

Area Agency on Aging 1-B

Financial Statements

September 30, 2023

**(With Summarized Comparative
Information for 2022)**



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Management and the Board of Directors
Area Agency on Aging 1-B
Southfield, Michigan

Opinion

We have audited the accompanying financial statements of Area Agency on Aging 1-B (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of revenue, expenses and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Area Agency on Aging 1-B 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Area Agency on Aging 1-B 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, Area Agency on Aging 1-B changed its method of accounting for leases in 2023 as required by the provisions of FASB Accounting Standards Updates relating to FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Area Agency on Aging 1-B's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, 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 generally accepted auditing standards 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 Area Agency on Aging 1-B'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 Area Agency on Aging 1-B'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.

Report on Summarized Comparative Information

We have previously audited the Area Agency on Aging 1-B 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Funded Service Categories by Source is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024 on our consideration of Area Agency on Aging 1-B's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Area Agency on Aging 1-B's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Area Agency on Aging 1-B's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
February 15, 2024

Area Agency on Aging 1-B
Statement of Financial Position
September 30, 2023
(With Summarized Comparative Information for 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 11,409,054	\$ 12,080,240
Accounts receivable	7,329,467	6,994,579
Prepaid expenses	313,278	215,866
Total current assets	19,051,799	19,290,685
Equipment and leasehold improvement, net	152,051	157,400
Right of use asset - operating lease, net	424,136	-
Total assets	\$ 19,627,986	\$ 19,448,085
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 9,024,779	\$ 7,710,602
Accrued expenses	1,142,633	1,218,433
Note payable	431,201	431,201
Operating lease obligation, current portion	220,190	-
Total current liabilities	10,818,803	9,360,236
Long-term liabilities		
Long-term debt, net of current portion	-	418,428
Operating lease obligation, net of current portion	216,914	-
Total long-term liabilities	216,914	418,428
Total liabilities	11,035,717	9,778,664
Net assets		
Without donor restrictions		
Undesignated	8,145,881	9,453,232
With donor restrictions		
Purpose restrictions	446,388	216,189
Total net assets	8,592,269	9,669,421
Total liabilities and net assets	\$ 19,627,986	\$ 19,448,085

See Accompanying Notes to the Financial Statements

Area Agency on Aging 1-B
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2023
(With Summarized Comparative Information for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue, support and gains				
Federal grants	\$ 16,646,545	\$ -	\$ 16,646,545	\$ 14,899,491
State grants	40,999,523	-	40,999,523	43,129,069
Fees for services	11,763,601	-	11,763,601	17,077,630
County support	352,349	-	352,349	333,374
Gifts and grants	10,924	410,259	421,183	220,476
Contributed nonfinancial assets	2,007,516	-	2,007,516	1,433,384
Interest income	285,221	-	285,221	65,671
Net assets released from restrictions	180,060	(180,060)	-	-
	<u>72,245,739</u>	<u>230,199</u>	<u>72,475,938</u>	<u>77,159,095</u>
Expenses				
Program services				
MI Choice Medicaid Waiver	31,835,936	-	31,835,936	30,787,043
Aging and Adult Services	27,534,160	-	27,534,160	24,866,282
MI Health Link	8,568,503	-	8,568,503	14,524,119
Medicare/Medicaid Assistance	600,573	-	600,573	515,076
Other program	2,341,525	-	2,341,525	2,692,320
Supporting services				
Management and general	2,672,393	-	2,672,393	3,050,483
	<u>73,553,090</u>	<u>-</u>	<u>73,553,090</u>	<u>76,435,323</u>
Change in net assets	(1,307,351)	230,199	(1,077,152)	723,772
Net assets - beginning of year	<u>9,453,232</u>	<u>216,189</u>	<u>9,669,421</u>	<u>8,945,649</u>
Net assets - end of year	<u>\$ 8,145,881</u>	<u>\$ 446,388</u>	<u>\$ 8,592,269</u>	<u>\$ 9,669,421</u>

