

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Consolidated Financial Statements
and Supplementary Information

Year Ended September 30, 2019



Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Consolidated Financial Statements and Supplementary Information
Year Ended September 30, 2019

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Independent Auditor's Report

Board of Directors
Muskegon-Oceana Community Action Partnership, Inc.
and Muskegon-Oceana Affordable Housing Initiatives
Muskegon, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives, which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses 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 Muskegon-Oceana Affordable Housing Initiatives were not audited in accordance with *Government Auditing Standards*.

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 Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives as of September 30, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives, adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended September 30, 2019.

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 schedule of program activity, Schedules A-1 to A-3, and schedule of expenditures of federal awards, Schedules B-1 to B-2, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement 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. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 December 30, 2020, on our consideration of Muskegon-Oceana Community Action Partnership, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Muskegon-Oceana Community Action Partnership, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muskegon-Oceana Community Action Partnership, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

December 30, 2020
Madison, Wisconsin

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Consolidated Statement of Financial Position
September 30, 2019

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 22,072
Grants receivable	350,543
Accounts receivable	72,500
Prepays and other assets	10,866
Total current assets	455,981
TOTAL ASSETS	\$ 455,981
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 56,034
Accrued expenses	20,793
Settlement payable, current portion	13,000
Grant funds received in advance	113,453
Total current liabilities	203,280
Long-term liability: Settlement payable	168,000
Total liabilities	371,280
Net assets: Without donor restrictions	84,701
TOTAL LIABILITIES AND NET ASSETS	\$ 455,981

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Consolidated Statement of Activities

Year Ended September 30, 2019

Revenue:	
Grant revenue	\$ 1,076,901
Contributions	32,728
Interest income	271
Other income	95,717
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Total revenue	1,205,617
<hr/>	
Expenses:	
Program activities:	
Community services	465,896
Energy Assistance	85,338
Food program	376,265
Discretionary activities	57,281
<hr/>	
Total program activities	984,780
<hr/>	
Management and general	196,396
<hr/>	
Total expenses	1,181,176
<hr/>	
Change in net assets	24,441
Net assets without donor restrictions - Beginning of year	60,260
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Net assets without donor restrictions - End of year	\$ 84,701
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Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	Community Services	Energy Assistance	Food Programs	Discretionary Activities	Program Activities	Management and General	Total Expenses
Wages	\$ 152,224	\$ 10,235	\$ 12,810	\$ 1,983	\$ 177,252	\$ 132,107	\$ 309,359
Fringe benefits	24,133	2,489	2,014	219	28,855	16,357	45,212
Professional services	64,620	0	434	45,078	110,132	20,700	130,832
Consumables	0	0	298,010	0	298,010	0	298,010
Specific assistance	141,585	69,894	1,020	1,251	213,750	0	213,750
Occupancy	26,209	1,667	3,622	218	31,716	7,654	39,370
Communications	6,158	255	4,015	7	10,435	2,519	12,954
Equipment	7,261	232	43,953	(21,855)	29,591	0	29,591
Supplies	8,382	82	5,774	119	14,357	0	14,357
Travel	10,665	0	2,845	95	13,605	3,283	16,888
Miscellaneous	24,659	484	1,768	30,166	57,077	13,776	70,853
Total	\$ 465,896	\$ 85,338	\$ 376,265	\$ 57,281	\$ 984,780	\$ 196,396	\$ 1,181,176

See accompanying notes to consolidated financial statements.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Consolidated Statement of Cash Flows

Year Ended September 30, 2019

Increase in cash and cash equivalents:	
Cash flow from operating activities:	
Change in net assets	\$ 24,441
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Grants receivable	(217,963)
Accounts receivable	(72,500)
Prepays and other assets	13,013
Accounts payable	17,945
Accrued expenses	6,898
Grant funds received in advance	(7,786)
Net cash used in operating activities	(235,952)
Change in cash and cash equivalents	(235,952)
Cash and cash equivalents - Beginning of year	258,024
Cash and cash equivalents - End of year	\$ 22,072

