

EightCAP, Inc.



Year Ended
September 30,
2021

Financial
Statements and
Single Audit Act
Compliance

Rehmann

EIGHTCAP, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements for the Year Ended September 30, 2021	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	6
Statement of Cash Flows	8
Notes to Financial Statements	9
Single Audit Act Compliance	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	26
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 <i>Government Auditing Standards</i>	29
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	31
Schedule of Findings and Questioned Costs	34
Summary Schedule of Prior Audit Findings	37



INDEPENDENT AUDITORS' REPORT

February 18, 2022

Board of Directors
EightCAP, Inc.
Orleans, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of ***EightCAP, Inc.*** (a Michigan not-for-profit corporation, the "Organization"), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses 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.

Independent 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 require 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 auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 ***EightCAP, Inc.*** as of September 30, 2021, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Rehmann Lobson LLC

EIGHTCAP, INC.

Statement of Financial Position

September 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 397,683
Grants receivable	1,555,953
Accounts receivable	1,313
Prepaid expenses	65,379
Total current assets	<u>2,020,328</u>

Noncurrent assets:

Property and equipment, net	<u>730,136</u>
-----------------------------	----------------

Total assets

\$ 2,750,464

Liabilities

Current liabilities:

Accounts payable	\$ 588,312
Accrued payroll and other liabilities	531,153
Accrued interest payable	157
Grant funds received in advance	289,651
Current portion of long-term debt	32,496
Total current liabilities	<u>1,441,769</u>

Noncurrent liabilities:

Long-term debt, net of current portion	<u>249,886</u>
--	----------------

Total liabilities

1,691,655

Net assets

Without donor restrictions	912,805
With donor restrictions	<u>146,004</u>

Total net assets

1,058,809

Total liabilities and net assets

\$ 2,750,464

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

EIGHTCAP, INC.

Statement of Activities

For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grant revenue	\$ 18,316,083	\$ -	\$ 18,316,083
Contributions and donations	-	140,181	140,181
Program income	19,509	-	19,509
In-kind contributions	690,785	-	690,785
Rental income	43,332	-	43,332
Other income	95,849	-	95,849
	<u>19,165,558</u>	<u>140,181</u>	<u>19,305,739</u>
Net assets released from restrictions	101,018	(101,018)	-
	<u>19,266,576</u>	<u>39,163</u>	<u>19,305,739</u>
Total support, revenue and net assets released from restrictions			
	<u>19,266,576</u>	<u>39,163</u>	<u>19,305,739</u>
Expenses			
Program services:			
Child education activities	10,011,591	-	10,011,591
Weatherization / energy assistance	769,082	-	769,082
Food programs	460,407	-	460,407
Senior services	643,191	-	643,191
Community services	6,039,288	-	6,039,288
Total program services	<u>17,923,559</u>	<u>-</u>	<u>17,923,559</u>
Supporting services:			
Management and general	1,368,128	-	1,368,128
Fundraising	6,451	-	6,451
Total supporting services	<u>1,374,579</u>	<u>-</u>	<u>1,374,579</u>
Total expenses	<u>19,298,138</u>	<u>-</u>	<u>19,298,138</u>
Change in net assets	(31,562)	39,163	7,601
Net assets, beginning of year	<u>944,367</u>	<u>106,841</u>	<u>1,051,208</u>
Net assets, end of year	<u>\$ 912,805</u>	<u>\$ 146,004</u>	<u>\$ 1,058,809</u>

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

This page intentionally left blank.

EIGHTCAP, INC.

Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services			
	Child Education Activities	Weatherization and Energy Assistance	Food Programs	Senior Services
Expenses				
Salaries and wages	\$ 5,416,643	\$ 376,885	\$ 63,161	\$ 150,796
Employee benefits and payroll taxes	2,025,656	135,286	18,011	52,814
Client assistance	-	102,486	247,027	-
Occupancy	857,490	11,650	686	7,635
Contracts and professional services	451,172	47,553	4,401	2,088
Supplies	441,738	15,432	125,614	26,568
Depreciation	88,545	21,742	-	-
Communication	175,426	9,151	253	64,369
Equipment	23,183	1,113	71	654
Insurance	106,335	13,847	-	1,602
Travel	259,865	23,439	1,183	8,527
Vehicle repair and maintenance	53,052	9,045	-	-
Staff development	98,830	1,449	-	3,849
Volunteer services	-	-	-	315,852
Other	13,656	4	-	8,437
Total expenses	<u>\$ 10,011,591</u>	<u>\$ 769,082</u>	<u>\$ 460,407</u>	<u>\$ 643,191</u>

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



Program Services		Supporting Services			Total Expenses
Community Services	Total	Management and General	Fundraising	Total	
\$ 965,598	\$ 6,973,083	\$ 735,912	\$ -	\$ 735,912	\$ 7,708,995
303,163	2,534,930	191,299	-	191,299	2,726,229
4,228,059	4,577,572	-	-	-	4,577,572
69,723	947,184	81,956	-	81,956	1,029,140
281,772	786,986	194,845	-	194,845	981,831
64,464	673,816	64,513	-	64,513	738,329
11,780	122,067	44,765	-	44,765	166,832
35,720	284,919	19,095	-	19,095	304,014
1,707	26,728	3,413	-	3,413	30,141
14,222	136,006	7,352	-	7,352	143,358
23,306	316,320	1,433	-	1,433	317,753
1,805	63,902	53	-	53	63,955
4,858	108,986	3,471	-	3,471	112,457
-	315,852	-	-	-	315,852
33,111	55,208	20,021	6,451	26,472	81,680
<u>\$ 6,039,288</u>	<u>\$ 17,923,559</u>	<u>\$ 1,368,128</u>	<u>\$ 6,451</u>	<u>\$ 1,374,579</u>	<u>\$ 19,298,138</u>

EIGHTCAP, INC.

Statement of Cash Flows

For the Year Ended September 30, 2021

Cash flows from operating activities

Change in net assets	\$ 7,601
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	166,832
Gain on sale of property	(4,550)
Changes in operating assets and liabilities:	
Grants receivable	(749,977)
Accounts receivable	(1,034)
Prepaid expenses	(28,293)
Accounts payable	456,062
Accrued payroll and other liabilities	(286,897)
Accrued interest payable	(17)
Grant funds received in advance	(332,307)

Net cash used in operating activities (772,580)

Cash flows from investing activities

Purchases of property and equipment	(217,968)
Proceeds from sale of property and equipment	4,550

Net cash used in investing activities (213,418)

Cash used in financing activities

Principal payments on long-term debt	(31,096)
--------------------------------------	----------

Net change in cash and cash equivalents (1,017,094)

Cash and cash equivalents, beginning of year 1,414,777

Cash and cash equivalents, end of year \$ 397,683

Supplemental cash flows disclosure

Cash paid for interest totaled \$12,103 for the year ended September 30, 2021.

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

NOTES TO FINANCIAL STATEMENTS

EIGHTCAP, INC.

Notes to Financial Statements

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

EightCAP, Inc. (the "Organization") was organized as a Michigan not-for-profit corporation in 1966. The Organization was formed to provide medical, dental, nutritional, and educational services to preschool-aged children; weatherize dwellings of low-income and underprivileged individuals; provide emergency assistance in the form of items such as fuel and clothing; and to provide other services to low-income individuals and families. The Organization primarily serves the counties of Gratiot, Ionia, Isabella, and Montcalm, Michigan. The Organization is primarily supported through federal and state grants.

The Organization provides the following programs:

Child education activities

Includes the Head Start and Great Start Readiness Programs, which provide medical, dental, nutrition and educational services to preschool aged children.

Weatherization and energy assistance

Provides free home energy conservation services to low-income homeowners and renters to reduce energy use, lower utility bills and ensure a safe living environment.

Food programs

Distributes food items to low income families in partnership with several independent food pantries.

