

**OAKLAND LIVINGSTON HUMAN SERVICE
AGENCY AND SUBSIDIARIES**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended December 31, 2018 and 2017

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Oakland Livingston Human Service Agency and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oakland Livingston Human Service Agency (a Michigan nonprofit organization) and its subsidiaries Venture, Inc. and Venture Housing, Inc., which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying separate statements of functional expenses of Oakland Livingston Human Service Agency and its subsidiary, Venture, Inc. for the year ended December 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements and separate statements of functional expenses 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements and separate statements of functional expenses based on our audit. We did not audit the financial statements of Venture Grand River Limited Dividend Housing Association Limited Partnership or Venture Gateway Limited Dividend Housing Association Limited Partnership, subsidiaries of Venture, Inc. and Venture Housing, Inc., which statements reflect total assets of \$4,297,966 and \$4,433,241, respectively, as of December 31, 2018 and 2017, and total revenues of \$494,449 and \$496,856, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Venture Grand River Limited Dividend Housing Association Limited Partnership were not audited in accordance with *Government Auditing Standards*. The financial statements of Venture Gateway Limited Dividend Housing Association Limited Partnership were audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, the consolidated financial statements and separate statements of functional expenses referred to above present fairly, in all material respects, the financial position of Oakland Livingston Human Service Agency and Subsidiaries as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

To the Board of Directors
of Oakland Livingston Human Service Agency and Subsidiaries
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of the Oakland Livingston Human Service Agency and Subsidiaries 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 Oakland Livingston Human Service Agency and Subsidiaries' 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 Oakland Livingston Human Service Agency and Subsidiaries internal control over financial reporting and compliance.

The image shows a handwritten signature in dark ink. The letters 'UHY' are written in a large, cursive style, and 'LLP' is written in a smaller, more upright cursive style to the right of 'UHY'.

Farmington Hills, Michigan
September 25, 2019

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,302,527	\$ 1,357,426
Grants receivable	3,840,687	5,268,457
Other receivables	172,497	124,949
Mortgages and notes receivable	1,069,994	1,167,849
Inventory	34,727	41,366
Prepaid expenses and deposits	155,603	173,634
Investments	1,683,345	1,785,730
Investments in related entities	301,813	60,631
Property and equipment - net	4,545,459	4,693,059
	\$ 14,106,652	\$ 14,673,101
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,633,087	\$ 2,027,954
Other payables	1,078,478	1,114,070
Accrued expenses and deposits held	1,766,870	1,608,069
Deferred revenue	1,924,117	1,694,875
Line of credit	385,833	280,833
Mortgages and notes payable	4,633,458	4,658,482
Post-retirement obligation - health benefits	1,381,077	1,370,283
	12,802,920	12,754,566
NET ASSETS		
Without donor restrictions:		
Undesignated	828,964	1,083,435
Board designated	265,911	281,329
With donor restrictions	208,857	553,771
	1,303,732	1,918,535
	\$ 14,106,652	\$ 14,673,101

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Years ended December 31,			2017 Total
	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES AND SUPPORT				
Government grants and contracts	\$ 20,236,385	\$ -	\$ 20,236,385	\$ 21,096,747
Public contributions	3,441,966	-	3,441,966	3,915,639
Performance fees	1,612,183	-	1,612,183	2,427,962
Non-cash commodities	1,136,472	-	1,136,472	983,194
Net investment income	14,002	-	14,002	373,124
Rental income	445,109	-	445,109	431,248
Income (loss) from related parties	123,881	-	123,881	(63)
Other income	47,171	-	47,171	18,343
Total revenues and support	<u>27,057,169</u>	<u>-</u>	<u>27,057,169</u>	<u>29,246,194</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>344,914</u>	<u>(344,914)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Salaries and wages	8,909,472	-	8,909,472	8,915,339
Fringe benefits	2,767,230	-	2,767,230	3,638,777
Consultants and contract services	5,436,136	-	5,436,136	5,716,699
Subgrants	3,155,898	-	3,155,898	3,143,374
Consumable supplies	1,148,453	-	1,148,453	1,065,262
Non-cash assistance - commodities	1,138,362	-	1,138,362	990,077
Occupancy costs and rentals	1,639,813	-	1,639,813	1,600,285
Special assistance	2,148,254	-	2,148,254	2,057,979
Travel	342,464	-	342,464	270,985
Other costs	999,306	-	999,306	738,674
Total expenses	<u>27,685,388</u>	<u>-</u>	<u>27,685,388</u>	<u>28,137,451</u>
Change in net assets before change in pension and post retirement liabilities	(283,305)	(344,914)	(628,219)	1,108,743
Change in pension and postretirement liabilities	13,416	-	13,416	(98,385)
CHANGE IN NET ASSETS	<u>(269,889)</u>	<u>(344,914)</u>	<u>(614,803)</u>	<u>1,010,358</u>
NET ASSETS , beginning of year	<u>1,364,764</u>	<u>553,771</u>	<u>1,918,535</u>	<u>908,177</u>
NET ASSETS , end of year	<u>\$ 1,094,875</u>	<u>\$ 208,857</u>	<u>\$ 1,303,732</u>	<u>\$ 1,918,535</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS**

	Years ended December 31,	
	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ (614,803)	\$ 1,010,358
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	214,564	215,719
Unrealized (gain) loss on marketable securities	135,656	(259,110)
Uncollectable accounts	5,000	-
(Income) loss from related parties	(123,881)	63
Changes in:		
Grants receivables	1,427,770	(1,506,050)
Other receivables	(47,548)	195,873
Inventory	6,639	(34,777)
Prepaid expenses and deposits	18,031	(54,748)
Accounts payable	(394,867)	386,786
Other payables	(35,592)	(25,092)
Accrued expenses and deposits held	158,801	(92,752)
Deferred revenue	229,242	297,354
Post-retirement obligation - health benefits	10,794	(90,049)
Post-retirement obligation - pension benefits	-	28,711
	989,806	72,286
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Purchases of investments	(1,009,629)	(18,526)
Proceeds from sale of investments	990,795	12,940
Purchases of fixed assets	(78,092)	(275,004)
Advances made on note receivable	(27,755)	(27,755)
Proceeds from notes receivable	-	1,445
	(124,681)	(306,900)
Net cash used in investing activities		
FINANCING ACTIVITIES		
Net borrowings under line of credit	105,000	139,001
Repayments of long-term debt	(25,024)	(22,869)
	79,976	116,132
Net cash provided by financing activities		
CHANGE IN CASH AND CASH EQUIVALENTS	945,101	(118,482)
CASH AND CASH EQUIVALENTS, beginning of year	1,357,426	1,475,908
CASH AND CASH EQUIVALENTS, at end of year	\$ 2,302,527	1,357,426
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 146,738	\$ 158,101

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES**
STATEMENT OF FUNCTIONAL EXPENSES - OLHSA
Year ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 8,395,975	\$ 414,666	\$ 37,467	\$ 8,848,108
Fringe benefits	2,644,058	98,331	9,567	2,751,956
Consultants and contract	4,793,725	359,074	15,820	5,168,619
Subgrants	3,155,898	-	-	3,155,898
Consumable supplies	1,019,290	86,333	42,830	1,148,453
Non-cash assistance	1,037,136	99,690	-	1,136,826
Occupancy costs and rentals	1,383,466	135,370	-	1,518,836
Specific assistance	2,055,980	10,745	-	2,066,725
Travel	291,196	48,600	1,803	341,599
Other costs	298,174	245,088	1,788	545,050
Total functional expenses	<u><u>\$ 25,074,898</u></u>	<u><u>\$ 1,497,897</u></u>	<u><u>\$ 109,275</u></u>	<u><u>\$ 26,682,070</u></u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES**
STATEMENT OF FUNCTIONAL EXPENSES - VENTURE, INC.
Year ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 47,198	\$ -	\$ -	\$ 47,198
Fringe benefits	13,516	-	-	13,516
Consultants and contract services	96,589	135,900	-	232,489
Non-cash assistance commodities	1,536	-	-	1,536
Travel	865	-	-	865
Other costs	92,279	-	-	92,279
Total functional expenses	\$ 251,983	\$ 135,900	\$ -	\$ 387,883

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATIONS

Oakland Livingston Human Service Agency (“OLHSA”) is a Community Action Agency that, through collaboration and partnership, empowers people in need of assistance who live in the communities OLHSA serves, to gain the knowledge, skills, and resources to improve the quality of their lives.

OLHSA was founded in 1964 as a part of President Lyndon B. Johnson's War on Poverty. OLHSA provides dozens of services to assist families and individuals to succeed. OLHSA is the largest private nonprofit agency delivering human services to Oakland and Livingston Counties. OLHSA helps those in need with a comprehensive set of services, focusing on meeting the basic needs of senior citizens, persons with disabilities, and people suffering from economic hardship. OLHSA provides a broad range of connected services that empower more than 13,000 clients each year to reach or maintain self-sufficiency. OLHSA's services address specific needs in Oakland and Livingston County communities.

OLHSA's primary source of revenue, 75 percent, is derived from third-party reimbursement arrangements to carry out specific program activities. The Agency works in a cooperative environment with various units of government, churches, and civic groups in order to help alleviate the causes and effects of poverty.