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Notes to Consolidated Financial Statements

Note1: Summary of Significant Accounting Policies

Nature of Activities

Muskegon-Oceana Community Action Partnership, Inc. (“MOCAP”) was formed as a not-for-profit entity in 1965 and is a publicly supported organization that provides services to low- income residents of Muskegon and Oceana counties. The Organization provides such services primarily through various federal and state grants. The mission of MOCAP is changing lives by investing in human and economic development. MOCAP receives 50% of its total revenue from Michigan Department of Health and Human Services.

Muskegon-Oceana Affordable Housing Initiatives (“MOAHI”) was formed as a not-for-profit entity in 2006. MOAHI was formed to provide qualified applicants with appropriate housing counseling services, including foreclosure intervention, homebuyer education, credit counseling and financial literacy. MOAHI had minimal activity during 2019 and transferred remaining cash to MOCAP.

Principles of Consolidation

Since MOCAP maintains the authority to approve the appointment of the Board of Directors of MOAHI and has an economic interest in this entity, the financial statements of MOAHI have been consolidated with those of MOCAP. However, MOAHI is a separate organization and is not subject to creditor obligations of MOCAP. The consolidated financial statements include the accounts of MOCAP and MOAHI (the “Organizations”). All inter-organizational transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States.

Change in Accounting Principle

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance was adopted effective October 1, 2018.

Upcoming Accounting Pronouncement

On June 21, 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Organizations are currently evaluating the impact of the provisions of ASU Topic 958.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources must be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Currently, the Organizations do not have any net assets with donor restrictions.

Use of Estimates

The preparation of the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash Equivalents

The Organizations consider all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Based upon management's assessment of the credit history with grantor agencies with outstanding balances and current relationships with them, they have concluded that realization of losses on balances outstanding at year end will be immaterial and that no allowances are required.

Accounts Receivable

Accounts receivable represents insurance claims for a ransomware event that occurred during 2019 to cover losses incurred during the fiscal year and beyond. No allowance for uncollectible amounts is required as full collection of the balance is expected.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost, estimated historical cost where cost data is not available and fair value if donated. 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. The organizations consider items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

Property and equipment purchased with grant funds are owned by the Organizations 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 with a cost basis of \$73,052 was fully depreciated at September 30, 2019.

Revenue Recognition

The Organizations report contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions.

Grant Awards

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.

In-Kind Contributions

Donated materials, food and equipment are reflected as in-kind contributions in the accompanying statements at their estimated fair value at date of receipt. No amounts have been reflected in the statements for donated services, as the services do not meet the criteria for reporting such transactions; however, a substantial number of volunteers have donated significant amounts of time in the Organizations' program services.

The Organizations recognize in-kind contributions of commodity food items at market value as grant revenues as determined by the State of Michigan.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated absences

Employees earn and accumulate paid time off in varying amounts based on hours worked and length of service. At termination, employees are entitled to receive payment for unused paid time off in accordance with established policies and formulas. Accordingly, the Organizations recognize the cost of compensated absences for paid time off when earned.

Income Taxes

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives are not-for-profit organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the Organizations were granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.”

The Organizations analyze their income tax filing positions in the federal and state jurisdictions where they are required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organizations treat interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of their support services expenses.

Note 2: Concentration of Credit Risk

The Organization maintain accounts at a local financial institution. Accounts in this institution are insured up to the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At times during the year, account balances may exceed the FDIC insured limit. The Organizations have not experienced any losses on these accounts and believes they are not exposed to any significant credit risk on the accounts.

