

EightCAP, Inc.



Year Ended
September 30,
2023

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, 2023	
Statement of Financial Position	4
Statement of Activities	5
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	25
Schedule of Expenditures of Federal Awards	26
Notes to Schedule of Expenditures of Federal Awards	28
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>	31
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	33
Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Audit Findings	39



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INDEPENDENT AUDITORS' REPORT

March 4, 2024

Board of Directors
EightCAP, Inc.
Orleans, Michigan

Report on the Financial Statements

Opinion

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, effective October 1, 2022, the Organization adopted Accounting Standards Codification (ASC) Topic 842, Leases. Our opinion is not modified with respect to this matter.



Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024, 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.

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

EIGHTCAP, INC.

Statement of Financial Position

Year Ended September 30, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 381,173
Grants receivable	1,247,831
Accounts receivable	25,000
Prepaid expenses	259,967
Total current assets	<u>1,913,971</u>

Noncurrent assets:

Property and equipment, net	986,270
Right-of-use assets, net	209,098
Total noncurrent assets	<u>1,195,368</u>

Total assets

\$ 3,109,339

Liabilities

Current liabilities:

Accounts payable	\$ 285,307
Accrued payroll and other liabilities	628,304
Accrued interest payable	772
Refundable advances on conditional contributions	43,182
Refundable operating advances	204,998
Current portion of operating lease obligations	172,758
Current portion of long-term debt	26,243
Total current liabilities	<u>1,361,564</u>

Noncurrent liabilities:

Operating lease obligations, net of current portion	33,087
Long-term debt, net of current portion	194,463
Total noncurrent liabilities	<u>227,550</u>

Total liabilities

1,589,114

Net assets

Without donor restrictions	1,222,911
With donor restrictions	297,314

Total net assets

1,520,225

Total liabilities and net assets

\$ 3,109,339

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

EIGHTCAP, INC.

Statement of Activities

For the Year Ended Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grant revenue	\$ 16,973,035	\$ -	\$ 16,973,035
Contributions and donations of cash and other financial assets	-	187,482	187,482
Program income	12,367	-	12,367
In-kind contributions (Note 1 and 7)	708,165	-	708,165
Other income	68,703	-	68,703
	<u>17,762,270</u>	<u>187,482</u>	<u>17,949,752</u>
Net assets released from restrictions	319,379	(319,379)	-
Total support, revenue and net assets released from restrictions	<u>18,081,649</u>	<u>(131,897)</u>	<u>17,949,752</u>
Expenses			
Program services:			
Child education activities	11,371,958	-	11,371,958
Weatherization and energy assistance	816,815	-	816,815
Food programs	463,336	-	463,336
Senior services	654,356	-	654,356
Community services	3,192,948	-	3,192,948
Total program services	<u>16,499,413</u>	<u>-</u>	<u>16,499,413</u>
Supporting services:			
Management and general	1,496,326	-	1,496,326
Fundraising	8,584	-	8,584
Total supporting services	<u>1,504,910</u>	<u>-</u>	<u>1,504,910</u>
Total expenses	<u>18,004,323</u>	<u>-</u>	<u>18,004,323</u>
Change in net assets	77,326	(131,897)	(54,571)
Net assets, beginning of year	<u>1,145,585</u>	<u>429,211</u>	<u>1,574,796</u>
Net assets, end of year	<u>\$ 1,222,911</u>	<u>\$ 297,314</u>	<u>\$ 1,520,225</u>

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

EIGHTCAP, INC.

Statement of Functional Expenses

Year Ended Year Ended September 30, 2023

	Program Services			
	Child Education Activities	Weatherization and Energy Assistance	Food Programs	Senior Services
Expenses				
Salaries and wages	\$ 6,521,068	\$ 376,227	\$ 15,433	\$ 161,524
Employee benefits and payroll taxes	2,244,945	104,665	13,494	53,963
Client assistance	448	113,588	23,591	-
Occupancy	694,933	16,398	-	7,432
Contracts and professional services	467,114	102,493	2,400	1,864
Supplies	301,644	10,414	408,354	8,972
Depreciation	139,071	39,442	-	-
Amortization	212,774	-	-	-
Communication	112,238	5,612	-	23,309
Equipment	17,894	2,678	-	1,030
Insurance	124,806	20,279	-	2,004
Travel	312,619	16,906	64	17,984
Vehicle repair and maintenance	119,075	4,833	-	-
Staff development	72,142	2,991	-	796
Volunteer services	-	-	-	359,472
Other	31,187	289	-	16,006
Total expenses	\$ 11,371,958	\$ 816,815	\$ 463,336	\$ 654,356