Venture, Inc., a 100% controlled nonprofit subsidiary of OLHSA, was established for the purpose of providing decent affordable housing for persons of low and moderate income by facilitating home purchase, rehabilitation, construction and lending and to perform other community development activity to assist in such objectives including promoting employment and business opportunities for low-income people who are residents of the State of Michigan.

Venture, Inc. receives funds from various sources, including grants, donations, and loans in order to acquire, rehabilitate, and construct homes for eligible participants. All costs incurred for this purpose are expensed and not capitalized.

Venture Housing, Inc., a 100% owned for-profit subsidiary of Venture, Inc., was established for the purpose of creating Limited Dividend Housing Association Limited Partnerships (“LDHA LP”) within the State of Michigan to create affordable low to moderate housing through tax credit initiatives.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATIONS (Continued)

The following five LDHA LP entities were established in conjunction with Venture, Inc. and Venture Housing, Inc.:

	<u>Ownership Percentage</u>	
	<u>Venture, Inc.</u>	<u>Venture Housing, Inc.</u>
Venture Grand River LDHA LP	10.0%	90.0%
Venture Gateway LDHA LP	10.0%	90.0%
Venture Centerpark LDHA LP	-	0.01%
Venture Pontiac Homes I LDHA LP	-	0.01%
Venture Willow Haven LDHA LP	-	0.01%

Venture Grand River LDHA LP is organized as a limited partnership to acquire, construct, rehabilitate, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with 33 units of multi-family rental housing projects for persons of low and moderate income. The scattered site development known as Grand River Shores consists of certain housing developments located in Howell, Brighton, and Fowlerville, Michigan.

Venture Gateway LDHA LP is organized as a limited partnership to acquire an interest in real property located in Linden, Michigan and to rehabilitate and operate thereon an apartment complex of 32 units.

Venture Centerpark LDHA LP is organized as a limited partnership to acquire an interest in real property located in Otisville, Michigan and to renovate and operate thereon an apartment complex of 24 units. This LDHA LP is not controlled by Venture, Inc. or Venture Housing, Inc. and therefore is not included in these consolidated financial statements.

Venture Pontiac Homes I LDHA LP is organized as a limited partnership to acquire, construct, develop, maintain, and operate a family housing complex consisting of 10 units located in Pontiac, Michigan. This LDHA LP is not controlled by Venture, Inc. or Venture Housing, Inc. and therefore is not included in these consolidated financial statements.

Venture Willow Haven LDHA LP is organized as a limited partnership to acquire, construct, develop, and operate a 20 unit, multi-family rental housing project and other communal facilities for persons of low income. The LDHA LP is not controlled by Venture, Inc. or Venture Housing Inc. and therefore is not included in these consolidated financial statements.

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidated assets and liabilities, changes in net assets, and cash flows of Oakland Livingston Human Service Agency, Venture, Inc., Venture Housing, Inc., Venture Grand River LDHA LP and Venture Gateway LDHA LP (collectively, the "Agency"). All significant interrelated transactions have been eliminated in consolidation.

Basis of Presentation

The Agency follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Agency follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification (ASC)*.

Financial statement presentation follows the recommendations of the ASC topic - Presentation of Financial Statements for Not-for-Profit Entities. The Agency is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents, marketable securities and accounts receivable. The Agency places its cash, cash equivalents and marketable securities with high credit qualified financial institutions. At times the Agency has balances on deposit with certain institutions that may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes that the Agency is not exposed to any significant credit risk for cash. Marketable securities, other than cash deposits, are at risk equal to their market value.

With respect to accounts receivable, the Agency attempts to minimize credit risk by reviewing and monitoring credit exposure on a continuing basis. Any unanticipated change in credit worthiness or other matters affecting the collectability of accounts receivable that could have a material effect on the Consolidated Statements of Activities and the Consolidated Statements of Financial Position are recorded in the period in which such events occur.

For the years ended December 31, 2018 and 2017, approximately 44% and 38%, respectively, of the Agency's financial support was provided by Head Start grants received from the Department of Health and Human Services. As of December 31, 2018 and 2017, approximately \$2,100,000 and \$3,100,000, respectively, was due from the Department of Health and Human Services.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include deposits in money market fund accounts and investments in short-term certificates of deposit.

Grants Receivable and Allowance for Doubtful Accounts

The Agency carries its grants receivable at net realizable value less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its grants receivable and establishes an allowance, when deemed necessary, based upon the anticipated collectability of each specific account. Management has estimated no allowance is needed for the years ended December 31, 2018 and 2017.

Inventory

Commodities are valued at fair market value or values determined by the grantor agency. Materials and supplies purchased with grant funds are expensed in the period in which purchased, accordingly, no materials and supplies inventory is recognized.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Investments

The Agency records its investments in marketable equity securities in accordance with ASC topic Not-for-Profit Entities Investments. Accordingly, investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Any related gains or losses are reported in the consolidated statement of activities and changes in net assets.

Fixed Assets, Depreciation and Amortization

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation and amortization expense is computed over the estimated useful lives of the assets (ranging from 5 to 40 years) using the straight-line method. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation or amortization is eliminated from the respective accounts and the resulting gain or loss is included in Consolidated Statements of Activities. For trade-ins, any gain becomes an adjustment to the new asset basis and any loss is included in the Consolidated Statements of Activities.

Deferred Revenue

Revenues received from grantors in advance are deferred until related expenses have occurred.

Revenue and Support

Program Fees and Other

Program service fees represent the estimated net realizable amounts from clients and others for services rendered. Revenue is recorded from these sources when earned and collectible.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Fees from Government Agencies

Revenue from government contracts under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the funds, revenue and contract receivable are recorded in the period during which the expenses are incurred.

Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Agency. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions

The Agency reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported by the Agency as unrestricted support in these consolidated financial statements.

Donated Goods and Services

A substantial number of volunteers have donated significant amounts of their time in the Agency's program services and its fund-raising campaigns. For the years then ended December 31, 2018 and 2017, donated services of \$59,723 and \$93,018 were not recognized in the consolidated financial statements since they did not meet the criteria for recognition under ASC topic - Contributions. For the years then ended December 31, 2018 and 2017, the Agency recorded in-kind services and donations of \$1,687,464 and \$1,439,299, respectively, in the Consolidated Statements of Activities as public contributions.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Commodities

Non-monetary assistance is recorded at the fair market value of the commodities received and disbursed. Total non-monetary assistance received during the year ended December 31, 2018 and 2017 was \$1,136,472 and \$983,194, respectively.

Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2018 and 2017, there were no uncertain tax positions that required accrual.

Cost Allocation

Costs are allocated to benefiting programs using various allocation methods, depending on the type of cost being allocated. Costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel-Agency

Administrative and financial personnel record the time they spend working on specific programs and general agency matters using time sheets. The time specifically identifiable to a particular program is charged to that program. The time not specifically identifiable is charged to the C.S.B.G. grant awarded to cover such expenditures.

Supplies

All supplies are expensed to specific programs as acquired.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Cost Allocation (Continued)

Building

Space costs (maintenance costs, supplies, etc.) are directly charged to each program occupying the space.

Copy Costs

A record is maintained of copies made for each program. Copy costs are charged to programs based on the percentage of copies made in the month.

Insurance

Insurance is allocated to benefiting programs depending on the equipment, space or people covered by the insurance.

Other Joint Costs

Other joint costs (telephone, computer usage, etc.) are charged to agency programs based on the amounts used by each program.

Functional Expenses

The Agency and its subsidiary, Venture, Inc., allocate its expenses on a functional basis between program and support services. Expenses that are specifically attributable to one of the three segments (Program services, Management and General, or Fundraising) are reported under that segment in their natural expenditure classification. Other expenses shared across segments are allocated based on estimates determined by management. Although methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

As noted below, ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities was implemented during 2018. One of the requirements of the ASU is to report expenses by functional category. These financial statements include this for the year ended December 31, 2018. The ASU does not require reporting expenses by functional category for prior year amounts in comparative statements. However, the summarized information for the Agency and Venture, Inc. for the year ended December 31, 2017 is as follows:

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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

Program services	\$ 25,905,643	94.16%
Management and general	1,539,119	5.47%
Fundraising	<u>104,108</u>	0.37%
	<u><u>\$ 27,548,870</u></u>	

New Accounting Pronouncement

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. Venture Housing, Inc., and its related LDHA entities described above, are For-Profit entities, and are not subject to this ASU.

Subsequent Events

The Agency has performed a review of up through and including September 25, 2019, the date the consolidated financials were available to be issued.

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NOTE 3 – 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:

	<u>December 31, 2018</u>
Cash and cash equivalents	\$ 2,302,527
Investments	1,417,434
Grants receivable	3,840,687
Other receivables	46,727
Mortgage and notes receivable	<u>8,800</u>
	<u>\$ 7,616,175</u>

Investments consists of available for sale securities.

Grants receivable are predominately amounts due from Federal agencies, State, Counties, and local government units to be used for the programs provided under the contracts.

Other receivable consists of other amount due for rental income and interest income.