Note 3: Grants Receivable

Grants receivable included the following at September 30, 2019:

State of Michigan Department of Health and Human Services	\$	335,244
Other sources		15,299
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Total	\$	350,543

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Notes to Consolidated Financial Statements

Note 4: Property and Equipment

Property and equipment consisted of the following at September 30, 2019:

Vehicles	\$	53,957
Equipment		19,095
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Subtotals		73,052
Less - Accumulated depreciation	(73,052)
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Property and equipment - Net	\$	0

Note 5: Retirement Plan

MOCAP has a defined contribution pension plan that covers substantially all employees. Employer contributions to the plan for the benefit of employees are based upon a percentage of eligible employee compensation. In addition, voluntary employee contributions to the plan are allowed. The Organization's contribution expense for the year ended September 30, 2019 was \$3,474.

Note 6: Contingencies

The Organizations received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Although no amounts have been claimed other than those disclosed in Note 8, such audits could lead to requests for repayment to the grantor agency for expenditures disallowed under the terms of the grant. The Organizations believe further disallowances, if any, will be immaterial.

Note 7: Liquidity and Availability of Financial Assets

The following table reflects the Organizations' financial assets as of September 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of grant-imposed restrictions.

Cash and cash equivalents	\$	22,072
Grants receivable		350,543
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Total financial assets		372,615
Grant-imposed restrictions:		
Accounts payable	(56,034)
Accrued payroll and related expenses	(20,793)
Grant funds received in advance	(113,453)
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Financial assets available to meet cash needs for expenditures within one year	\$	182,335

The Organizations do not have a formal liquidity policy but do request grant reimbursements on an ongoing basis to meet ongoing liquidity needs.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Notes to Consolidated Financial Statements

Note 8: Settlement for Disallowed Costs

In March 2016, Muskegon-Oceana Community Action Partnership, Inc. agreed to a settlement with the State of Michigan Department of Health and Human Services (MDHHS) for certain disallowed expenditures, under various pass-through grants from prior fiscal years in the amount of \$234,000. The initial payment to MDHHS of \$50,000 was made in July 2016 with an additional \$3,000 paid during the year ended September 30, 2017. The remaining \$181,000 was due in monthly installments of \$1,000 beginning in May 2018, but was deferred until September 2019.

The maturity of the settlement for disallowed costs at September 30, 2019 is as follows:

2020	\$	13,000
2021		12,000
2022		12,000
2023		12,000
2024		12,000
Thereafter		120,000
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Total	\$	181,000

Note 9: Risks and Uncertainties

As of October 2019, the State of Michigan determined that MOCAP should lose its designation as a Michigan community action agency and no longer be funded with Community Services Block Grant (CSBG) awards. A substantial portion of MOCAP's operations is dependent on CSBG funding. Currently, MOCAP is appealing this decision with the State of Michigan and is receiving CSBG funding during the appeal, the current CSBG award ends September 30, 2021. Management expects to be successful in this appeal, however the result is uncertain and an unfavorable decision would significantly impact MOCAP's future operations.

Note 10: Subsequent Events

Subsequent events have been evaluated through December 30, 2020, which is the date the consolidated financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Pandemic (COVID-19). MOCAP has not suffered material adverse impacts to operations from COVID-19 and management believes it is taking appropriate action to mitigate the risks and uncertainties of COVID-19. The future impact of COVID 19 on MOCAP cannot be reasonably estimated at this time.