See Accompanying Notes to the Financial Statements

Area Agency on Aging 1-B
Statement of Functional Expenses
For the Year Ended September 30, 2023
(With Summarized Comparative Information for 2022)

	Program Services						Total		
	MI Choice Medicaid Waiver	Aging and Adult Services Program	MI Health Link Program	Medicare Medicaid Assistance	Other Programs	Total Program Services	Management and General	2023	2022
	Salaries and related costs								
Salaries and wages	\$ 3,766,654	\$ 2,838,809	\$ 264,238	\$ 246,153	\$ 324,794	\$ 7,440,648	\$ 1,733,615	\$ 9,174,263	\$ 10,118,703
Payroll taxes	281,531	183,956	19,088	19,142	22,366	526,083	119,439	645,522	751,027
Employee benefits	689,199	580,257	58,238	77,279	100,502	1,505,475	152,046	1,657,521	1,990,139
Total salaries and related costs	4,737,384	3,603,022	341,564	342,574	447,662	9,472,206	2,005,100	11,477,306	12,859,869
Accounting	24,080	17,360	1,680	2,240	2,800	48,160	7,840	56,000	52,930
Advertising	-	63,474	-	-	25	63,499	-	63,499	55,478
Bad debt	-	-	-	-	390	390	-	390	427,376
Bank service charge	-	-	-	-	-	-	20,955	20,955	22,804
Employee appreciation	-	3,326	-	312	6,007	9,645	19,838	29,483	46,318
Depreciation	-	-	-	-	-	-	12,636	12,636	12,636
Equipment	5,063	3,649	353	471	588	10,124	1,897	12,021	14,284
Insurance	33,319	24,021	2,325	3,099	3,875	66,639	10,863	77,502	69,141
Interest	-	-	-	-	-	-	19,715	19,715	32,014
Legal services	-	7,915	-	-	-	7,915	52,199	60,114	25,240
Meals	1,932	1,767	230	430	1,423	5,782	841	6,623	2,584
Memberships	35,505	20,093	1,249	1,665	2,082	60,594	17,834	78,428	87,736
Other	2,702	9,672	5	156	3,176	15,711	49,956	65,667	24,107
Postage	8,657	52,620	81	1,549	4,872	67,779	2,068	69,847	63,680
Printing and publications	6,571	50,712	392	664	31,223	89,562	3,240	92,802	92,757
Professional services	143,313	91,231	4,236	2,628	64,324	305,732	144,062	449,794	451,988
Rent	106,396	70,805	6,518	7,958	10,864	202,541	31,402	233,943	244,480
Service contracts	26,177,805	23,002,647	8,170,660	182,658	1,690,699	59,224,469	4,312	59,228,781	60,286,738
Supplies	6,020	36,331	342	659	1,329	44,681	3,689	48,370	48,143
Technology services	353,486	320,377	24,348	34,632	46,580	779,423	175,692	955,115	1,067,634
Telephone	152,619	110,029	10,648	15,269	18,847	307,412	50,890	358,302	381,619
Temp services	-	-	-	-	-	-	-	-	875
Training	14,268	14,878	992	1,137	3,639	34,914	24,318	59,232	34,410
Travel	24,079	28,257	2,689	2,217	802	58,044	12,155	70,199	24,128
Utilities	2,737	1,974	191	255	318	5,475	891	6,366	6,354
Total expenses by function	\$ 31,835,936	\$ 27,534,160	\$ 8,568,503	\$ 600,573	\$ 2,341,525	\$ 70,880,697	\$ 2,672,393	\$ 73,553,090	\$ 76,435,323