Mortgage and notes receivable represents an installment being received as addressed in the contracts.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 – MORTGAGES AND NOTES RECEIVABLE

Mortgages and notes receivable consist of the following:

	December 31,	
	2018	2017
Venture, Inc. made a second mortgage loan in the amount of \$610,000 to Venture Pontiac Homes I LDHA LP, using funds provided from a HOME contract with the City of Pontiac. The second mortgage, to be used for the construction of ten homes, matures 18 years after construction completion and earns interest at a rate of 4.55% compounded annually.	\$ 892,494	\$ 864,739
Venture, Inc. holds one interest free down-payment assistance loan issued in connection with the Agency's sale of a home, totaling \$4,500. If certain conditions are met the loan is forgiven. The loan is offset by a liability account in the same amount.	4,500	4,500
Various notes receivable for development costs for the purpose of creating Limited Dividend Housing Association Limited Partnerships (LDHA LP). These notes are due from the LDHA LP's upon creation. These notes were written off in 2018.	-	5,000
Venture Inc. made a mortgage loan in the amount of \$11,000 to Venture Centerpark LDHALP. The mortgage loan matures in 5 years and earns interest at a rate of 2.30% compounded annually.	11,000	11,000
Development fee receivable from a related party, Venture Centerpark LDHA LP. The receivable was converted into an investment in 2018.	-	120,610

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NOTE 4 – MORTGAGES AND NOTES RECEIVABLE (Continued)

	December 31,	
	<u>2018</u>	<u>2017</u>
Venture, Inc. made a loan in the amount of \$162,000 to Venture Willow Haven LDHA LP for the project of construction and development of 20 units of rented housing in the City of Linden, Michigan. The term of the loan is 20 years commencing on the date of the project completion with an annual interest rate of 3.00%.	<u>162,000</u>	<u>162,000</u>
	<u>\$ 1,069,994</u>	<u>\$ 1,167,849</u>

Following is the maturity of the mortgage and notes receivable for each of the next five years and thereafter:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	\$ 8,800
2020	2,200
2021	-
2022	-
2023	-
Thereafter	<u>1,058,994</u>
	<u>\$ 1,069,994</u>

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NOTE 5 – PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Rent	\$ -	\$ 12,334
Insurance	63,393	76,423
Other	16,125	7,862
Deferred compliance fees, net	7,285	8,215
Deposits	<u>68,800</u>	<u>68,800</u>
	<u>\$ 155,603</u>	<u>\$ 173,634</u>

NOTE 6 – INVESTMENTS

Investments consist of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Money market funds	\$ 60,800	\$ 63,288
Equity funds	1,029,835	1,144,731
Fixed income	180,024	-
Community foundation endowment	265,911	281,329
Certificates of deposit	<u>146,775</u>	<u>296,382</u>
	<u>\$ 1,683,345</u>	<u>\$ 1,785,730</u>

Investment returns are summarized as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 124,280	\$ 114,014
Net realized gain on investments	25,378	33,076
Net unrealized (loss) gain on investments	<u>(135,656)</u>	<u>226,034</u>
Investment income - net	<u>\$ 14,002</u>	<u>\$ 373,124</u>

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NOTE 7 – FAIR VALUE MEASUREMENTS

ASC topic - *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the abilities to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds and certificates of deposit: Valued at cost plus interest earnings through the year end.

Equity funds and fixed income funds: Valued at the net asset value of shares held by the Agency at year end.

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NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

Community Foundation of Southeast Michigan: Valued at accumulated unit value of units held by the Agency at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of December 31, 2018:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Assets:				
Money market funds	\$ 60,800	\$ -	\$ -	\$ 60,800
Equity funds	1,029,835	-	-	1,029,835
Fixed income	180,024	-	-	180,024
Community foundation endowment	-	265,911	-	265,911
Certificates of deposit	-	146,775	-	146,775
Total	<u>\$ 1,270,659</u>	<u>\$ 412,686</u>	<u>\$ -</u>	<u>\$ 1,683,345</u>

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of December 31, 2017:

	#NAME?			Total
	Level 1	Level 2	Level 3	
Assets:				
Money market funds	\$ 63,288	\$ -	\$ -	\$ 63,288
Equity funds	1,144,731	-	-	1,144,731
Community foundation endowment	-	281,329	-	281,329
Certificates of deposit	-	296,382	-	296,382
Total	<u>\$ 1,208,019</u>	<u>\$ 577,711</u>	<u>\$ -</u>	<u>\$ 1,785,730</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTE 8 – ENDOWMENT

The Agency established an endowment fund known as the Oakland Livingston Human Service Agency Fund, (Endowment). The Endowment is held and administered by the Community Foundation of Southeastern Michigan (Foundation), a Michigan nonprofit corporation classified as a tax-exempt Agency within Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The purpose of the Endowment is to support the general charitable purposes of the Agency.

ASC topic Not-for-Profits Investments establishes standards for transactions in which a not-for-profit Agency accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC topic Not-for-Profits Investments specifically requires that if a not-for-profit Agency establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the not-for-profit Agency must account for the transfer of such assets as an asset, and not recognize the transfer as a contribution made. The Agency refers to such transfers as endowments.

At December 31, 2018 and 2017, the Agency's entire endowment fund, administered by the Community Foundation of Southeastern Michigan, had a fair value of \$265,911 and \$281,329, respectively. The portion of the Fund contributed by OLHSA directly is considered a reciprocal transfer and is recorded as an asset because the Agency is also the beneficiary of the Fund.

Contributions made by unrelated third-party donors are considered to be made to the Foundation and are not part of the Agency's net assets. In accordance with ASC topic Not-for-Profits Investments, this portion of the endowment investments are not reflected in the Agency's financial statements. The market value of this portion of the endowment fund was \$165,905 and \$174,461 at December 31, 2018 and 2017.

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NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 6,040	\$ 6,832
Computer equipment	24,100	24,100
Land	55,000	55,000
Equipment	237,741	232,271
Vehicles	392,159	344,979
Buildings	5,800,866	5,793,887
Construction in process	18,463	-
	<u>6,534,369</u>	<u>6,457,069</u>
Less: Accumulated depreciation and amortization	<u>1,988,910</u>	<u>1,764,010</u>
	<u><u>\$ 4,545,459</u></u>	<u><u>\$ 4,693,059</u></u>

NOTE 10 – OTHER PAYABLES

Other payables consist of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Venture, Inc. owns fourteen completed homes and two vacant lots. Currently, the homes are being rented, however, if they are sold, the funds are due back to the grantor. Therefore a payable equal to the book value of the assets has been recorded. This payable is not expected to be paid within one year.	\$ 372,575	\$ 372,575
Venture Gateway LDHA LP deferred tax credit exchange program funds.	<u>705,903</u>	<u>741,495</u>
	<u><u>\$ 1,078,478</u></u>	<u><u>\$ 1,114,070</u></u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTE 11 – ACCRUED EXPENSES

Accrued expenses and deposits held consist of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Payroll	\$ 746,607	\$ 640,107
Vacation	364,367	343,268
Employee benefits	289,231	376,876
Other	331,872	215,498
Security deposits	<u>34,793</u>	<u>32,320</u>
	<u>\$ 1,766,870</u>	<u>\$ 1,608,069</u>

NOTE 12 – WORKERS’ COMPENSATION ACCOUNT

The Agency maintains a workers' compensation insurance policy, which covers employees of programs funded by various sources. The Agency, using a Workers' Compensation Account as a conduit, charges each program for its distributive share of the costs using a fixed rate with a carry-forward provision. The carry-forward provision, which is included in accrued expenses, was \$22,883 and (\$22,147) as of December 31, 2018 and 2017, respectively.

NOTE 13 – HEALTH INSURANCE FUND / SELF INSURANCE PROVISION

The Agency provides employees covered under fully insured plans the option to participate in a lower cost health insurance plan that passed a portion of risk to the Agency. The Agency engages a third-party administrator to operate the program, and is liable for the first \$75,000 of eligible health care costs incurred by each participant per year. The estimated aggregate stop loss amount at December 31, 2018 and 2017 is \$3,283,211 and 3,371,503, respectively.

The Agency, using a Health Insurance Account as a conduit, charges each program monthly for its distributive share of estimated costs. The carry-forward balance in the account is then monitored to provide a basis for adjustments to costs charged to grants in subsequent months. The carry-forward provision, which is included in deferred revenue, was \$747,158 and \$939,443 as of December 31, 2018 and 2017, respectively.

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NOTE 14 – NOTE PAYABLE – BANK

OLHSA has a revolving line of credit with a bank as of December 31, 2018. The line has a maximum draw of \$750,000. Interest on the line is variable at 3.50% over LIBOR (the rate was 4.55% as of December 31, 2018). There were no borrowings at December 31, 2018 and 2017.

Venture, Inc. has a working capital line of credit with a bank as of December 31, 2018. The line has a maximum draw of \$200,000. Interest on the line is variable at 3.00% over LIBOR (the rate was 4.55% as of December 31, 2018), and is payable monthly. The amount due at December 31, 2018 and 2017 was \$116,000 and \$11,000, respectively.

Venture, Inc. entered a line of credit agreement with a bank on November 2016. The line has a maximum draw of \$280,000. Interest on the line is variable at 0.50% over Prime (the rate was 6.00% as of December 31, 2018), and is payable monthly. The amount due at December 31, 2018 and 2017 was \$269,833.