Senior services

The Foster Grand Parent program provides children that are at-risk or have unique needs with the mentorship of older adults. The Senior Companion Program aims to keep seniors independent longer and provide respite to family caregivers through volunteers who provide assistance and friendship to seniors.

Community services

Provides low-income or no-income households with emergency food, utilities, shelter, transportation, medical and clothing.

Notes to Financial Statements

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many State Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Organization's normal activities. The extent of the ultimate impact of the pandemic on the Organization's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Organization for providing immediate financial support and/or services to its program recipients. While management reasonably expects the COVID-19 outbreak to negatively impact the Organization's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Concentration of Funding

The Organization receives a substantial amount of its funding from the U.S. Department of Health and Human Services (USDHHS) for Head Start programs. For the year ended September 30, 2021, funding received from USDHHS for Head Start programs represented 60% of total grant revenue and 40% of total grants receivable. Loss of this funding would result in a substantial reduction in program services.

Basis of Presentation

The accompanying financial statements present the financial position, changes in net assets and cash flows of the Organization in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- (or certain grantor-) imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

EIGHTCAP, INC.

Notes to Financial Statements

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 year. Actual results could differ from those estimates. Significant estimates include, but are not limited to the accrued compensated absences liability, useful lives of property and equipment, and the valuation of donated facilities and professional services.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and cash on hand. The Organization's cash is insured by the Federal Deposit Insurances Corporation (FDIC) up to \$250,000 per bank. At times the Organization's bank balance exceeds FDIC limits. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

For purposes of the statement of cash flows, the Organization 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 recognized as revenue (see grant funds received in advance below).

Grants Receivable

Grants receivable consist of amounts due from various federal, state and local agencies related to expenses incurred in reimbursement-based programs that were not billed and received by the Organization until after year-end.

Accounts Receivable

Accounts receivable represents amounts due from various entities for management services. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of customers having outstanding balances and current relationships with them, management has estimated that realization of losses on balances outstanding at the year-end will not be significant, and no allowance for uncollectible balances has been recorded.

Prepaid Expenses

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

Notes to Financial Statements

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 Organization capitalizes equipment purchased with a unit cost of \$5,000 or greater 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, which generally range from 5 to 40 years.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in 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. The net book value of property and equipment purchased with such grant funds at September 30, 2021 is \$314,051.

Compensated Absences

Regular full-time employees accumulate annual leave at a scheduled rate based on date of hire. Annual leave must be used during the program fiscal year in which it is accrued or it is lost except that annual leave that is accrued during an employee's first year of employment will carry over from the first program fiscal year into the second program fiscal year because the employee is not able to access this annual leave during their initial probationary period. Personnel leaving the Organization will be paid for any accrued unused annual leave except that, if employment is terminated during the first year of employment, annual leave is not considered an entitlement and is not paid out. The liability for compensated absences consists of accrued unused vacation days for employees eligible to receive termination payments.

Revenue Recognition

Contributions

The Organization records as revenue the following types of contributions when they are received unconditionally, at their fair value: cash, promises to give, and gifts of long-lived and other assets. Conditional contributions, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction has been satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Notes to Financial Statements

Grants

Grant awards are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant awards that are contributions - Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Accounting Standards Codification Topic 605)*. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

Grant awards that are exchange transactions - Exchange transactions are typically reimbursed based on a predetermined rate for services performed in accordance with the terms of the award and ASU No. 2014-09, *Revenue from Contracts with Customers (Accounting Standards Codification Topic 606)*. The revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no grant awards that were considered exchange transactions during the year ended September 30, 2021.

Rental and Other Revenue

Revenues from rental income and other charges to tenants are recognized in the month earned.

In-kind Contributions

The Organization records in-kind contributions for office/operating space and professional services in the statement of activities. Generally accepted accounting principles (GAAP) require that contributions of services be recorded where 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 Organization's grant awards. As described in Note 7, the Organization received contributions of non-professional volunteers during the year that do not meet the GAAP recognition requirements.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited based on the Organization's cost allocation plan. Administrative salaries, wages and fringe benefits are allocated based on a weighted average of the number of employees and accounts payable transactions per program. Other costs are charged based on other factors, such as the number of employees in a program, square footage occupied by a program, number of miles driven for a program, etc.