See Accompanying Notes to the Financial Statements

Area Agency on Aging 1-B
Statement of Cash Flows
For the Year Ended September 30, 2023
(With Summarized Comparative Information for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (1,077,152)	\$ 723,772
Items not requiring cash		
Depreciation	12,636	12,636
Bad debt	390	427,376
Changes in operating assets and liabilities		
Accounts receivable	(335,278)	(2,039,767)
Prepaid expenses	(97,412)	(31,346)
Operating lease assets and liabilities	12,968	-
Accounts payable	1,314,177	210,171
Accrued expenses	(75,800)	(80,066)
Net cash used by operating activities	(245,471)	(777,224)
Cash flows from investing activities		
Purchases of property and equipment	(7,287)	-
Cash flows from financing activities		
Payments on note payable	(418,428)	(406,128)
Net change in cash and cash equivalents	(671,186)	(1,183,352)
Cash and cash equivalents - beginning of year	12,080,240	13,263,592
Cash and cash equivalents - end of year	<u>\$ 11,409,054</u>	<u>\$ 12,080,240</u>
Supplementary information		
Interest paid	<u>\$ 19,715</u>	<u>\$ 32,014</u>
Equipment acquired through operating lease	<u>\$ 15,675</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

The Area Agency on Aging 1-B (the “Agency”) is a Michigan non-profit organization, based in Southfield, Michigan. The Agency provides, through contract and direct service purchase, home care support and nutrition services to persons age 60 and above, and to persons with disabilities who are age 18 and older residing in the Michigan counties of Livingston, Macomb, Monroe, Oakland, St. Clair and Washtenaw. The reported revenues and expenses include all amounts received and expended directly by the Agency and contractor organizations in connection with the provision of programs contracted with them by the Agency.

Basis of Accounting

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

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or 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. As needed, the Board may designate net assets to be allocated for specific actions.

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.

The Agency reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Comparative Financial Information

The financial information for the year ended September 30, 2022 is presented for comparative purposes is not intended to be a complete financial statement presentation.

Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. As of September 30, 2023, \$11,197,984 of cash and cash equivalents was in excess of the amount insured by the FDIC.

Accounts Receivable

Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. Based on management’s review, an allowance of \$743,798 and \$749,392 was deemed necessary as of September 30, 2023 and 2022.

It is the Agency’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional.

The Agency uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

Equipment and Leasehold Improvements

The Agency follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Agency evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Compensated Absences

Employees of the Agency are entitled to paid time off, depending on length of service. Employees are allowed to accumulate paid time off and up to 300 hours can be paid out upon separation. Employees can also carry over earned vacation.

Revenue and Revenue Recognition

Revenue is recognized when earned. Payments under cost-reimbursable contracts are recognized in the period in which the related services are performed, or expenditures are incurred, respectively. Revenue received for grants and fees for services determined to be exchange transactions are recognized as services are provided.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Included in state grant revenue is the Michigan Department of Health and Human Services (MDCH) MI Choice grant, which is a capitated rate plan. Under this plan, the Agency is paid a monthly fee for each eligible participant enrolled in the plan at the end of each month. The fee is based on participant age and the level of need for support services. These payments are reconciled each month to determine overpayments (money due back to the State) or underpayments (money due to the Agency).

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Leases

The Agency leases certain buildings, copiers, and vehicles. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Finance leases are contracts that have characteristics that make them similar to the purchase of the underlying asset. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Agency's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Agency has applied the risk-free rate option to the building and office equipment classes of assets.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is allocated between the amortization of the right of use asset and interest expense.

The lease payments used to determine the lease liability and right of use assets include residual value guarantees that are probable of being paid at the termination of the lease term.

Advertising

The Agency expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended September 30, 2023 and 2022 was \$63,499 and \$55,478, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and employee benefits, equipment, insurance, memberships, postage, printing and publications, professional services, rent, supplies, technology services, telephone, training, and utilities. Salaries are allocated based on a time and cost study of where efforts are made, and the other expense are allocated using a percentage of FTEs

Income Tax Status

The Agency is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Agency files information returns in the U.S. Federal and Michigan jurisdiction.