NOTE 15 – MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable consist of the following:

December 31,	
2018	2017

Venture, Inc. received \$610,000 from a HOME contract with the City of Pontiac to construct ten single family homes in targeted areas. Fifty percent of project proceeds if applicable and other returns on the investment of HOME funds in this project can be returned to the City of Pontiac. Any project proceeds retained must be used for future affordable housing projects according to a pre-approved housing plan. Such approval must be obtained from the City and be described fully in a written agreement to be executed between the city and Venture, Inc. prior the expenditure of the funds. Venture, Inc. will reduce the liability balance as project proceeds are returned to the City or approval for reobligation by the City.

	\$	610,000	\$	610,000
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**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 – MORTGAGES AND NOTES PAYABLE (Continued)

	December 31,	
	2018	2017
Venture, Inc. received \$119,700 from the Michigan State Housing Development Authority to rehabilitate single family homes. The funds were advanced to Venture Gateway LDHA LP to rehab a 32 unit residential apartment complex. Any project proceeds retained must be used for future affordable housing projects according to a pre-approved plan. Venture, Inc. will reduce the liability balance as project proceeds are returned to the grantor or approval for reobligation is received.	119,700	119,700
Venture, Inc. holds a \$4,500 down payment assistance loan issued in connection with the Agency's sale of a home. If the loan is collected the amount is to be paid to the Grantor who funded the project.	4,500	4,500
Venture, Inc. borrowed \$162,000 from a financial institution for development of 20 units of rental housing in the City of Linden, Michigan under the Affordable Housing program direct subsidiary agreement.	162,000	162,000
Venture Grand River LDHA LP received an interest free mortgage from Michigan State Housing Development Authority which requires no annual principal or interest payments and is payable upon sale or transfer of the collateralized development.	1,320,000	1,320,000
Venture Grand River LDHA LP received an interest free mortgage from Michigan State Housing Development Authority which requires annual principal payments of 40% of all net cash, providing availability from the prior operating year, due no later than April 30th of that year. The mortgage note matures December 2056 and all real and personal property of the Partnership is pledged as collateral.	456,000	456,000

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NOTE 15 – MORTGAGES AND NOTES PAYABLE (Continued)

	December 31,	
	<u>2018</u>	<u>2017</u>
Venture Grand River LDHA LP received a mortgage from Opportunity Resource Fund, requiring monthly installments of \$7,477 including interest of 7% per annum. The mortgage note matures December 2021 and all real and personal property of the Partnership is pledged as collateral.	920,549	945,573
Venture Gateway, LDHA LP purchased real property and obtained a mortgage for \$830,400 from Rural Development. The note matures January 2039, when all accrued interest of 4.785% per annum is due. All real and personal property of the Partnership is pledged as collateral.	827,258	827,258
Venture Gateway, LDHA LP has a general operating loan from Michigan State Housing Development Authority payable annually to the extent of surplus cash, as defined by a regulatory agreement. The loan matures December 2041 when all accrued principal and interest of 6.75% per annum is due.	<u>213,451</u>	<u>213,451</u>
	<u>\$ 4,633,458</u>	<u>\$ 4,658,482</u>

Following is the maturity of the mortgages and notes payable for each of the next five years and thereafter:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	\$ 26,407
2020	28,137
2021	866,305
2022	-
2023	-
Thereafter	<u>3,712,609</u>
	<u>\$ 4,633,458</u>

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NOTE 16 – POST-RETIREMENT PLAN

The Agency has a post-retirement plan that provides health insurance benefits to eligible former employees. To qualify, the retiree must have had twenty years of full-time equivalent employment with the Agency, be Medicare eligible and an Agency employee before December 31, 2007.

The benefit obligation and net benefit costs were determined using an assumed weighted average discount rate of 4.25% and 3.75% for 2018 and 2017.

The following relates to postretirement benefits provided by the Agency:

	December 31,	
	<u>2018</u>	<u>2017</u>
Accumulated postretirement benefit obligation	\$ 1,434,139	\$ 1,436,154
Plan assets	<u>53,062</u>	<u>65,871</u>
Projected benefit obligation in excess of plan assets	<u>\$ 1,381,077</u>	<u>\$ 1,370,283</u>
Net periodic postretirement cost	<u>\$ 149,210</u>	<u>\$ 137,030</u>
Benefits paid	<u>\$ (128,514)</u>	<u>\$ (273,527)</u>

The net periodic cost related to this plan was as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Service cost	\$ 22,842	\$ 19,661
Interest cost	56,564	63,718
Expected return on plan assets	(618)	(49)
Amortization of net transition asset	38,611	38,607
Amortization of prior service costs	15,093	15,093
Amortization of net loss	<u>16,718</u>	<u>-</u>
Net periodic cost	<u>\$ 149,210</u>	<u>\$ 137,030</u>

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NOTE 16 – POST-RETIREMENT PLAN (Continued)

The following benefit payments are expected to be paid:

<u>Years ending December 31,</u>	<u>Amount</u>
2019	\$ 101,659
2020	\$ 104,067
2021	\$ 106,905
2022	\$ 106,291
2023	\$ 102,022
2024 - 2028	\$ 487,379

NOTE 17 – PENSION PLAN

The Agency sponsored a single-employer defined benefit retirement plan (the “Plan”). The Plan’s benefits were frozen with no further benefits accruing to existing participants.

The Plan terminated effective February 28, 2016. At December 31, 2017, the Agency distributed the remaining plan assets to pay benefits and plan expenses.

The net periodic pension cost was as follows:

	<u>December 31, 2017</u>
Interest cost	\$ 608
Expected return on plan assets	(3,349)
Effect of settlement	28,714
Amortization of actuarial loss	<u>2,274</u>
Net periodic pension cost	<u>\$ 28,247</u>

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NOTE 17 – PENSION PLAN (Continued)

The following table presents the Plan’s funded status as of:

	<u>December 31, 2017</u>
Change in projected benefit obligation:	
Projected benefit obligation, beginning of year	\$ 28,694
Interest cost	608
Change due to change in assumption	7,846
Benefits paid	<u>(37,148)</u>
Projected benefit obligation, end of year	<u>\$ -</u>
	<u>December 31, 2017</u>
Change in plan assets:	
Fair value of plan assets, beginning of year	\$ 57,405
Actual return on plan assets	(20,257)
Benefits paid	<u>(37,148)</u>
Plan assets at fair value	<u>\$ -</u>
Funded status, end of year	<u>\$ -</u>

The assumptions used to determine net periodic benefit cost for the Plan were as follows:

	<u>December 31, 2017</u>
Discount rate	4.25%
Expected rate of long-term return on plan assets	8.00%
Rate of compensation increase	N/A

The expected long-term rate of return of Plan assets was determined by reflecting expectations regarding future rates of return at prevailing rates, as published.

Plan Assets

The Plan assets were 100% allocated to a fixed income account during 2017.

Contributions

The Agency had no contributions to the Plan during the year ended December 31, 2017.

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NOTE 18 – NET ASSETS WITH DONOR RESTRICTIONS

The donor restricted net assets of the Agency consist of contributions received and endowment earnings that are restricted as to use or time as specified by the donor. The restrictions expire when the purpose or time of the restrictions have been accomplished. Net assets with donor restrictions consisted of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Restrictions:		
Commodities restricted for use	\$ 34,727	\$ 41,366
Purpose restrictions	<u>174,130</u>	<u>512,405</u>
	<u>\$ 208,857</u>	<u>\$ 553,771</u>

NOTE 19 – DEFINED CONTRIBUTION PLAN

The Agency makes a tax deferred contribution to a Defined Contribution Profit Sharing Plan equal to 7.25 percent of each eligible employee's pay, whether or not the employee elects to contribute between 1 and 10 percent of their compensation on an after-tax basis. The tax deferred contribution made by the Agency for employees hired after December 31, 2006 is 4.00 percent. Required contributions in the amount of \$642,479 and \$644,123 were made to the Trust by the Agency during the year ended December 31, 2018 and 2017.

Employees are eligible to participate in the plan when they have completed one year of service, regardless of age. The Plan is designed to encourage employees to stay with the Agency until they reach 65 or retire (if later). Payment of employee accounts from the Plan is available only upon death, total and permanent disability or retirement. If an employee leaves the Agency before their death, total and permanent disability or retirement at 65, they will only be entitled to receive a vested part of the value of their account with 100% of their contributions refunded. The vested part of their account is based on the number of years of service with the Agency.