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	
\$ 1,083,069	\$ 8,157,321	\$ 874,697	\$ -	\$ 874,697	\$ 9,032,018
315,061	2,732,128	253,183	-	253,183	2,985,311
1,507,724	1,645,351	-	-	-	1,645,351
57,646	776,409	41,638	-	41,638	818,047
65,215	639,086	173,042	-	173,042	812,128
35,150	764,534	27,197	-	27,197	791,731
16,306	194,819	46,198	-	46,198	241,017
-	212,774	-	-	-	212,774
22,794	163,953	13,431	-	13,431	177,384
3,827	25,429	2,328	-	2,328	27,757
14,343	161,432	9,310	-	9,310	170,742
18,321	365,894	24,690	-	24,690	390,584
3,145	127,053	272	-	272	127,325
5,927	81,856	9,864	-	9,864	91,720
-	359,472	-	-	-	359,472
44,420	91,902	20,476	8,584	29,060	120,962
<u>\$ 3,192,948</u>	<u>\$ 16,499,413</u>	<u>\$ 1,496,326</u>	<u>\$ 8,584</u>	<u>\$ 1,504,910</u>	<u>\$ 18,004,323</u>

EIGHTCAP, INC.

Statement of Cash Flows

For the Year Ended Year Ended September 30, 2023

Cash flows from operating activities	
Change in net assets	\$ (54,571)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	241,017
Amortization of right-of-use assets	212,774
Changes in operating assets and liabilities:	
Grants receivable	(195,492)
Accounts receivable	7,096
Prepaid expenses	40,923
Accounts payable	(125,213)
Accrued payroll and other liabilities	35,555
Accrued interest payable	633
Refundable advances on conditional contributions	(309,259)
Refundable operating advances	(48,835)
Operating lease obligations	(216,027)
Net cash used in operating activities	<u>(411,399)</u>
Cash flows used in investing activities	
Purchases of property and equipment	<u>(286,948)</u>
Cash flows from financing activities	
Issuance of long-term debt	224,820
Principal payments on long-term debt	<u>(254,117)</u>
Net cash used in financing activities	<u>(29,297)</u>
Net change in cash and cash equivalents	(727,644)
Cash and cash equivalents, beginning of year	<u>1,108,817</u>
Cash and cash equivalents, end of year	<u>\$ 381,173</u>

Supplemental cash flows disclosure

Cash paid for interest totaled \$21,727 for the year ended September 30, 2023.

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.

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, 2023, funding received from USDHHS for Head Start programs represented 69% of total grant revenue and 52% 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").

EIGHTCAP, INC.

Notes to Financial Statements

Net assets, support and 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.

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 support and revenue 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.

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. Management considers all grant receivables to be fully collectible.

EIGHTCAP, INC.

Notes to Financial Statements

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.

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, 2023 is \$286,948.

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.

Notes to Financial Statements

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.

Grants

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

Grant awards that are conditional contributions – Grants that qualify as conditional 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 qualifying expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances on conditional contributions. Refundable advances related to these conditional contributions totaled \$43,182 at September 30, 2023.

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, 2023.

Notes to Financial Statements

In-kind Contributions

The Organization records in-kind contributions for 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.

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 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.

EIGHTCAP, INC.

Notes to Financial Statements

The Organization has evaluated its income tax filing positions for the open tax years. 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, 2023 and is not aware of any claims for such amounts by federal or state income tax authorities.

Leases, including Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842), by issuing Accounting Standards Update (ASU) No. 2016-02 (ASU 2016-02). The standard, as amended, establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities.

The Organization adopted ASU 2016-02, as amended, effective October 1, 2022. The Organization elected the new standard's package of practical expedients, which permits the Organization to maintain prior conclusions about lease identification, lease classification, and initial direct costs. The Organization elected to use the go-forward practical expedient to not separate lease and non-lease components for all of the leases. The Organization also elected to use the short-term lease recognition exemption for all leases that qualify.