Use of Estimates

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

Date of Management's Review

Management has evaluated subsequent events through February 15, 2024 which is the date the financial statements were available to be issued.

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Adoption of New Accounting Standard

The Organization adopted FASB Topic 842, *Leases*, as of the beginning of the year ended September 30, 2023. This has been adopted using the modified retrospective approach, which restates the balances as of the date of adoption. Since lease liabilities equal the related right to use assets, no change to beginning net assets was necessary.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

	2023	2022
Cash and cash equivalents	\$ 11,409,054	\$ 12,080,240
Accounts receivable	7,329,467	6,994,579
 Total financial assets - end of year	 18,738,521	 19,074,819
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(446,388)	(216,189)
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 18,292,133</u>	 <u>\$ 18,858,630</u>

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Agency invests cash in excess of daily requirements in short-term investments.

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 3 - Equipment and Leasehold Improvements

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	2023	2022
Furniture and equipment	\$ 51,322	\$ 346,360
Leasehold improvements	315,903	315,903
	367,225	662,263
Accumulated depreciation	(215,174)	(504,863)
Equipment and leasehold improvements, net	\$ 152,051	\$ 157,400

Depreciation is computed using the straight-line method over the useful lives of the related assets. Depreciation expense for the years ended September 30, 2023 and 2022 was \$12,636 and \$12,636, respectively.

Note 4 - Leases

The Agency leases certain facilities, vehicles and equipment at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2025 and provide for renewal options ranging from one year to three years. The Agency includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Agency to pay insurance and repairs.

The Agency has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The Agency elected the practical expedient to not separate lease and non-lease components for facilities and equipment.

Total lease cost for the year ended September 30, 2023 is as follows:

Operating lease cost	\$ 218,330
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The following table summarizes the supplemental cash flow information for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 205,362

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease term in years:	
Operating leases	2.00
Weighted-average discount rate:	
Operating leases	3.28%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of September 30, 2023:

	Operating
2024	\$ 230,625
2025	220,138
Total lease payments	450,763
Less interest	(13,659)
Present value of lease liabilities	\$ 437,104

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 5 - Notes Payable

The following summarizes notes payable by type for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Note payable to PNC Bank. The note was used to provide funding necessary to make up the shortfall between assets and liabilities associated with the termination of the Agency's defined benefit pension plan. The note requires monthly payments of \$36,512, including interest at 2.95%, secured by all personal property owned by the Agency, maturing September 2024.	\$ 431,201	\$ 849,629
Less current portion	(431,201)	(431,201)
Long-term debt, net of current portion	\$ -	\$ 418,428

Annual note maturities are scheduled as follows:

2024	\$ 431,201
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The note agreement with the bank contains a covenant requiring the maintenance of a specific liquidity ratio. Under the terms of the agreement, the bank may call the loan if the Agency is in violation of this covenant. As of September 30, 2023 and 2022, the Agency was in compliance with the covenant.

Interest expense for the years ended September 30, 2023 and 2022 was \$19,715 and \$32,014, respectively

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Re-Imagine Caregiving	\$ -	\$ 7,460
Holiday Meals	88,968	78,364
Oakland Blueprint	26,675	26,675
Medicare Outreach	45,088	35,741
Livingstone Resource Guide	957	957
Oakland Together	-	19,284
Safety Net Services	-	20,846
Filmer Trust	1,628	5,000
CFSEM Blueprint	-	21,862
Respite Voucher	280,222	-
Shared Mission	2,850	-
Total net assets with donor restrictions	\$ 446,388	\$ 216,189