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NOTE 20 – OPERATING LEASES

A summary of the Agency's significant lease obligations are as follows for the year ended December 31, 2018:

Lessor	Purpose	Monthly Rate	Expiration Date
OLHSA Building, LLC	Primary facility	\$ 82,810	March 2028
Canon Solutions America, Inc.	Office equipment	\$ 3,113	June 2019
School District of Royal Oak	Head Start site	\$ 2,000	August 2019
OLHSA Buliding, LLC	Parking	\$ 500	Month-to-Month
Armage Development	Facility	\$ 1,000	June 2019
Gleaners	Facility	\$ 417	Month-to-Month
13 Stephenson, LLC	WIC clinic	\$ 1,300	November 2020
Hazel Park Schools	Head Start site	\$ 1,702	July 2019
Easter Seals	Facility	\$ 150	January 2020
School District of the City of Pontiac	Head Start site	\$ 1,500	June 2019
Great Lakes Academy	Head Start site	\$ 1,800	June 2019
Lighthouse of Oakland County	Head Start site	\$ 2,385	June 2022

Minimum future rental payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2018 for each of the next five years and thereafter are:

Year ending December 31,	Amount
2019	\$ 1,108,587
2020	1,033,484
2021	1,019,154
2022	1,006,434
2023	993,714
Thereafter	4,140,477
	<u>\$ 9,301,850</u>

NOTE 21 – LITIGATION

At times, various claims and lawsuits incidental to the ordinary course of business may be pending against the Agency. In the opinion of management, after consultation with legal counsel, resolution of any such matters is not expected to have a material effect on the Agency's consolidated financial statements.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 22 – COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2013, the Agency received a letter from the Pension Benefit Guaranty Corporation (PBGC) regarding the United Way for Southeastern Michigan Plan (United Way Plan) that the Agency elected to disaffiliate from effective January 1, 2006. The United Way Plan filed for distressed termination and it was granted that status effective March 1, 2010. Based on the letter received, the PBGC noted that under section 4062(b) of ERISA, the Agency's portion of the unfunded liability was \$129,490 and the PBGC requested information to establish a payment plan or compromise amount.

The Agency disagrees with their portion of the unfunded liability noted in the letter, and have sent a response letter to the PBGC. As of the date of this report, no response to this letter had been received from the PBGC and no liability had been reflected in the consolidated financial statements as of December 31, 2018.

NOTE 23 – NEW ACCOUNTING PRONOUNCEMENTS

In July 2015, the FASB issued ASU 2014-09, *Revenue with Contracts from Customers (Topic 606)*. The ASU eliminates transaction and industry specific revenue recognition guidance under current generally accepted accounting principles, and replaces it with a principle based approach for determining revenue recognition. The ASU is effective for fiscal years beginning after December 15, 2018.

In July 2016, the FASB issued ASU 2016-2, *Leases (Topic 842)*. The ASU requires that assets and liabilities be recognized from all leases, except for leases with a term of 12 months or less. The ASU is effective for fiscal years beginning after December 15, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The ASU is effective for fiscal years beginning after December 15, 2018.

Management is currently assessing the potential impact of the upcoming pronouncements to the Agency's accounting and financial reporting.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
Oakland Livingston Human Service Agency and Subsidiaries

We have audited the consolidated financial statements of Oakland Livingston Human Service Agency and Subsidiaries as of and for the year ended December 31, 2018, and have issued our report thereon dated September 25, 2019, which contained an unmodified opinion on those consolidated financial statements and separate statements of functional expenses. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements and separate statements of functional expenses as a whole. The consolidating statements of financial position and statement of activities are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements and separate statements of functional expenses or to the consolidated 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 consolidated financial statements as a whole.

UHY *LLP*

Farmington Hills, Michigan
September 25, 2019

Independent Auditor's Report on Supplementary Information

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2018

	<u>OLHSA</u>	<u>Venture, Inc.</u>	<u>Venture Housing, Inc.</u>	<u>Venture Grand River LDHA LP</u>	<u>Venture Gateway LDHA LP</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 1,672,471	\$ 31,357	\$ 218	\$ 37,001	\$ 561,480	\$ -	\$ 2,302,527
Grants receivable	3,840,687	-	-	-	-	-	3,840,687
Other receivables	75,549	78,396	193	14,742	3,617	-	172,497
Due from (to) related entities	1,443,633	(1,258,496)	(65,437)	-	(119,700)	-	-
Mortgages and notes receivable	-	1,339,763	-	-	-	(269,769)	1,069,994
Inventory	34,727	-	-	-	-	-	34,727
Prepaid expenses and deposits	148,318	-	-	-	7,285	-	155,603
Investments	1,683,345	-	-	-	-	-	1,683,345
Investments in related entities	-	6,718	(521,741)	-	-	816,836	301,813
Property and equipment - net	162,994	708,624	-	2,022,434	1,651,407	-	4,545,459
Total assets	<u>\$ 9,061,724</u>	<u>\$ 906,362</u>	<u>\$ (586,767)</u>	<u>\$ 2,074,177</u>	<u>\$ 2,104,089</u>	<u>\$ 547,067</u>	<u>\$ 14,106,652</u>
LIABILITIES AND NET ASSETS (DEFICIT)							
LIABILITIES							
Accounts payable	\$ 1,571,850	\$ 39,846	\$ -	\$ 17,024	\$ 4,367	\$ -	\$ 1,633,087
Other payables	-	372,575	-	-	975,672	(269,769)	1,078,478
Accrued expenses and deposits held	1,486,653	21,259	-	29,332	229,626	-	1,766,870
Deferred revenue	1,920,565	1,229	-	1,195	1,128	-	1,924,117
Line of credit	-	385,833	-	-	-	-	385,833
Mortgages and notes payable	-	896,200	-	2,696,549	1,040,709	-	4,633,458
Post-retirement obligation - health benefits	1,381,077	-	-	-	-	-	1,381,077
Total liabilities	<u>6,360,145</u>	<u>1,716,942</u>	<u>-</u>	<u>2,744,100</u>	<u>2,251,502</u>	<u>(269,769)</u>	<u>12,802,920</u>
NET ASSETS (DEFICIT)							
Without donor restrictions:							
Undesignated	2,226,811	(810,580)	(586,767)	(669,923)	(147,413)	816,836	828,964
Board designated	265,911	-	-	-	-	-	265,911
With donor restrictions	208,857	-	-	-	-	-	208,857
Total net assets (deficit)	<u>2,701,579</u>	<u>(810,580)</u>	<u>(586,767)</u>	<u>(669,923)</u>	<u>(147,413)</u>	<u>816,836</u>	<u>1,303,732</u>
Total liabilities and net assets (deficit)	<u>\$ 9,061,724</u>	<u>\$ 906,362</u>	<u>\$ (586,767)</u>	<u>\$ 2,074,177</u>	<u>\$ 2,104,089</u>	<u>\$ 547,067</u>	<u>\$ 14,106,652</u>

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2017

	<u>OLHSA</u>	<u>Venture, Inc.</u>	<u>Venture Housing, Inc.</u>	<u>Venture Grand River LDHA LP</u>	<u>Venture Gateway LDHA LP</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 710,725	\$ 30,954	\$ 218	\$ 67,510	\$ 548,019	\$ -	\$ 1,357,426
Grants receivable	5,268,457	-	-	-	-	-	5,268,457
Other receivables	90,608	28,016	192	3,822	2,311	-	124,949
Due from (to) related entities	1,260,059	(1,074,922)	(65,437)	-	(119,700)	-	-
Mortgages and notes receivable	-	1,441,338	-	-	-	(273,489)	1,167,849
Inventory	41,366	-	-	-	-	-	41,366
Prepaid expenses and deposits	161,760	-	-	797	11,077	-	173,634
Investments	1,785,730	-	-	-	-	-	1,785,730
Investments in related entities	-	(110,584)	(524,635)	-	-	695,850	60,631
Property and equipment - net	164,621	728,733	-	2,088,059	1,711,646	-	4,693,059
Total assets	<u>\$ 9,483,326</u>	<u>\$ 1,043,535</u>	<u>\$ (589,662)</u>	<u>\$ 2,160,188</u>	<u>\$ 2,153,353</u>	<u>\$ 422,361</u>	<u>\$ 14,673,101</u>
LIABILITIES AND NET ASSETS (DEFICIT)							
LIABILITIES							
Accounts payable	\$ 1,991,969	\$ 27,577	\$ -	\$ 7,264	\$ 1,144	\$ -	\$ 2,027,954
Other payables	-	372,575	-	-	1,014,984	(273,489)	1,114,070
Accrued expenses and deposits held	1,372,686	12,568	-	36,968	185,847	-	1,608,069
Deferred revenue	1,692,677	796	-	1,129	273	-	1,694,875
Line of credit	-	280,833	-	-	-	-	280,833
Mortgages and notes payable	-	896,200	-	2,721,573	1,040,709	-	4,658,482
Post-retirement obligation - health benefits	1,370,283	-	-	-	-	-	1,370,283
Total liabilities	<u>6,427,615</u>	<u>1,590,549</u>	<u>-</u>	<u>2,766,934</u>	<u>2,242,957</u>	<u>(273,489)</u>	<u>12,754,566</u>
NET ASSETS (DEFICIT)							
Without donor restrictions:							
Undesignated	2,220,611	(547,014)	(589,662)	(606,746)	(89,604)	695,850	1,083,435
Board designated	281,329	-	-	-	-	-	281,329
With donor restrictions	553,771	-	-	-	-	-	553,771
Total net assets (deficit)	<u>3,055,711</u>	<u>(547,014)</u>	<u>(589,662)</u>	<u>(606,746)</u>	<u>(89,604)</u>	<u>695,850</u>	<u>1,918,535</u>
Total liabilities and net assets (deficit)	<u>\$ 9,483,326</u>	<u>\$ 1,043,535</u>	<u>\$ (589,662)</u>	<u>\$ 2,160,188</u>	<u>\$ 2,153,353</u>	<u>\$ 422,361</u>	<u>\$ 14,673,101</u>