EIGHTCAP, INC.

Notes to Financial Statements

Related Parties

One of the Organization's board members is an executive at the financial institution that holds the Organization's bank accounts and note payable.

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Accordingly, no provisions have been made for income taxes in these financial statements. Although the Organization was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income". Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income, such as interest received from sources other than directly from contributions. The Organization has been classified as not a private foundation.

The Organization analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years (2018 through 2021) in these jurisdictions. The Organization treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

The Organization has evaluated its income tax filing positions for the tax years 2018 through 2021, the years which remain subject to examination as of September 30, 2021. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The Organization 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 Organization does not have any amounts accrued for interest and penalties related to UTBs at September 30, 2021 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 September 30, 2021, the most recent statement of financial position presented herein, through February 18, 2022, the date these financial statements were available to be issued. No significant such events or transactions were identified.

EIGHTCAP, INC.

Notes to Financial Statements

2. LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of September 30, 2021:

Cash and cash equivalents	\$ 397,683
Grants receivable	1,555,953
Accounts receivable	<u>1,313</u>
Total assets	1,954,949
Less: Net assets with donor restrictions	<u>(146,004)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,808,945</u>

The Organization has \$1,808,945 as of September 30, 2021 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. As part of the Organization's liquidity plan, grant revenue and certain contributions are available for general expenditures, without donor or other restrictions limiting their use, within one year of the statement of financial position date.

3. GRANTS RECEIVABLE

Grants receivable consist of amounts due from funding sources as follows as of September 30, 2021:

U.S. Department of Health and Human Services	\$ 631,580
Mid Michigan Community Action Agency	37,979
Michigan Department of Education	61,497
Corporation for National and Community Service	11,340
Michigan Department of Health and Human Services	289,712
U.S. Department of Housing and Urban Development	3,145
Michigan State Housing Development Authority	512,069
Other sources	<u>8,631</u>
Total grants receivable	<u>\$ 1,555,953</u>

EIGHTCAP, INC.

Notes to Financial Statements

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2021:

Land	\$ 119,631
Buildings and improvements	1,801,840
Vehicles	2,148,602
Equipment	<u>486,183</u>
Total property and equipment	4,556,256
Less accumulated depreciation	<u>(3,826,120)</u>
Property and equipment, net	<u><u>\$ 730,136</u></u>

Depreciation expense for the year ended September 30, 2021 totaled \$166,832.

5. LONG-TERM DEBT

Long-term debt consists of the following obligation at September 30, 2021:

Note payable, collateralized by real estate, due in monthly installments of \$3,600, including interest at 4.0% per annum, with a balloon payment in July 2023.	\$ 282,382
Less current portion	<u>(32,496)</u>
Long-term debt, net of current portion	<u><u>\$ 249,886</u></u>

Interest expense for the year ended September 30, 2021 was \$12,086.

Scheduled principal maturities of long-term debt for each of the years succeeding September 30, 2021 and thereafter are summarized as follows:

Year Ending September 30,	Amount
2022	\$ 32,496
2023	<u>249,886</u>
Total	<u><u>\$ 282,382</u></u>

EIGHTCAP, INC.

Notes to Financial Statements

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributed assets for which the use by the Organization has been limited by donors for a specific time period or purpose. Net assets with donor restrictions consist of the following at September 30, 2021.