Area Agency on Aging 1-B
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 7 - Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Re-Imagine Caregiving	\$ 7,460	\$ 173,440
Holiday Meals	49,464	74,171
COVID-19	-	4,633
Oakland Blueprint	3,450	4,502
Caregiver Coaching	-	18,388
Medicare Outreach	4,611	49
Livingstone Resource Guide	-	280
Oakland Together	19,284	59,725
Safety Net Services	20,846	9,154
Monroe Milage Grant	-	10,181
Filmer Trust	3,372	-
Shared Mission	2,150	-
Sustainability Grant	-	8,900
Respite Voucher	47,561	-
CFSEM Blueprint	<u>21,862</u>	<u>12,637</u>
Total net assets released from donor restrictions	<u>\$ 180,060</u>	<u>\$ 376,060</u>

Note 8 - Revenue from Contracts with Customers

The following summarizes revenue by type for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 42,507,569	\$ 49,578,797
Federal grants	16,554,369	14,892,652
State grants	10,583,338	10,627,902
County support	352,349	333,374
Gifts and grants	185,576	227,315
Contributed nonfinancial assets	2,007,516	1,433,384
Investment income	<u>285,221</u>	<u>65,671</u>
Total revenue	<u>\$ 72,475,938</u>	<u>\$ 77,159,095</u>

Bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers was \$390 and \$427,376 for the years ended September 30, 2023 and 2022, respectively.

The revenue from contracts with customers is all earned at a point in time for the years ended September 30, 2023 and 2022.

Revenue under fee for service for Michigan Health Link is based primarily on contracts with insurance carriers for procedure rates and earned at a point in time when the service is performed. The transaction price is set in the contract with each insurance company. Capitation revenue is for support services provided to eligible participants. The transaction price is a set amount per month based on participants and the level of support needed. This revenue is considered earned at a point in time.

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The following summarizes contract assets as of:

	September 30, 2023	September 30, 2022	October 1, 2021
Accounts receivable	<u>\$ 3,236,046</u>	<u>\$ 4,300,831</u>	<u>\$ 3,780,014</u>

There were no contract liabilities as of September 30, 2023, September 30, 2022 and October 1, 2021.

There were no changes in judgments related to revenue recognition for the year ended September 30, 2023.

The Agency uses the practical expedient to record revenue as if there is no significant financing component when the receivable is due within one year.

Note 9 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2023 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Building	\$ 1,302,200	Aging and Adult Services	No associated donor restrictions	Value determined by the fair market value of space used for the program reported by the contractor.
Vendor services	522,658	Aging and Adult Services	No associated donor restrictions	Value of services determined by contract with vendor. Volunteer hours for Medicaid/Medicare counseling at a hourly rate of \$31.80 as issued by Independent Sector for 2023.
Counseling services	182,658	Medicare/Medicaid Assistance	No associated donor restrictions	Criteria for recording revenue are not met; approximately 24,000 hours were donated.
Volunteer services	-	Aging and Adult Services	No associated donor restrictions	
	<u>\$ 2,007,516</u>			

Contributed nonfinancial assets for the year ended September 30, 2022 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Building	\$ 918,295	Aging and Adult Services	No associated donor restrictions	Value determined by the fair market value of space used for the program reported by the contractor.
Cash match	360,257	Aging and Adult Services	No associated donor restrictions	Value of services determined by contract with vendor. Volunteer hours for Medicaid/Medicare counseling at a hourly rate of \$28.54 as issued by Independent Sector for 2022.
Services	154,832	Medicare/Medicaid Assistance	No associated donor restrictions	Criteria for recording revenue are not met; approximately 21,000 hours were donated.
Volunteer services	-	Aging and Adult Services	No associated donor restrictions	
	<u>\$ 1,433,384</u>			

Note 10 - Retirement Plan

The Agency sponsors a tax deferred profit-sharing plan for eligible employees under Section 401(k) of the Internal Revenue Code. The Agency recognized \$197,190 and \$204,122 for its matched contributions to the Plan during the years ended September 30, 2023 and 2022, respectively.

Note 11 - Contingencies

The Agency participates in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Management feels that any liability for reimbursement which could arise as the result of a grantor audit would not be material.