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	OLHSA			Venture, Inc.	Venture Housing, Inc.	Venture Grand River LDHA LP	Venture Gateway LDHA LP	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total						
REVENUES AND SUPPORT									
Government grants and contracts	\$ 20,171,686	\$ -	\$ 20,171,686	\$ 64,699	\$ -	\$ -	\$ -	\$ -	\$ 20,236,385
Public contributions	3,406,966	-	3,406,966	35,000	-	-	-	-	3,441,966
Performance fees	1,639,526	-	1,639,526	(27,343)	-	-	-	-	1,612,183
Non-cash commodities	1,136,472	-	1,136,472	-	-	-	-	-	1,136,472
Net investment income (loss)	(40,128)	-	(40,128)	37,475	-	7	16,648	-	14,002
Rental income	-	-	-	14,486	-	269,845	160,778	-	445,109
Income (loss) from subsidiaries	-	-	-	-	2,895	-	-	120,986	123,881
Other income	-	-	-	-	-	4,511	42,660	-	47,171
Total revenues and support	<u>26,314,522</u>	<u>-</u>	<u>26,314,522</u>	<u>124,317</u>	<u>2,895</u>	<u>274,363</u>	<u>220,086</u>	<u>120,986</u>	<u>27,057,169</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>344,914</u>	<u>(344,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES									
Salaries and wages	8,848,108	-	8,848,108	47,198	-	14,166	-	-	8,909,472
Fringe benefits	2,751,956	-	2,751,956	13,516	-	1,758	-	-	2,767,230
Consultants and contract services	5,168,619	-	5,168,619	232,489	-	35,028	-	-	5,436,136
Subgrants	3,155,898	-	3,155,898	-	-	-	-	-	3,155,898
Consumable supplies	1,148,453	-	1,148,453	-	-	-	-	-	1,148,453
Non-cash assistance - commodities	1,136,826	-	1,136,826	1,536	-	-	-	-	1,138,362
Occupancy costs and rentals	1,518,836	-	1,518,836	-	-	81,544	39,433	-	1,639,813
Special assistance	2,066,725	-	2,066,725	-	-	21,660	59,869	-	2,148,254
Travel	341,599	-	341,599	865	-	-	-	-	342,464
Other costs	545,050	-	545,050	92,279	-	183,384	178,593	-	999,306
Total expenses	<u>26,682,070</u>	<u>-</u>	<u>26,682,070</u>	<u>387,883</u>	<u>-</u>	<u>337,540</u>	<u>277,895</u>	<u>-</u>	<u>27,685,388</u>
Change in net assets before change in pension and post retirement liabilities	(22,634)	(344,914)	(367,548)	(263,566)	2,895	(63,177)	(57,809)	120,986	(628,219)
Change in pension and postretirement liabilities	13,416	-	13,416	-	-	-	-	-	13,416
CHANGE IN NET ASSETS	<u>(9,218)</u>	<u>(344,914)</u>	<u>(354,132)</u>	<u>(263,566)</u>	<u>2,895</u>	<u>(63,177)</u>	<u>(57,809)</u>	<u>120,986</u>	<u>(614,803)</u>
NET ASSETS, beginning of year	<u>2,501,940</u>	<u>553,771</u>	<u>3,055,711</u>	<u>(547,014)</u>	<u>(589,662)</u>	<u>(606,746)</u>	<u>(89,604)</u>	<u>695,850</u>	<u>1,918,535</u>
NET ASSETS, end of year	<u>\$ 2,492,722</u>	<u>\$ 208,857</u>	<u>\$ 2,701,579</u>	<u>\$ (810,580)</u>	<u>\$ (586,767)</u>	<u>\$ (669,923)</u>	<u>\$ (147,413)</u>	<u>\$ 816,836</u>	<u>\$ 1,303,732</u>

See independent auditor's report on supplementary information.

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

	OLHSA			Venture, Inc.	Venture Housing, Inc.	Venture Grand River	Venture Gateway	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			LDHA LP	LDHA LP		
REVENUES AND SUPPORT									
Government grants and contracts	\$ 21,058,942	\$ -	\$ 21,058,942	\$ 24,436	\$ -	\$ 13,369	\$ -	\$ -	\$ 21,096,747
Public contributions	3,882,256	25,809	3,908,065	7,574	-	-	-	-	3,915,639
Performance fees	2,353,119	-	2,353,119	74,843	-	-	-	-	2,427,962
Non-cash commodities	983,194	-	983,194	-	-	-	-	-	983,194
Net investment income	322,148	-	322,148	27,755	-	45	23,176	-	373,124
Rental income	-	-	-	22,047	-	265,196	144,005	-	431,248
Income (loss) from subsidiaries	-	-	-	(54,858)	(85,444)	-	-	140,239	(63)
Other income	-	-	-	(29,580)	-	1,435	46,488	-	18,343
Total revenues and support	<u>28,599,659</u>	<u>25,809</u>	<u>28,625,468</u>	<u>72,217</u>	<u>(85,444)</u>	<u>280,045</u>	<u>213,669</u>	<u>140,239</u>	<u>29,246,194</u>
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	-	-	-	-	-	-
EXPENSES									
Salaries and wages	8,863,186	-	8,863,186	38,484	-	13,669	-	-	8,915,339
Fringe benefits	3,629,914	-	3,629,914	7,552	-	1,311	-	-	3,638,777
Consultants and contract services	5,535,271	-	5,535,271	147,706	-	33,722	-	-	5,716,699
Subgrants	3,143,374	-	3,143,374	-	-	-	-	-	3,143,374
Consumable supplies	1,065,262	-	1,065,262	-	-	-	-	-	1,065,262
Non-cash assistance - commodities	990,077	-	990,077	-	-	-	-	-	990,077
Occupancy costs and rentals	1,489,357	-	1,489,357	-	-	79,133	31,795	-	1,600,285
Speical assistance	1,971,184	-	1,971,184	-	-	28,547	58,248	-	2,057,979
Travel	270,785	-	270,785	200	-	-	-	-	270,985
Other costs	266,282	-	266,282	130,235	-	184,631	157,526	-	738,674
Total expenses	<u>27,224,692</u>	<u>-</u>	<u>27,224,692</u>	<u>324,177</u>	<u>-</u>	<u>341,013</u>	<u>247,569</u>	<u>-</u>	<u>28,137,451</u>
Change in net assets before change in pension and post retirement liabilities	1,374,967	25,809	1,400,776	(251,960)	(85,444)	(60,968)	(33,900)	140,239	1,108,743
Change in pension and postretirement liabilities	(98,385)	-	(98,385)	-	-	-	-	-	(98,385)
CHANGE IN NET ASSETS	<u>1,276,582</u>	<u>25,809</u>	<u>1,302,391</u>	<u>(251,960)</u>	<u>(85,444)</u>	<u>(60,968)</u>	<u>(33,900)</u>	<u>140,239</u>	<u>1,010,358</u>
NET ASSETS, beginning of year	<u>1,225,358</u>	<u>527,962</u>	<u>1,753,320</u>	<u>(295,054)</u>	<u>(504,218)</u>	<u>(545,778)</u>	<u>(55,704)</u>	<u>555,611</u>	<u>908,177</u>
NET ASSETS, end of year	<u>\$ 2,501,940</u>	<u>\$ 553,771</u>	<u>\$ 3,055,711</u>	<u>\$ (547,014)</u>	<u>\$ (589,662)</u>	<u>\$ (606,746)</u>	<u>\$ (89,604)</u>	<u>\$ 695,850</u>	<u>\$ 1,918,535</u>

See independent auditor's report on supplementary information.

Federal Awards Supplemental Information

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

To the Board of Trustees of
Oakland Livingston Human Service Agency and Subsidiaries

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 consolidated financial statements and separate statements of functional expenses of Oakland Livingston Human Service Agency and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements and the separate statements of functional expenses for the years then ended, and have issued our report thereon dated September 25, 2019. Our report includes a reference to other auditors who audited the financial statements of Venture Grand River Limited Dividend Housing Association Limited Partnership and Venture Gateway Limited Dividend Housing Association Limited Partnership, subsidiaries of Venture, Inc. and Venture Housing, Inc., as described in our report on Oakland Livingston Human Service Agency and Subsidiaries consolidated financial statements and separate statements of functional expenses. The financial statements of Venture Grand River Limited Dividend Housing Association Limited Partnership were not audited in accordance with *Government Auditing Standards*. The financial statements of Venture Gateway Limited Dividend Housing Association Limited Partnership were audited in accordance with *Government Auditing Standards*, and this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements and separate statements of functional expenses, we considered Oakland Livingston Human Service Agency and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements and separate statements of functional expenses, but not for the purpose of expressing an opinion on the effectiveness of Oakland Livingston Human Service Agency and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Oakland Livingston Human Service Agency and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland Livingston Human Service Agency and Subsidiaries consolidated financial statements and separate statements of functional expenses are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oakland Livingston Human Service Agency and Subsidiaries' Response to Finding

Oakland Livingston Human Service Agency and Subsidiaries' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oakland Livingston Human Service Agency and Subsidiaries response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Trustees of
Oakland Livingston Human Service Agency and Subsidiaries
Page Three

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.