Purpose restrictions

Montcalm County Food Drive	\$	35,019
Walk for Warmth		12,268
Greenville Optimist Camp for People with Disabilities		37,676
Court Appointed Special Advocate (CASA)		38,180
Foster grandparent/senior companion program		9,998
Threshold Academy Scholarship Fund		7,038
Veterans Support Fund		2,253
Isabella County Ministerial Association		1,138
Head Start		94
Other restricted purposes		2,340
		<u>2,340</u>
Total net assets with donor restrictions	\$	<u>146,004</u>

7. IN-KIND CONTRIBUTIONS

In-kind contributions were received for the following programs/activities for the year ended September 30, 2021. Certain amounts represent volunteer time for non-specialized services. While such amounts are permitted to be used toward grant match requirements, they do not meet the criteria for recognition in the financial statements. A summary of in-kind contributions received is as follows:

	Total Contributions	Amount Recognized
Child education activities:		
Head Start	\$ 1,837,600	\$ 590,860
Senior services:		
Foster Grandparent Program - AASA	198,337	23,782
Foster Grandparent Program - CNCS	174,055	32,534
Senior Companion Program - AASA	97,233	19,892
Senior Companion Program - CNCS	84,734	23,717
Total senior services	<u>554,359</u>	<u>99,925</u>
Other services		
Victims of Crime Act	32,868	-
HUD Permanent Housing	37,408	-
HUD PSH Dedicated+	35,996	-
Total other services	<u>106,272</u>	<u>-</u>
Total in-kind contributions	<u>\$ 2,498,231</u>	<u>\$ 690,785</u>

EIGHTCAP, INC.

Notes to Financial Statements

8. RETIREMENT PLAN

The Organization has a voluntary defined contribution money purchase pension plan funded through deferred custodial accounts and annuities pursuant to IRS Code Section 403(b). Participation in the plan is open, on a voluntary basis, to all employees who are at least 18 years of age and who are compensated for at least 1,000 hours of service in a plan year.

Employee contributions to the plan are determined by the employee and based on a percentage of his or her bi-weekly earnings. The Organization contributes 5% of compensation for all eligible employees participating in the plan. Employer and employee contributions to the plan for the year ended September 30, 2021 were \$273,309 and \$280,646, respectively. Participants are immediately vested in all contributions and proceeds may be withdrawn at any time subject to an early withdrawal penalty.

9. OPERATING LEASES

The Organization leases various facilities and equipment for operation of its programs under operating leases. Operating lease expense for the year ended September 30, 2021 was \$257,073. Future minimum operating lease payments on noncancelable lease terms having initial or remaining lease terms of one year or more are as follows for the years subsequent to September 30, 2021:

Year Ending September 30,	Amount
2022	\$ 245,687
2023	169,612
2024	79,795
2025	3,106
2026	3,106
Thereafter	<u>18,140</u>
Total	<u>\$ 519,446</u>

10. COMMUNITY FOUNDATION

The Greenville Area Community Foundation (the "Foundation") maintains two separate funds that are not included in the financial statements for programs administered by the Organization (the Camp Wah-Wah-Tay-See Fund, and the Threshold Academy Fund). Resources of the funds can be obtained and expended by the Organization under provisions of the agreements and upon approval by the Foundation. While such contributions are earmarked for the Organization, the variance power held by the Foundation precludes their recognition in the accompanying financial statements in accordance with GAAP. Earnings on the endowments after specific annual additions to the endowment corpus can also be obtained and expended by the Organization upon request by the Organization Board of Directors and approval by the Foundation. At September 30, 2021, the balance of the assets held by the Greenville Area Community Foundation for Camp Wah-Wah-Tay-See and Threshold Academy was \$25,681, (including a spendable amount of \$9,331) and \$83,528 (entire balance represents spendable amount), respectively.

EIGHTCAP, INC.

Notes to Financial Statements

11. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

12. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Organization has purchased commercial insurance for all claims related to the previously stated risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.



SINGLE AUDIT ACT COMPLIANCE

This page intentionally left blank.