Upon adoption, the Organization recognized operating lease liabilities and operating lease ROU assets of \$421,872, for the present value of the remaining minimum rental payments on existing operating leases. Refer to Note 9 to the financial statements for information regarding leases.

The Organization determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Organization's use. The Organization's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Organization is not considered reasonably certain of exercising, as well as periods covered by renewal options for which it is considered reasonably certain of exercising. The Organization also determines lease classification as either operating or finance (formerly referred to as "capital") at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the statements of activities over the lease term.

EIGHTCAP, INC.

Notes to Financial Statements

For leases with a lease term exceeding one year, a lease liability is recorded on the Organization's statement of financial position at lease commencement reflecting the present value of its fixed payment obligations over such term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Organization uses the risk-free discount rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the statement of financial position. Variable lease cost, if any, is recognized as incurred for all leases.

Management reviews these ROU assets for impairment whenever events or circumstances indicate that their carrying values may not be fully recoverable.

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, 2023, the most recent statement of financial position presented herein, through March 4, 2024, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. LIQUIDITY AND AVAILABILITY

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, 2023:

Cash and cash equivalents	\$ 381,173
Grants receivable	1,247,831
Accounts receivable	<u>25,000</u>
Total assets	1,654,004
Less: net assets with donor restrictions	<u>(297,314)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,356,690</u></u>

EIGHTCAP, INC.

Notes to Financial Statements

The Organization has \$1,356,690 as of September 30, 2023 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, 2023:

U.S. Department of Health and Human Services	\$ 653,021
Mid Michigan Community Action Agency	24,270
Michigan Department of Education	58,129
Michigan Department of Health and Human Services	336,690
U.S. Department of Housing and Urban Development	1,700
Michigan State Housing Development Authority	148,899
Other sources	<u>25,122</u>
Total grants receivable	<u>\$ 1,247,831</u>

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2023:

Land	\$ 119,631
Buildings and improvements	1,801,840
Vehicles	2,592,432
Equipment	<u>599,363</u>
Total property and equipment	5,113,266
Less accumulated depreciation	<u>(4,126,996)</u>
Property and equipment, net	<u>\$ 986,270</u>

Depreciation expense for the year ended September 30, 2023 totaled \$241,017.

EIGHTCAP, INC.

Notes to Financial Statements

5. LONG-TERM DEBT

Long-term debt consists of the following obligation at September 30, 2023:

Note payable, unsecured loan, due in monthly installments of \$2,114 to \$3,434, including interest at 7.0% per annum, through July 2030.	\$ 220,706
Less current portion	<u>(26,243)</u>
Long-term debt, net of current portion	<u>\$ 194,463</u>

Interest expense for the year ended September 30, 2023 was \$11,093.

Scheduled principal maturities of long-term debt for each of the years succeeding September 30, 2023 and thereafter are summarized as follows:

Year Ending September 30,	Amount
2024	\$ 26,243
2025	28,140
2026	30,174
2027	32,356
2028	34,629
Thereafter	<u>69,164</u>
Total	<u>\$ 220,706</u>

EIGHTCAP, INC.

Notes to Financial Statements

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributed financial assets for which the use by the Organization has been limited by donors for a specific purpose. Net assets with donor restrictions consist of the following at September 30, 2023.

Purpose restrictions

Montcalm County Food Drive	\$	33,066
Walk for Warmth		18,464
Greenville Optimist Camp for People with Disabilities		51,153
Court Appointed Special Advocate (CASA)		166,297
Foster grandparent/senior companion program		6,894
Threshold Academy Scholarship Fund		6,690
Veterans Support Fund		4,141
Isabella County Ministerial Association		156
Head Start		10,069
Other restricted purposes		<u>384</u>

Total net assets with donor restrictions \$ 297,314

EIGHTCAP, INC.