UHY LLP

Farmington Hills, Michigan
September 25, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Oakland Livingston Human Service Agency and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Oakland Livingston Human Service Agency and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of Oakland Livingston Human Service Agency and Subsidiaries' major federal programs for the year ended December 31, 2018. Oakland Livingston Human Service Agency and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oakland Livingston Human Service Agency and Subsidiaries' compliance.

To the Board of Trustees of
Oakland Livingston Human Service Agency and Subsidiaries
Page Two

Opinion on Each Major Federal Program

In our opinion, Oakland Livingston Human Service Agency and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Oakland Livingston Human Service Agency and Subsidiaries' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oakland Livingston Human Service Agency and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Oakland Livingston Human Service Agency and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oakland Livingston Human Service Agency and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oakland Livingston Human Service Agency and Subsidiaries' internal control over compliance.

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

To the Board of Trustees of
Oakland Livingston Human Service Agency and Subsidiaries
Page Three

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Oakland Livingston Human Service Agency and Subsidiaries' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oakland Livingston Human Service Agency and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

UHY LLP

Farmington Hills, Michigan
September 25, 2019

Oakland Livingston Human Service Agency and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Project, Agency or Pass-Through Number</u>	<u>Total Amount Provided to Subrecipients</u>	<u>Federal Expenditures</u>
Department of Agriculture				
Passed through Michigan Department of Education				
Child and Adult Care Food Program	10.558	630000020	N/A	\$ 205,066
Child and Adult Care Food Program	10.558	630000020	N/A	79,494
Child and Adult Care Food Program	10.558	630000020	N/A	19,474
Subtotal				<u>304,034</u>
Summer Food Service Program for Children	10.559	620000020	N/A	11,323
Summer Food Service Program for Children	10.559	630000020	N/A	105,378
Summer Food Service Program for Children	10.559	630000020	N/A	3,919
Subtotal				<u>120,620</u>
				<u>424,654</u>
Passed through Michigan Department of Education				
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565	170930	N/A	221,516
Commodity Supplemental Food Program	10.565	180930	N/A	78,000
Commodity Supplemental Food Program	10.565	160930	N/A	20,682
Commodity Supplemental Food Program	10.565	170930	N/A	7,151
Commodity Supplemental Food Program	10.565	160930	N/A	43,070
Commodity Supplemental Food Program	10.565	170930	N/A	9,763
Subtotal				<u>380,182</u>
Emergency Food Assistance Program (Administrative Costs)	10.568	160990	N/A	175,348
Emergency Food Assistance Program (Administrative Costs)	10.568	170990	N/A	42,757
Emergency Food Assistance Program (Administrative Costs)	10.568	160990	N/A	62,359
Emergency Food Assistance Program (Administrative Costs)	10.568	170990	N/A	19,932
Subtotal				<u>300,396</u>
Emergency Food Assistance Program (Food Commodities)	10.569	160990	N/A	645,354
Emergency Food Assistance Program (Food Commodities)	10.569	170990	N/A	191,602
Subtotal				<u>836,956</u>
<i>Total Food Distribution Cluster</i>				<u>1,517,534</u>
Total Department of Agriculture				<u>1,942,188</u>
Department of Health and Human Services				
Direct Awards:				
Head Start	93.600	05CH010367-01	\$ 3,155,897	10,650,935
Early Head Start Expansion	93.600	N/A	N/A	665,042
Early Head Start Expansion	93.600	N/A	N/A	250,625
Subtotal				<u>11,566,602</u>
Assets for Independence Demonstration Program	93.602	90EI0776-01-00	N/A	44,636
Assets for Independence Demonstration Program	93.602	90EI0845-01-01	N/A	51,120
Subtotal				<u>95,756</u>
				<u>11,662,358</u>
Passed through the Michigan Department of Human Services				
Community Services Block Grant	93.569	14-63024-4 17B1MICOSR	N/A	274,057
Community Services Block Grant	93.569	14-63024-5 18B1MICOSR	N/A	872,571
Community Services Block Grant	93.569	14-63024-5 18B1MICOSR	N/A	25,000
Community Services Block Grant	93.569	14-63024-6 19B1MICOSR	N/A	65,896
Subtotal				<u>1,237,524</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	N/A	N/A	(4,963)
Subtotal				<u>1,232,561</u>
Passed Through the Michigan Department of Community Health				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	E20181726-00	N/A	137,029
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	E20192324-00	N/A	52,130
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	PO-0000015947-1	N/A	6,539
Subtotal				<u>195,698</u>
Passed through Area Agency on Aging 1-B				
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	18-9038-C	N/A	187,939
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	18-9038-O	N/A	94,186
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	18-9038-J	N/A	38,501

Oakland Livingston Human Service Agency and Subsidiaries
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Project, Agency or Pass-Through Number	Total Amount Provided to Subrecipients	Federal Expenditures
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	18-9038-N	N/A	25,643
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	19-9038-C	N/A	5,607
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	19-9038-J	N/A	16,475
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	17-9038-J	N/A	5,161
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93.044	17-9038-N	N/A	4,396
Subtotal				<u>377,908</u>
Passed through City of Detroit Department of Health (Southeastern Michigan Health Association)				
HIV Emergency Relief Project Grants	93.914	N/A	N/A	49,753
HIV Emergency Relief Project Grants	93.914	N/A	N/A	15,681
HIV Emergency Relief Project Grants	93.914	N/A	N/A	40,712
HIV Emergency Relief Project Grants	93.914	N/A	N/A	76,848
HIV Emergency Relief Project Grants	93.914	N/A	N/A	2,596
HIV Emergency Relief Project Grants	93.914	N/A	N/A	2,696
HIV Emergency Relief Project Grants	93.914	N/A	N/A	4,603
HIV Emergency Relief Project Grants	93.914	N/A	N/A	188,733
HIV Emergency Relief Project Grants	93.914	N/A	N/A	120,604
HIV Emergency Relief Project Grants	93.914	N/A	N/A	90,158
HIV Emergency Relief Project Grants	93.914	N/A	N/A	253,607
HIV Emergency Relief Project Grants	93.914	N/A	N/A	4,787
HIV Emergency Relief Project Grants	93.914	N/A	N/A	35,675
Subtotal				<u>886,453</u>
Total Department of Health and Human Services				<u>14,354,978</u>
Department of Housing and Urban Development				
Direct Awards:				
Housing Counseling Assistance Program	14.169	HC170321021	N/A	12,834
Housing Counseling Assistance Program	14.169	HC180321007	N/A	4,088
Subtotal				<u>16,922</u>
Supportive Housing Program	14.235	MI0325L5F181606	N/A	18,535
Supportive Housing Program	14.235	MI0263L5F181609	N/A	6,814
Supportive Housing Program	14.235	MI0547L5F181600	N/A	13,694
Supportive Housing Program	14.235	MI0546L5F181600	N/A	3,189
Supportive Housing Program	14.235	MI0547L5F181701	N/A	20,729
Supportive Housing Program	14.235	MI0263L5F181710	N/A	6,343
Supportive Housing Program	14.235	MI0325L5F181707	N/A	16,936
Supportive Housing Program	14.235	MI0592L5F181700	N/A	3,212
Subtotal				<u>89,452</u>
Total Direct Awards				<u>106,374</u>
Passed through City of Ferndale Community Development Block Grants				
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	5,300
Passed through Village of Holly Community Development Block Grants				
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	87
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	2,346
Subtotal				<u>2,433</u>
Passed through City of Novi Community Development Block Grants				
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	45,933
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	37,239
Subtotal				<u>83,172</u>
Passed through City of Oak Park Community Development Block Grants				
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	12,174
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	18,809
Subtotal				<u>30,983</u>
Passed through Oxford Township Community Development Block Grants				
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	15,392
Passed through Rose Township Community Development Block Grants				
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	93
Subtotal				<u>137,373</u>
Passed through City of Warren				
Housing Opportunities for Persons with AIDS	14.241	N/A	N/A	203,528
Housing Opportunities for Persons with AIDS	14.241	N/A	N/A	133,228
Housing Opportunities for Persons with AIDS	14.241	N/A	N/A	31,915