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

February 18, 2022

Board of Directors
EightCAP, Inc.
Orleans, Michigan

We have audited the financial statements of **EightCAP, Inc.** (a Michigan not-for-profit corporation) as of and for the year ended September 30, 2021, and have issued our report thereon dated February 18, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Rehmann Robson LLC

EIGHTCAP, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Child and Adult Care Food Program	10.558	MDE	590001008 - 211920/212010	\$ -	\$ 173,289
Food Distribution Cluster:					
Emergency Food Assistance Administrative	10.568	MDE	590001008 - 210990/2109EO/212070/212280	-	51,120
Emergency Food Assistance Commodities (non-cash assistance)	10.569	MDE	590001008 - 210990/2109EO/212070/212280	-	235,997
Total Food Distribution Cluster				-	287,117
Total U.S. Department of Agriculture				-	460,406
U.S. Department of Housing and Urban Development					
COVID-19 - Emergency Solutions Grant:					
COVID-19 - Gratiot and Isabella Counties - CARES CV	14.231	MSHDA	HML-2020-EightCAP-45-C19-02	11,504	91,345
COVID-19 - Ionia and Montcalm Counties - CARES CV	14.231	MSHDA	HML-2020-EightCAP-45-C19	104,569	161,364
				116,073	252,709
Continuum of Care Program:					
Coordinated Entry System Services	14.267	MSHDA	MI0559L5F001902	-	38,338
DHHS Family Re-Housing Program	14.267	MDHHS	E20210418-00	-	229,171
Coordinated Entry System Services	14.267	MSHDA	HML-2020-EightCAP-45-CES	-	14,433
Continuum of Care Program	14.267	Direct	MI0435L5F001905	-	75,891
Continuum of Care Program - PSH Dedicated+	14.267	Direct	MI0668L5F001900	-	18,286
				-	376,119
Total U.S. Department of Housing and Urban Development				116,073	628,828
U.S. Department of Justice					
Victims of Crime Assistance	16.575	MDHHS	E20210384-00	-	131,472
U.S. Department of Treasury					
COVID-19 - Coronavirus Relief Funds:					
Water-Coronavirus Aid, Relief, & Economic Security (CARES)	21.019	MDHHS	E20204440-00	-	12,950
Coronavirus Relief Fund Emergency Services	21.019	MDHHS	E20214005-00	-	103,502
Coronavirus Relief Fund Water & Plumbing	21.019	MDHHS	E20214004-00	-	49,373
Quarantine Box Coronavirus Aid, Relief	21.019	MDHHS	E20214116-00	-	35,000
Coronavirus Relief Fund Digital Divide	21.019	MDHHS	E20214101-00	-	171,527
				-	372,352
COVID-19 - Emergency Rental Assistance Program:					
Emergency Rental Assistance - Gratiot/Isabella	21.023	MSHDA	HML-2021-EightCAP-45-CERA-02	110,434	1,701,536
Emergency Rental Assistance - Ionia/Montcalm	21.023	MSHDA	HML-2021-EightCAP-45-CERA	83,050	902,820
				193,484	2,604,356
Total U.S. Department of Treasury				193,484	2,976,708
U.S. Department of Veterans Affairs					
Supportive Services for Veteran Families Program	64.033	MMCAA	-n/a-	-	26,698
Supportive Services for Veteran Families Program	64.033	MMCAA	-n/a-	-	256,440
Total U.S. Department of Veterans Affairs				-	283,138
U.S. Department of Energy					
Weatherization Assistance Program	81.042	MDHHS	WAP20-59010 E20210387-00	-	196,076
Weatherization Assistance Program	81.042	MDHHS	WAP21-59010 E20214931-00	-	194,966
Total U.S. Department of Energy				-	391,042
U.S. Department of Health and Human Services					
Emergency Shelter Program	93.558	MDHHS	E20210729-00	-	51,027
Low-Income Home Energy Assistance Program:					
MDHHS MEAP - Low-Income Home Energy Asst.	93.568	MDHHS	MEAP1-2021-59010 E20210782-00	-	10,000
Weatherization LIHEAP	93.568	MDHHS	WAP LIHP1-2021-59010 E20210386-00	-	291,713
Weatherization LIHEAP - Admin	93.568	MDHHS	WAP LIHP3-2021-59010 E20210385-00	-	24,323
				-	326,036

continued...