Notes to Financial Statements

7. IN-KIND CONTRIBUTIONS

In-kind contributions were received for the following programs/activities for the year ended September 30, 2023. 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. The amount recognized is recorded as in-kind professional services contributions revenue without donor restrictions and program expenses in the statement of activities. Donated in-kind professional services are valued based on comparable positions within the Organization or market based on tracked volunteer timesheets. A summary of in-kind contributions received are as follows:

	Total Contributions	Amount Recognized
Child education activities:		
Head Start	\$ 2,143,393	\$ 591,477
Senior services:		
Foster Grandparent Program - AASA	241,789	35,005
Foster Grandparent Program - CNCS	143,768	33,920
Senior Companion Program - AASA	94,920	15,324
Senior Companion Program - CNCS	77,510	32,439
Total senior services	<u>557,987</u>	<u>116,688</u>
Other services		
HUD Permanent Housing	34,698	-
HUD PSH Dedicated+	32,896	-
Total other services	<u>67,594</u>	<u>-</u>
Total in-kind contributions	<u>\$ 2,768,974</u>	<u>\$ 708,165</u>

8. RETIREMENT PLAN

The Organization had a voluntary defined contribution money purchase pension plan funded through deferred custodial accounts and annuities pursuant to IRS Code Section 401(k). 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, 2023 were \$264,086 and \$355,341, respectively. Participants are immediately vested in all contributions and proceeds may be withdrawn at any time subject to an early withdrawal penalty.

EIGHTCAP, INC.

Notes to Financial Statements

9. LEASES

The Organization leases office space and vehicles. Net lease cost during the year ended September 30, 2023 is composed entirely of operating lease cost totaling \$224,180. This cost is presented in the occupancy row on the statement of functional expenses. The lease agreement expiration dates range from December 31, 2023 through May 31, 2025. Short-term leases are insignificant.

The following table summarizes other information related to the Organization's leases during the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease obligations:	
Operating cash flows from operating leases	\$ 227,433
Weighted-average remaining lease-term - operating leases (in years)	1.70
Weighted average discount rate - operating leases	4.32%

The following table presents a maturity analysis summary of the Organization's lease obligations recorded on the statement of financial position as of September 30, 2023:

Year	Operating Leases
2024	\$ 176,685
2025	15,066
2026	3,105
2027	3,141
2028	3,214
Thereafter	<u>11,783</u>
Total lease payments	212,994
Less discount to present value	<u>7,149</u>
Total lease obligations	205,845
Less current portion	<u>172,758</u>
Long-term lease obligations	<u>\$ 33,087</u>

EIGHTCAP, INC.

Notes to Financial Statements

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's Board of Directors and approval by the Foundation. At September 30, 2023, the balance of the assets held by the Greenville Area Community Foundation for Camp Wah-Wah-Tay-See and Threshold Academy was \$22,156, (including a spendable amount of \$4,906) and \$76,009 (entire balance represents spendable amount), respectively.

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

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

March 4, 2024

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, 2023, and have issued our report thereon dated March 4, 2024, 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 Lobson LLC



EIGHTCAP, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended Year Ended September 30, 2023

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 - 231920/232010	\$ -	\$ 436,616
Food Distribution Cluster:					
Emergency Food Assistance Administrative	10.568	MDE	590001008 - 230990	-	3,129
Emergency Food Assistance Commodities (non-cash assistance)	10.569	MDE	590001008 - 230990	-	23,591
Total Food Distribution Cluster				-	26,720
Total U.S. Department of Agriculture				-	463,336
U.S. Department of Housing and Urban Development					
Emergency Solutions Grant:					
COVID-19 - Gratiot and Isabella Counties - CARES CV	14.231	MSHDA	HML-2020-EightCAP-45-C19-02	28,710	37,545
COVID-19 - Ionia and Montcalm Counties - CARES CV	14.231	MSHDA	HML-2020-EightCAP-45-C19	16,492	22,488
Gratiot, Isabella, Montcalm, Ionia Counties	14.231	MSHDA	HML-2022-EightCAP-45-ESF	150,715	354,339
				195,917	414,372
Home Investment Partnership Program	14.239	MSHDA	HML-2023-45-HPP	-	21,089
Continuum of Care Program:					
Coordinated Entry System Services	14.267	MSHDA	HML-2023-45-CES	-	50,637
DHHS Family Re-Housing Program	14.267	MDHHS	E20230259-00	-	300,800
Continuum of Care Program	14.267	Direct	MI0435L5F002107	-	130,340
Continuum of Care Program - PSH Dedicated	14.267	Direct	MI0668L5F002102	-	68,176
				-	549,953
Total U.S. Department of Housing and Urban Development				195,917	985,414
U.S. Department of Treasury					
COVID-19 - Emergency Rental Assistance Program:					
Emergency Rental Assistance (CERA 2)	21.023	MSHDA	HML-2022-EightCAP-45-CERA2	-	395,526
U.S. Department of Veterans Affairs					
VA Supportive Services for Veteran Families Program	64.033	MMCAA	-n/a-	-	116,946
VA Supportive Services for Veteran Families Program	64.033	MMCAA	-n/a-	-	114,025
VA SSVF Shallow Subsidy	64.033	MMCAA	-n/a-	-	42,818
Total U.S. Department of Veterans Affairs				-	273,789
U.S. Department of Energy					
Weatherization Assistance Program	81.042	MDHHS	WAP23-59010 (E20235349-00)	-	233,661
Weatherization Assistance Program	81.042	MDHHS	WAP23-59010 (E20230814-00)	-	331,347
Weatherization Assistance Program	81.042	MDHHS	WXBIL23-59010 (E20234548-00)	-	2,299
Total U.S. Department of Energy				-	567,307
U.S. Department of Health and Human Services					
Diaper Bank	93.558	MDHHS	E20234521-00	-	122,750
Emergency Shelter Program	93.558	SA	E20234318-00	-	77,426
				-	200,176
Low-Income Home Energy Assistance Program:					
Weatherization LIHEAP	93.568	MDHHS	WAP LIHP1-2023-59010 (E20230695-00)	-	263,970
Weatherization LIHEAP - Admin	93.568	MDHHS	WAP LIHP3-2023-59010 (E20230689-00)	-	18,606
				-	282,576