Supplementary Information

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Schedule A-1

Schedule of Program Activity

Year Ended September 30, 2019

	FEDERAL PROGRAMS							
	Department of Agriculture							
		10.178	10.565			10.568	10.569	
	TOTAL	TEFAP Food Trade Mitigation Commodities (1)	CSFP - Senior Food Assistance (2)	CSFP Commodities (3)	10.565 Subtotal	TEFAP (4)	TEFAP Food Commodities (5)	10.565, 10.568 and 10.569 Cluster Subtotal
REVENUE								
Grant Revenue	\$ 1,076,901	\$ 71,570	\$ 19,000	\$ 89,445	\$ 108,445	\$ 71,716	\$ 136,995	\$ 317,156
Contributions	32,728	0	0	0	0	0	0	0
Interest Income	271	0	0	0	0	0	0	0
Other Income	95,717	0	0	0	0	0	0	0
Transfers	0	0	30	0	30	0	0	30
Total Revenue	1,205,617	71,570	19,030	89,445	108,475	71,716	136,995	317,186
EXPENSES								
Wages	309,359	0	10,810	0	10,810	11,438	0	22,248
Fringe benefits	45,212	0	1,754	0	1,754	1,390	0	3,144
Professional services	130,832	0	0	0	0	515	0	515
Consumables	298,010	71,570	0	89,445	89,445	0	136,995	226,440
Specific assistance	213,750	0	0	0	0	0	0	0
Occupancy	39,370	0	3,327	0	3,327	1,169	0	4,496
Communications	12,954	0	0	0	0	4,984	0	4,984
Equipment	29,591	0	38	0	38	43,915	0	43,953
Supplies	14,357	0	200	0	200	5,574	0	5,774
Travel	16,888	0	2,314	0	2,314	1,217	0	3,531
Miscellaneous	70,853	0	587	0	587	1,514	0	2,101
Total Expenses	1,181,176	71,570	19,030	89,445	108,475	71,716	136,995	317,186
Change in Net Assets	24,441	0	0	0	0	0	0	0
Net assets - Beginning of year	60,260	0	0	0	0	0	0	0
NET ASSETS - End of year	\$ 84,701	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See Independent Auditor's Report.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Schedule A-2

Schedule of Program Activity

Year Ended September 30, 2019

	FEDERAL PROGRAMS					STATE AND LOCAL PROGRAMS		
	Department of Health and Human Services				DHS	Total Federal Programs	Community Foundation	Walk for Warmth
	93.568	93.569		97.024				
MCA MEAP (6)	CSBG (7)	CSBG Carryover (8)	Subtotal 93.569	Emergency Food & Shelter (9)	(10)	(11)		
REVENUE								
Grant Revenue	\$ 87,026	\$ 540,450	\$ 65,043	\$ 605,493	\$ 5,071	\$ 1,086,316	\$ 2,790	\$ 3,550
Contributions	0	0	0	0	0	0	0	1,806
Interest Income	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Transfers	7,932	588	5,498	6,086	595	14,643	0	0
Total Revenue	94,958	541,038	70,541	611,579	5,666	1,100,959	2,790	5,356
EXPENSES								
Wages	17,864	260,678	5,000	265,678	0	305,790	0	0
Fringe benefits	3,900	36,785	1,029	37,814	0	44,858	0	0
Professional services	0	26,611	50,155	76,766	0	77,281	0	0
Consumables	0	0	0	0	0	298,010	0	0
Specific assistance	69,894	123,302	8,369	131,671	5,666	207,231	0	4,248
Occupancy	2,069	26,870	5,664	32,534	0	39,099	0	0
Communications	316	7,644	0	7,644	0	12,944	0	0
Equipment	232	7,261	0	7,261	0	51,446	0	0
Supplies	82	8,362	0	8,362	0	14,218	0	20
Travel	0	12,914	324	13,238	0	16,769	0	0
Miscellaneous	601	30,611	0	30,611	0	33,313	0	0
Total Expenses	94,958	541,038	70,541	611,579	5,666	1,100,959	0	4,268
Change in Net Assets	0	0	0	0	0	0	2,790	1,088
Net assets - Beginning of year	0	0	0	0	0	0	3,459	7,838
NET ASSETS - End of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,249	\$ 8,926

See Independent Auditor's Report.