EIGHTCAP, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Concluded)					
Community Services Block Grant	93.569	MDHHS	CSBG21-59010 E20214003-00	\$ -	\$ 387,095
Community Services Block Grant	93.569	MDHHS	CSBG20-59010 E20210783-00	-	343,234
COVID-19 - Community Services Block Grant - CARES Act	93.569	MDHHS	CSBG CARES20-59010 E20214006-00	-	386,321
Community Services Block Grant - Discretionary	93.569	MDHHS	CSBGD21-59010 E20213852-00	-	18,000
				<u>-</u>	<u>1,134,650</u>
Head Start and Early Head Start Program Cluster:					
Head Start and Early Head Start	93.600	Direct	05CH010768-02	-	2,285,029
COVID-19 - Head Start and Early Head Start CARES	93.600	Direct	05CH010768-02	-	183,121
Head Start and Early Head Start	93.600	Direct	05CH010768-03	-	7,333,892
COVID-19 - Head Start and Early Head Start CRRSA	93.600	Direct	05HE000248-01-00	-	157,540
COVID-19 - Head Start and Early Head Start American Rescue Plan (ARP)	93.600	Direct	05HE000248-01-01	-	137,148
				<u>-</u>	<u>10,096,730</u>
Total U.S. Department of Health and Human Services				<u>-</u>	<u>11,608,443</u>
Corporation for National and Community Service					
Foster Grandparent/Senior Companion Cluster:					
Foster Grandparent	94.011	Direct	18SFNMI001	-	189,149
Foster Grandparent	94.011	Direct	21SFCMI003	-	1,658
				<u>-</u>	<u>190,807</u>
Senior Companion	94.016	Direct	19SCNMI003	-	76,216
Senior Companion	94.016	Direct	19SCNMI003	-	16,376
				<u>-</u>	<u>92,592</u>
Total Corporation for National and Community Service				<u>-</u>	<u>283,399</u>
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board Program	97.024	UW	477400-007	-	11,058
COVID-19 - Emergency Food and Shelter National Board Program	97.024	UW	477400-007	-	6,000
Emergency Food and Shelter National Board Program	97.024	UW	470800-006	-	11,549
COVID-19 - Emergency Food and Shelter National Board Program	97.024	UW	470800-006	-	5,000
Emergency Food and Shelter National Board Program	97.024	UW	471400-001	-	26,210
COVID-19 - Emergency Food and Shelter National Board Program	97.024	UW	471400-001	-	20,659
				<u>-</u>	<u>20,659</u>
Total U.S. Department of Homeland Security				<u>-</u>	<u>80,476</u>
Total Expenditures of Federal Awards				<u>\$ 309,557</u>	<u>\$ 16,843,912</u>

concluded

See accompanying notes to schedule of expenditures of federal awards.

EIGHTCAP, INC.

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of EightCAP, Inc. (the "Organization") under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Organization's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

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

3. RECONCILIATION TO FINANCIAL STATEMENTS

The following table reconciles expenditures on the Schedule to grant revenue as reported in the financial statements:

Grant revenue as reported in the financial statements	\$ 18,316,083
State and local funding sources	<u>(1,472,171)</u>
Expenditures per Schedule	<u><u>\$ 16,843,912</u></u>

EIGHTCAP, INC.

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The Organization 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
MDHHS	Michigan Department of Health and Human Services
MMCAA	Mid Michigan Community Action Agency
MSHDA	Michigan State Housing Development Authority
UW	United Way



This page intentionally left blank.

**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***

February 18, 2022

Board of Directors
EightCAP, Inc.
Orleans, 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 ***EightCAP, Inc.*** (the "Organization"), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann 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 THE UNIFORM GUIDANCE**

February 18, 2022

Board of Directors
EightCAP, Inc.
Orleans, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of **EightCAP, Inc.** (the "Organization") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Lobson LLC

EIGHTCAP, INC.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major programs:

Assistance Listing Number

Name of Federal Program or Cluster

21.019
21.023
93.600

COVID-19 - Coronavirus Relief Funds
COVID-19 - Emergency Rental Assistance Program
Head Start and Early Head Start Program Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____ no

EIGHTCAP, INC.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

EIGHTCAP, INC.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

EIGHTCAP, INC.

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2021

No matters were reported.