continued...

EIGHTCAP, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended Year Ended September 30, 2023

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 - Discretionary	93.569	MDHHS	CSBD2-59010 (E20234738-00)	\$ -	\$ 5,665
Community Services Block Grant	93.569	MDHHS	CS23-2023-59010 (E20233419-00)	-	345,274
Community Services Block Grant	93.569	MDHHS	CSBG1-2023-59010 (E20230079-00)	-	576,168
				<u>-</u>	<u>927,107</u>
Head Start and Early Head Start Program Cluster:					
Head Start and Early Head Start	93.600	Direct	05CH010768-04	-	2,746,120
Head Start and Early Head Start	93.600	Direct	05CH010768-05	-	8,334,021
COVID-19 - Head Start and Early Head Start American Rescue Plan (ARP)	93.600	Direct	05HE000248-01-01	-	624,194
				<u>-</u>	<u>11,704,335</u>
Total U.S. Department of Health and Human Services					
				<u>-</u>	<u>13,114,194</u>
Corporation for National and Community Service					
Foster Grandparent/Senior Companion Cluster:					
Foster Grandparent	94.011	Direct	21SFCMI003	-	226,701
Senior Companion	94.016	Direct	22SCCMIO04	-	86,958
				<u>-</u>	<u>313,659</u>
Total Corporation for National and Community Service					
				<u>-</u>	<u>313,659</u>
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board Program	97.024	Direct	471400-001	-	42,518
Emergency Food and Shelter National Board Program	97.024	Direct	477400-007	-	18,604
Emergency Food and Shelter National Board Program	97.024	Direct	470800-006	-	14,763
Emergency Food and Shelter National Board Program	97.024	Direct	469400-023	-	4,492
				<u>-</u>	<u>80,377</u>
Total U.S. Department of Homeland Security					
				<u>-</u>	<u>80,377</u>
Total Expenditures of Federal Awards				<u>\$ 195,917</u>	<u>\$ 16,193,602</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, 2023. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the 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	\$ 16,973,035
State and local funding sources	(785,509)
Prior year adjustments	<u>6,076</u>
Expenditures per Schedule	<u><u>\$ 16,193,602</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
SA	Salvation Army



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

March 4, 2024

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 Johnson 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**

March 4, 2024

Board of Directors
EightCAP, Inc.
Orleans, Michigan

Report on Compliance for Each Major Federal Program

Opinion on 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, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Year Ended September 30, 2023

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

93.569
93.600

Community Services Block Grant
Head Start and Early Head Start 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 Year Ended September 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

EIGHTCAP, INC.

Schedule of Findings and Questioned Costs

For the Year Ended Year Ended September 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

EIGHTCAP, INC.

Summary Schedule of Prior Audit Findings

For the Year Ended Year Ended September 30, 2023

No matters were reported.