Area Agency on Aging 1-B
Notes to the Financial Statements
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Note 12 - Concentration

Approximately \$25,364,525 or 35% and \$23,752,000 or 31% of revenues are federal and state funds received through the State of Michigan, Department of Health and Human Services for the years ended September 30, 2023 and 2022, respectively. Accounts receivable from the State of Michigan, Department of Health and Human Services accounted for approximately 53% and 32% of total accounts receivable at September 30, 2023 and 2022, respectively.

Note 13 - Subsequent Event

Subsequent to year end, the Agency underwent a name change. The services provided will remain the same, but the Agency's name is now AgeWays Nonprofit Senior Services.

Area Agency on Aging 1-B
Schedule of Funded Service Categories by Source
September 30, 2023

Service Category	Federal								
	Administration	Title III-B	Title IIIC-1	Title IIIC-2	Title III-D	Title III - E	Title VII/EAP	Title VII/A OMB	NSIP
Care Management	\$ -	\$ 168,985	\$ -	\$ -	\$ -	\$ 44,780	\$ -	\$ -	\$ -
Case Coord/Support	-	157,480	-	-	-	85,067	-	-	-
Information & Assistance	-	93,149	-	-	-	85,103	-	-	-
Outreach	-	208,709	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Chore	-	377,291	-	-	-	-	-	-	-
Home Injury Control	-	126,781	-	-	-	18,000	-	-	-
Homemaker	-	-	-	-	-	-	-	-	-
Home Delivered Meals	-	-	-	5,789,106	-	-	-	-	1,496,738
Medication Management	-	-	-	-	-	-	-	-	-
Personal Care	-	-	-	-	-	-	-	-	-
PERS/Assist Tech & Devices	-	-	-	-	-	-	-	-	-
Respite Care - In Home	-	-	-	-	-	-	-	-	-
Congregate Meals	-	-	1,175,908	-	-	-	-	-	176,338
Legal Assistance	-	185,799	-	-	-	98,108	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-
Disease Prevent	-	-	-	-	273,296	7,419	-	-	-
Assist to Deaf	-	48,168	-	-	-	-	-	-	-
LTC Ombudsman	-	88,583	-	-	-	-	-	45,000	-
Elder Abuse Prevention	-	65,880	-	-	-	-	42,409	-	-
Options Counseling	-	24,000	-	-	-	36,000	-	-	-
Caregiver Information and Assistance	-	280,012	-	-	-	219,518	-	-	-
Caregiver Outreach	-	227,284	-	-	-	530,330	-	-	-
Kinship Respite	-	-	-	-	-	80,311	-	-	-
Caregiver E,S,T	-	-	-	-	-	22,548	-	-	-
Program Develop	-	378,916	-	-	-	-	-	-	-
Respite Care - Volunteer	-	-	-	-	-	-	-	-	-
Administration	1,196,768	-	-	-	-	-	-	-	-
Funding Source Total	\$ 1,196,768	\$ 2,431,037	\$ 1,175,908	\$ 5,789,106	\$ 273,296	\$ 1,227,184	\$ 42,409	\$ 45,000	\$ 1,673,076

Area Agency on Aging 1-B
Schedule of Funded Service Categories by Source
September 30, 2023