Oakland Livingston Human Service Agency and Subsidiaries
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Project, Agency or Pass-Through Number	Total Amount Provided to Subrecipients	Federal Expenditures
Housing Opportunities for Persons with AIDS	14.241	N/A	N/A	41,217
Housing Opportunities for Persons with AIDS	14.241	N/A	N/A	28,766
Housing Opportunities for Persons with AIDS	14.241	N/A	N/A	9,917
Subtotal				<u>448,571</u>
Passed through Michigan State Housing Development Authority				
Emergency Solutions Grant Program	14.231	HML-2018-Oakland-113-ESM	N/A	80,068
Emergency Solutions Grant Program	14.231	HML-2019-Oakland-113-ESM	N/A	16,787
Subtotal				<u>96,855</u>
Total Department of Housing and Urban Development				<u>789,173</u>
Department of Energy				
Passed through the Michigan Department of Human Services				
Weatherization Assistance for Low-Income Persons	81.042	WAP-16-63024	N/A	494,950
Weatherization Assistance for Low-Income Persons	81.042	WAP-16-63024	N/A	277,046
Subtotal				<u>771,996</u>
Low-Income Home Energy Assistance	93.568	LIHEAP - 13-63024	N/A	415,957
Low-Income Home Energy Assistance	93.568	LIHEAP - WAP16-63024	N/A	21,718
Low-Income Home Energy Assistance	93.568	LIHEAP - LCA16-63024	N/A	36,976
Passed through the Michigan Community Action				
Low-Income Home Energy Assistance	93.568	N/A	N/A	228,042
Low-Income Home Energy Assistance	93.568	N/A	N/A	136,298
Low-Income Home Energy Assistance	93.568	N/A	N/A	26,814
Subtotal				<u>865,805</u>
Total Department Of Energy				<u>1,637,801</u>
Department Of Veteran Affairs				
Direct Awards:				
VA Supportive Services for Veteran Families Program	64.033	14-MI-221	N/A	205,755
VA Supportive Services for Veteran Families Program	64.033	14-MI-221	N/A	52,011
Total Department Of Veteran Affairs				<u>257,766</u>
Federal Emergency Management Agency				
Passed through United Way of Southeastern Michigan				
Emergency Food and Shelter National Board Program	97.024	N/A	N/A	(845)
Emergency Food and Shelter National Board Program	97.024	N/A	N/A	36,872
Total Federal Emergency Management Agency				<u>36,027</u>
Total Federal Awards				<u>\$ 19,017,933</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Oakland Livingston Human Service Agency and Subsidiaries under programs of the federal government for the year ended December 31, 2018. 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* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Oakland Livingston Human Service Agency and Subsidiaries, it is not intended to and does not present the financial position, changes in assets or cash flows of Oakland Livingston Human Service Agency and Subsidiaries.

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year.

NOTE – 3 SUB-RECIPIENTS

Of the federal expenditures presented in the Schedule, Oakland Livingston Human Service Agency and Subsidiaries provided federal awards to sub-recipients in the amount of \$3,155,897 related to CFDA# 93.600, Head Start.

Berkley School District	\$ 305,237
Farmington School District	602,711
Ferndale School District	307,980
Holly Area School District	238,634
Lake Orion Community School	563,086
Lamphere Schools	142,524
Walled Lake Consolidated Schools	297,990
Waterfod School District	<u>697,735</u>
Total	<u><u>\$ 3,155,897</u></u>

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS December 31, 2018

NOTE – 4 INDIRECT COST RATE

Oakland Livingston Human Service Agency and Subsidiaries has elected not to use the 10-percent de minimis indirect cost rate allowed under the uniform guidance.

NOTE – 5 NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Commodities

Inventory values are based on USDA value for donated food commodities (per food scoop). Reported commodity receipt values were computed using the receipt entitlement balance report and other records. Spoilage or pilferage, if any, is included in expenditures.

NOTE – 6 SUBSEQUENT EVENTS

All subsequent events relative to the major programs were evaluated through September 25, 2019, the date the accompanying reports were available to be issued.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended December 31, 2018

FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Findings

2018-001

Finding Type – Material Weakness (repeat finding)

Criteria – There should be a system in place to ensure that all account balances are reconciled to supporting documentation and the related journal entries are made to the general ledger prior to the start of the audit.

Condition – It was noted that certain account balances were not fully reconciled or did not agree to the underlying documentation. In addition, an entry was required to record amounts due back to a funding source for questioned costs related to vendor payments for the period October 2016 through December 2018.

Context – As a result of the audit procedures, it was noted that there were 11 audit entries required to properly state balances for certain accounts at December 31, 2018. Of this total, three were considered material at the consolidated level. However, due to the total number of entries, management decided to record all of the entries for the year ended December 31, 2018.

Cause/Effect – The processes in place currently are insufficient to ensure that all balances are properly recorded. This resulted in certain accounts, which include prepaid expenses, receivables, fixed assets, accrued expenses, funding source liability, and net assets, to be originally incorrectly reported in the consolidated financial statements. The initial net misstatement for assets, liabilities, and net assets was an understatement of \$437,902. Audits entries were proposed to management, who approved and posted them to the books and records for 2018.

Recommendation – We recommend that Oakland Livingston Human Service Agency and Subsidiaries (the “Agency”) performs a review and reconciliation to ensure accuracy of financial data reported in financial statements.

View of Responsible Officials and Corrective Action Plan – As part of ongoing monitoring of the financial statements, management will review account balances to ensure that they are reconciled and reviewed for reasonableness on at least a quarterly basis. If adjustments are needed they will be implemented immediately.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended December 31, 2018**

FEDERAL AWARD FINDINGS

**Reference
Number**

Findings

2018-002

CFDA Number, Federal Agency, and Program Name:

CFDA# 93.044 – Department of Health and Human Services,
Special Programs for the Aging, Title III, Part B,
Grants for Supportive Services and Senior Centers

Federal Award Identification Number and Year

Home Injury Control: Contract #: 18-9038-J
(October 1, 2017 – September 30, 2018)
Grandparents Raising Grandchildren: Contract #: 18-9038-N
(October 1, 2017 – September 30, 2018)
Resource Advocacy: Contract #: 18-9038-O
(October 1, 2017 – September 30, 2018)
Chore: Contract #: 18-9038-C
(October 1, 2017 – September 30, 2018)

Home Injury Control: Contract #: 19-9038-J
(October 1, 2018 – September 30, 2019)
Grandparents Raising Grandchildren: Contract #: 19-9038-N
(October 1, 2018 – September 30, 2019)
Resource Advocacy: Contract #: 19-9038-J
(October 1, 2018 – September 30, 2019)
Chore: Contract #: 19-9038-C
(October 1, 2018 – September 30, 2019)

Pass-through Entity – Area Agency on Aging 1-B (“AAA”)

Finding Type – Material Weakness

Repeat Finding – No

Criteria – In accordance with 2 CFR 200.403 (a) and (g) costs must meet the following general criteria in order to be allowable under Federal awards: (a) be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. (g) be adequately documented.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended December 31, 2018**

FEDERAL AWARD FINDINGS (Continued)

**Reference
Number**

Findings

2018-002

Condition – The Agency contracted with a vendor to provide certain services for the Chore program to the older adult population, which is a subservice of the federal award noted above. The Agency did not have the proper internal controls in place nor did they perform sufficient oversight of the vendor to ensure that the services were properly performed and that the costs charged to the grant were allowable.

Identification of How Questioned Costs Were Computed – AAA determined the total amount of questioned costs based on the payments made to the vendor during the contract period.

Questioned Costs – \$80,964

Context – As a result of a complaint from a program participant made to the Agency at a publicly held meeting, the Agency performed an internal investigation. The Agency contacted AAA and submitted the results. AAA reviewed this information for the contract period October 2016 through March 2019, and concluded that the Agency did not perform sufficient oversight on the vendor and the Agency’s responsibilities under the grant agreement. AAA noted certain instances where adequate support was not available to support that the vendor performed the services.

Cause/Effect – The effect of this condition resulted in reported questioned costs of \$80,964 for the year ended December 31, 2018, and \$18,893 for the period January 1, 2019 through March 31, 2019. Accordingly, \$80,964 has been removed as program costs from the 2018 Schedule of Expenditures of Federal Awards and also recorded as a liability due back to Area Agency on Aging 1-B. The \$18,893 will be treated as questioned costs in 2019 as those underlying transactions did not occur until after December 31, 2018. As a result of the investigation, AAA issued a corrective action plan to the Agency.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended December 31, 2018**

FEDERAL AWARD FINDINGS (Continued)

**Reference
Number**

Findings

2018-002

Recommendation – We recommend that the Agency implement policies and procedures to ensure that the Agency complies with all necessary provisions of the grant contracts, including ensuring that services are properly performed and approved, and payments to vendors are supported by appropriate evidence and documentation, and recipient feedback is acted upon in a timely and appropriate matter.

View of Responsible Officials and Corrective Action Plan – In order to verify 100% of services prior to payment, the Agency will be using the Property Pres Wizard software system. When the contractor submits their invoice (signed pdf via email along with excel version) and back up documentation (work verification log with client signatures), the following steps occur to verify the service prior to payment: The Agency makes sure that all clients on invoice are approved and on the contractor’s authorized list or preauthorized via email; the Agency assures that the fee charged matches the established lot/driveway size rate; the Agency assures that the client served appropriately (no duplicated or premature service, client did not request to be dropped or skipped, etc.); the contractor takes a time and date stamped, before-and-after photograph of each job and uploads the photos into the property pres data platform. The Agency staff reviews 100% of the invoiced jobs prior to processing the invoice. The Agency staff must review each before and after picture and press accept for that job to be approved for payment. The invoice is generated and built during this review process. By the time each job picture is reviewed and approved, the invoice is complete and may be printed for payment processing.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended December 31, 2018

FEDERAL AWARD FINDINGS (Continued)

**Reference
Number**

Findings

2018-002

View of Responsible Officials and Corrective Action
(Continued) – As an internal control/ method of checks and balance, the process has been designed so that the person who reviews the pictures is only responsible for determining if the job was done or not and building the invoice. He or she makes no other decisions. A separate staff member reviews and approves the invoice for payment after verifying that the client was assigned, was due for service, and is being billed at the appropriate rate.

Client complaints are now being filed and recorded by contractor so that each contractor's complaint record is clearly established and tracked. This manner of monitoring complaints will allow us to more quickly detect any patterns of repeated infractions or potential misconduct.