Muskegon-Oceana Community Action Partnership, Inc. and Muskegon-Oceana Affordable Housing Initiatives

Schedule A-3

Schedule of Program Activity

Year Ended September 30, 2019

	STATE AND LOCAL PROGRAMS			
	Pantry Donations (12)	Total State and Local Programs	TOTAL PROGRAM ACTIVITY	DISCRETIONARY ACTIVITY (13)
REVENUE				
Grant Revenue	\$ 0	\$ 6,340	\$ 1,092,656	(\$ 15,755)
Contributions	2,200	4,006	4,006	28,722
Interest Income	0	0	0	271
Other Income	0	0	0	95,717
Transfers	0	0	14,643	(14,643)
Total Revenue	2,200	10,346	1,111,305	94,312
EXPENSES				
Wages	109	109	305,899	3,460
Fringe benefits	11	11	44,869	343
Professional services	0	0	77,281	53,551
Consumables	0	0	298,010	0
Specific assistance	1,020	5,268	212,499	1,251
Occupancy	0	0	39,099	271
Communications	0	0	12,944	10
Equipment	0	0	51,446	(21,855)
Supplies	0	20	14,238	119
Travel	0	0	16,769	119
Miscellaneous	94	94	33,407	37,446
Total Expenses	1,234	5,502	1,106,461	74,715
Change in Net Assets	966	4,844	4,844	19,597
Net assets - Beginning of year	(496)	10,801	0	49,459
NET ASSETS - End of year	\$ 470	\$ 15,645	\$ 4,844	\$ 69,056

Muskegon-Oceana Community Action Partnership, Inc.

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

<u>Federal Grantor/Program Title or Cluster Title</u>	<u>CFDA Number</u>	<u>Funding Source/ Pass-Through Entity</u>	<u>Pass-Through/ Grantor Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF AGRICULTURE				
(1) TEFAP Food Commodities Food Distribution Cluster	10.178	State of Michigan, Department of Education	610001019	<u>\$ 71,570</u>
(2) CSFP Senior Food Assistance	10.565	State of Michigan, Department of Education	610001019	19,000
(3) CSFP Commodities		State of Michigan, Department of Education	610001019	<u>89,445</u>
		Total Federal Expenditures CFDA 10.565		<u>108,445</u>
(4) TEFAP	10.568	State of Michigan, Department of Education	610001019	<u>71,716</u>
(5) TEFAP Food Commodities	10.569	State of Michigan, Department of Education	610001019	<u>136,995</u>
		Total Federal Expenditures Food Distribution Cluster CFDA 10.565, 10.568 and 10.569		<u>317,156</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(6) MCA MEAP	93.568	Michigan Community Action	N/A	<u>87,026</u>
(7) Community Services Block Grant	93.569	Michigan Department of Health & Human Services	CSBG-14-61021	540,450
(8) Community Services Block Grant - Carryover		Michigan Department of Health & Human Services	CSBG-14-61021	<u>65,043</u>
		Total Federal Expenditures CFDA 93.569		<u>605,493</u>
DEPARTMENT OF HOMELAND SECURITY				
(9) Emergency Food and Shelter Program	97.024	United Way - Muskegon	477800-002	<u>5,071</u>
		TOTAL FEDERAL EXPENDITURES		<u><u>\$ 1,086,316</u></u>

Muskegon-Oceana Community Action Partnership, Inc.

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Muskegon-Oceana Community Action Partnership, Inc. under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Muskegon-Oceana Community Action Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Muskegon-Oceana Community Action Partnership, 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.

Note 3 - Indirect Cost Allocation

Muskegon-Oceana Community Action Partnership, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Subrecipients

Muskegon-Oceana Community Action Partnership, Inc. does not have subrecipients or subrecipient expenditures.

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

Board of Directors
Muskegon-Oceana Community Action Partnership, Inc.
Muskegon, 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 Muskegon-Oceana Community Action Partnership, Inc., which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 30, 2020. The financial statements of Muskegon-Oceana Affordable Housing Initiatives 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 Muskegon-Oceana Affordable Housing Initiatives.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muskegon-Oceana Community Action Partnership, 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 purpose of expressing an opinion on the effectiveness of Muskegon-Oceana Community Action Partnership, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Muskegon-Oceana Community Action Partnership, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be a material weakness as item 2019-001.

