplemental Food Program  
Weatherization Program for Low-Income Persons  
Head Start

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

\$ 353,576

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      X no

COMMUNITY ACTION AGENCY OF  
SOUTH CENTRAL MICHIGAN, INC.

**Schedule of Findings and Questioned Costs**

For the Year Ended December 31, 2012

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

■ ■ ■ ■ ■

COMMUNITY ACTION AGENCY OF  
SOUTH CENTRAL MICHIGAN, INC.

**Summary Schedule of Prior Audit Findings**

For the Year Ended December 31, 2012

None reported

■ ■ ■ ■ ■