Service Category	State Admin	State Access	State In-Home	State Cong.	St. Home Del Meals	St. Alt. Care	State Care Mgmt	State ANS	State NHO
Care Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,096	\$ 120,559	\$ -
Case Coord/Support	-	-	-	-	-	-	604,557	146,300	-
Information & Assistance	-	130,627	-	-	-	-	-	24,141	-
Outreach	-	55,983	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Chore	-	-	-	-	-	-	-	-	-
Home Injury Control	-	-	-	-	-	-	-	-	-
Homemaker	-	-	1,318,774	-	-	90,000	-	-	-
Home Delivered Meals	-	-	-	-	3,101,783	-	-	-	-
Medication Management	-	-	8,242	-	-	-	-	-	-
Personal Care	-	-	1,109,438	-	-	220,230	-	-	-
PERS/Assist Tech & Devices	-	-	213,478	-	-	-	-	-	-
Respite Care - In Home	-	-	887,250	-	-	279,450	-	-	-
Congregate Meals	-	-	-	62,518	-	-	-	-	-
Legal Assistance	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	68,984	-	-	-
Disease Prevent	-	-	-	-	-	-	-	-	-
Assist to Deaf	-	-	-	-	-	-	-	-	-
LTC Ombudsman	-	-	-	-	-	-	-	-	73,035
Elder Abuse Prevention	-	-	-	-	-	-	-	-	-
Counseling	-	-	-	-	-	-	-	-	-
Caregiver Information and Assistance	-	-	-	-	-	-	-	-	-
Caregiver Outreach	-	-	-	-	-	-	-	-	-
Kinship Respite	-	-	-	-	-	-	-	-	-
Caregiver E,S,T	-	-	-	-	-	-	-	-	-
Program Develop	-	-	-	-	-	-	-	-	-
Respite Care - Volunteer	-	-	41,988	-	-	70,931	-	-	-
Administration	294,508	-	-	-	-	-	-	-	-
Funding Source Total	\$ 294,508	\$ 186,610	\$ 3,579,170	\$ 62,518	\$ 3,101,783	\$ 729,595	\$ 863,653	\$ 291,000	\$ 73,035

Area Agency on Aging 1-B
Schedule of Funded Service Categories by Source
September 30, 2023

Service Category	St. Respite (Escheat)	Merit Award Trust Fund	State Care- giver support	State MSO	Program Income	Cash Match	In-Kind Match	Total
Care Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,801	\$ 8,137	\$ 659,358
Case Coord/Support	-	-	-	-	-	83,352	27,027	1,103,783
Information & Assistance	-	-	-	-	-	-	37,004	370,024
Outreach	-	-	-	-	-	-	29,411	294,103
Transportation	-	49,904	-	-	-	-	-	49,904
Chore	-	-	-	-	-	-	41,922	419,213
Home Injury Control	-	-	-	-	-	-	16,087	160,868
Homemaker	-	-	-	-	8,386	-	156,531	1,573,691
Home Delivered Meals	-	-	-	-	-	-	987,877	11,375,504
Medication Management	-	-	-	-	-	-	916	9,158
Personal Care	-	-	-	-	4,023	-	147,741	1,481,432
PERS/Assist Tech & Devices	-	-	-	-	-	-	23,720	237,198
Respite Care - In Home	-	-	96,294	-	-	-	140,332	1,403,326
Congregate Meals	-	-	-	-	-	-	137,604	1,552,368
Legal Assistance	-	-	-	-	-	-	31,547	315,454
Adult Day Care	55,114	730,559	-	-	-	-	7,665	862,322
Disease Prevent	-	-	-	-	-	-	31,192	311,907
Assist to Deaf	-	-	-	-	-	-	5,352	53,520
LTC Ombudsman	-	-	-	27,308	-	-	20,993	254,919
Elder Abuse Prevention	-	-	-	-	-	-	7,320	115,609
Counseling	-	-	-	-	-	-	6,667	66,667
Caregiver Information and Assistance	-	-	-	-	-	-	55,504	555,034
Caregiver Outreach	-	-	-	-	-	-	84,180	841,794
Kinship Respite	-	-	-	-	-	-	8,924	89,235
Caregiver E,S,T	-	-	-	-	-	-	2,506	25,054
Program Develop	-	-	-	-	-	-	42,102	421,018
Respite Care - Volunteer Administration	292,290	-	-	-	-	-	12,548	417,757
	-	-	-	-	-	-	-	1,491,276
Funding Source Total	\$ 347,404	\$ 780,463	\$ 96,294	\$ 27,308	\$ 12,409	\$ 141,153	\$ 2,070,809	\$ 26,511,496