Response to Finding

Management’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management’s response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskegon-Oceana Community Action Partnership, 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 Muskegon-Oceana Community Action Partnership, 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 Muskegon-Oceana Community Action Partnership, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

December 30, 2020
Madison, Wisconsin

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

Board of Directors
Muskegon-Oceana Community Action Partnership, Inc.
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited Muskegon-Oceana Community Action Partnership, Inc.'s 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 its major federal program for the year ended September 30, 2019. Muskegon-Oceana Community Action Partnership, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management of Muskegon-Oceana Community Action Partnership, Inc. 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 Muskegon-Oceana Community Action Partnership, Inc.'s major federal program 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 and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskegon-Oceana Community Action Partnership, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Muskegon-Oceana Community Action Partnership, Inc.'s compliance.

Opinion

In our opinion, Muskegon-Oceana Community Action Partnership, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Muskegon-Oceana Community Action Partnership, 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 Muskegon-Oceana Community Action Partnership, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Muskegon-Oceana Community Action Partnership, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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

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

December 30, 2020
Madison, Wisconsin

Muskegon-Oceana Community Action Partnership, Inc.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
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)]?	Yes
Identification of major federal programs:	
<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Community Services Block Grant (CSBG)	93.569
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Muskegon-Oceana Community Action Partnership, Inc.

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

Section II - Financial Statement Findings

Finding 2019-001: Internal Control Over Financial Reporting

Condition

Several deficiencies were identified related to Muskegon-Oceana Community Action Partnership, Inc.'s (MOCAP) internal control over financial reporting. This is a repeat of the original audit finding 2017-001. MOCAP implemented changes to address the matters identified in 2017-001, however other items were identified for the year ended September 30, 2019. The matters identified are as follows:

- MOCAP experienced a complete loss of all electronic data during the year ended September 30, 2019 as a result of a ransomware attack. While MOCAP does have paper supporting back up to assist with rebuilding its accounting database, the lack of sufficient backup systems to recover from the ransomware attack is a material weakness in internal control over financial reporting.
- Audit adjustments were proposed and accepted by management to cash, accounts payable and grants receivable balances. Some of the adjustments were the result of accounts not reconciled from the ransomware attack.

Criteria

Uniform Guidance 200.302(b)(4) states each non-federal entity must provide for “*effective control over, and accountability for, all funds, property, and other assets.*”

Cause

The lack of a viable backup resulted in a complete loss of data, reconstruction of the data was time consuming. Furthermore, reimbursements from the State of Michigan were suspended/delayed causing staff reductions which reduced the time available for account reconciliations and data reconstruction.

Effect

A material weakness in internal control over financial reporting exists due to the above deficiencies in internal control over financial reporting.

Recommendation

We recommend that MOCAP implement systems and procedures to ensure internal controls over financial reporting are improved.

View of Responsible Officials

Management agrees with the finding and has developed and begun implementation of a corrective action plan.

Muskegon-Oceana Community Action Partnership, Inc.

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

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001: Internal Control Over Financial Reporting

Audit finding 2019-001 also represents a material weakness in internal control over compliance for MOCAP’s major federal program.

Questioned Costs: None

<u>Grant</u>	<u>Funding Source</u>	<u>Grant Period</u>
Department of Health and Human Services – CFDA#93.569		
Community Services Block Grant #CSBG-14-61021	Michigan Department of Health and Human Services	10/01/18-09/30/19
Community Services Block Grant - Carryover #CSBG-14-61021	Michigan Department of Health and Human Services	10/01/17-09/30/19

Finding 2019-002: Cost Allocation

Questioned Costs: None

<u>Grant</u>	<u>Funding Source</u>	<u>Grant Period</u>
Department of Health and Human Services – CFDA#93.569		
Community Services Block Grant #CSBG-14-61021	Michigan Department of Health and Human Services	10/01/18-09/30/19
Community Services Block Grant - Carryover #CSBG-14-61021	Michigan Department of Health and Human Services	10/01/17-09/30/19

Condition

In practice, MOCAP generally charges administrative salaries to the Community Services Block Grant (CSBG) program and then charges other grants depending on available funding rather than based on a cost allocation plan. Additionally, MOCAP did create a cost allocation plan for other non-personnel costs, however, the plan was not implemented and utilized during the year ended September 30, 2019. This is a repeat of the original audit finding 2017-004.

Criteria

Uniform Guidance 200.405(d) states “*Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.*”

Cause

Management did not have the time or resources to implement a comprehensive cost allocation plan.

Effect

A significant deficiency in internal control over compliance exists due to not implementing a comprehensive written cost allocation plan.

Muskegon-Oceana Community Action Partnership, Inc.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2019-002: Cost Allocation (continued)

Recommendation

We recommend that MOCAP implement the cost allocation plan in place for allocating administrative expenses to the programs.

View of Responsible Officials

Management agrees with the finding and has developed and begun implementation of a corrective action plan.

Section IV – Status of Prior Year Audit Findings

Finding 2018-001: Internal Control Over Financial Reporting

Criteria

Uniform Guidance 200.302(b)(4) states each non-federal entity must provide for “*effective control over, and accountability for, all funds, property, and other assets.*”

Condition

Several deficiencies were identified related to Muskegon-Oceana Community Action Partnership, Inc.’s (MOCAP) internal control over financial reporting. This is a repeat of audit finding 2017-001. MOCAP implemented changes to address the matters identified in 2017-001, however other items were identified for the year ended September 30, 2018. The matters identified are as follows:

- MOCAP experienced a complete loss of all electronic data subsequent to September 30, 2018 as a result of a ransomware attack. The backup and information technology security systems in place subsequent to September 30, 2018 are the same as what was in place as of September 30, 2018. While MOCAP does have paper supporting back up to assist with rebuilding its accounting database, the lack of sufficient backup systems to recover from the ransomware attack is a material weakness in internal control over financial reporting.
- Subsequent revisions to expenditure reimbursement requests to the State of Michigan for the Community Services Block Grant program were necessary due to costs of \$27,748 that were determined to be unallowable by the State of Michigan.
- Ten journal entries were obtained to test for proper approvals, supporting documentation and overall reasonableness. Of the ten journal entries selected all ten contained proper supporting documentation; however, there was one journal entry that did not contain evidence of approval by another individual that did not prepare and post the journal entry.
- Audit adjustments were proposed and accepted by management to cash, accounts payable and grants receivable balances.

Current Year Status

There was noted improvement in relation to internal control over financial reporting as it relates to adjusting journal entry approval, however, there was a data security matter and audit adjusting journal entries were required. The repeated and updated audit finding is at 2019-001.

Muskegon-Oceana Community Action Partnership, Inc.

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

Section IV – Status of Prior Year Audit Findings (Continued)

Finding 2018-002: Cost Allocation

Criteria

Uniform Guidance 200.405(d) states “*Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.*

Condition

In practice, MOCAP generally charges administrative salaries to the Community Services Block Grant (CSBG) program and then charges other grants depending on available funding rather than based on a cost allocation plan. Additionally, MOCAP did create a cost allocation plan for other non-personnel costs, however, the plan was not implemented and utilized during the year ended September 30, 2018. This is a repeat of prior year audit finding 2017-004.

Current Year Status

A revised cost allocation policy was provided to us as part of the 2019 audit. The policy appears consistent with direct costing procedures under Uniform Guidance; however, the finding is repeated as audit finding 2019-002 since the cost allocation plan was not utilized in practice for the period under audit and there was no allocation of administrative salaries under the plan.