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<td>31</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of the

Area Agency on Aging 1-B
(A Nonprofit Organization)

Report on the Financial Statements

We have audited the accompanying financial statements of the Area Agency on Aging 1-B (a Nonprofit Organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of revenue, expenses and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.
Auditor’s Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Area Agency on Aging 1-B (a Nonprofit Organization) as of September 30, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Area Agency on Aging 1-B adopted Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 29 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. Additionally, the accompanying Schedule of Funded Service Categories by Source on pages 31 and 32 is also presented for purposes of additional analysis as required by the State of Michigan, Department of Health and Human Services 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Schedule of Funded Service Categories by Source are fairly stated, in all material respects, in relation to the financial statements as a whole.
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, on our consideration of the Area Agency on Aging 1-B’s (a Nonprofit Organization) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Area Agency on Aging 1-B’s internal control over financial reporting and compliance.

Troy, Michigan  
February 28, 2020
<table>
<thead>
<tr>
<th>Assets</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 8,936,831</td>
<td>$ 5,370,208</td>
</tr>
<tr>
<td>Investments (note 3)</td>
<td>250,064</td>
<td>494,035</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3,830,274</td>
<td>4,757,814</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>140,319</td>
<td>191,677</td>
</tr>
<tr>
<td>Investment in not-for-profit organization</td>
<td>-</td>
<td>390,000</td>
</tr>
<tr>
<td>Equipment and leasehold improvements, at cost,</td>
<td>222,894</td>
<td>246,529</td>
</tr>
<tr>
<td>less accumulated depreciation of $477,939 in 2019 and $464,804 in 2018 (note 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset for pension benefit (note 9)</td>
<td>193,576</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 13,573,958</td>
<td>$ 11,450,263</td>
</tr>
</tbody>
</table>
**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,608,383</td>
<td>$2,481,225</td>
</tr>
<tr>
<td>Liability for pension benefit (note 9)</td>
<td>-</td>
<td>866,748</td>
</tr>
<tr>
<td>Other employee liabilities</td>
<td>929,808</td>
<td>782,531</td>
</tr>
<tr>
<td>Due to State of Michigan</td>
<td>158,304</td>
<td>1,010,233</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>35,000</td>
<td>66,625</td>
</tr>
<tr>
<td>Note payable (note 14)</td>
<td>2,000,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>6,731,495</td>
<td>5,207,362</td>
</tr>
</tbody>
</table>

|                                |          |          |
| **Net assets:**                |          |          |
| Without donor restrictions     | 6,397,692| 6,082,870|
| With donor restrictions (note 13)| 444,771 | 160,031 |
| **Total net assets**           | 6,842,463| 6,242,901|

**Total liabilities and net assets**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$13,573,958</td>
<td>$11,450,263</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
# Statement of Revenue, Expenses and Changes in Net Assets

## Area Agency on Aging 1-B (A Nonprofit Organization)

### Year Ended September 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and support:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants</td>
<td>$13,573,453</td>
<td>$</td>
<td>$13,573,453</td>
</tr>
<tr>
<td>State grants</td>
<td>34,490,557</td>
<td></td>
<td>34,490,557</td>
</tr>
<tr>
<td>Integrated care grants</td>
<td>6,420,284</td>
<td></td>
<td>6,420,284</td>
</tr>
<tr>
<td>Local support</td>
<td>2,242,025</td>
<td></td>
<td>2,242,025</td>
</tr>
<tr>
<td>Local - county contributions</td>
<td>700,711</td>
<td></td>
<td>700,711</td>
</tr>
<tr>
<td>Program income</td>
<td>541,634</td>
<td></td>
<td>541,634</td>
</tr>
<tr>
<td>Other income</td>
<td>1,868,851</td>
<td>464,614</td>
<td>2,333,465</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>145,075</td>
<td></td>
<td>145,075</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td></td>
<td></td>
<td>60,447,204</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>179,874</td>
<td>(179,874)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue, support and net assets released from restrictions</strong></td>
<td>60,162,464</td>
<td>284,740</td>
<td>60,447,204</td>
</tr>
<tr>
<td><strong>Program services:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCBS Medicaid Waiver</td>
<td>23,629,768</td>
<td></td>
<td>23,629,768</td>
</tr>
<tr>
<td>Aging and Adult Services program</td>
<td>25,890,319</td>
<td></td>
<td>25,890,319</td>
</tr>
<tr>
<td>MI Health Link program</td>
<td>6,508,910</td>
<td></td>
<td>6,508,910</td>
</tr>
<tr>
<td>MMAP programs</td>
<td>602,317</td>
<td></td>
<td>602,317</td>
</tr>
<tr>
<td>Other programs</td>
<td>1,966,949</td>
<td></td>
<td>1,966,949</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td></td>
<td></td>
<td>58,598,263</td>
</tr>
<tr>
<td><strong>Supporting services:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>5,123,372</td>
<td></td>
<td>5,123,372</td>
</tr>
<tr>
<td>Administration expense allocation</td>
<td>(2,746,886)</td>
<td></td>
<td>(2,746,886)</td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td></td>
<td></td>
<td>2,376,486</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>60,974,749</td>
<td></td>
<td>60,974,749</td>
</tr>
<tr>
<td><strong>(Decrease) increase in net assets before effect of pension liability adjustment</strong></td>
<td>(812,285)</td>
<td>284,740</td>
<td>(527,545)</td>
</tr>
<tr>
<td>Effect of pension liability adjustment (note 9)</td>
<td>1,127,107</td>
<td></td>
<td>1,127,107</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>314,822</td>
<td>284,740</td>
<td>599,562</td>
</tr>
<tr>
<td>Net assets - October 1, 2018</td>
<td>6,082,870</td>
<td>160,031</td>
<td>6,242,901</td>
</tr>
<tr>
<td>Net assets - September 30, 2019</td>
<td>$6,397,692</td>
<td>$444,771</td>
<td>$6,842,463</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
# AREA AGENCY ON AGING 1-B
(A Nonprofit Organization)

## STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and support:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants</td>
<td>$ 11,601,611</td>
<td>$ -</td>
</tr>
<tr>
<td>State grants</td>
<td>33,713,453</td>
<td>-</td>
</tr>
<tr>
<td>Integrated care grants</td>
<td>6,136,050</td>
<td>-</td>
</tr>
<tr>
<td>Local support</td>
<td>1,740,534</td>
<td>-</td>
</tr>
<tr>
<td>Local - county contributions</td>
<td>657,564</td>
<td>-</td>
</tr>
<tr>
<td>Program income</td>
<td>756,708</td>
<td>-</td>
</tr>
<tr>
<td>SameAddress program</td>
<td>509,655</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>1,715,599</td>
<td>105,323</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>98,321</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>45,826</td>
<td>(45,826)</td>
</tr>
<tr>
<td><strong>Total revenue, support and net assets released from restrictions</strong></td>
<td>56,975,321</td>
<td>59,497</td>
</tr>
<tr>
<td><strong>Program services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCBS Medicaid Waiver</td>
<td>25,217,668</td>
<td>-</td>
</tr>
<tr>
<td>Aging and Adult Services program</td>
<td>21,257,460</td>
<td>-</td>
</tr>
<tr>
<td>MI Health Link program</td>
<td>6,389,760</td>
<td>-</td>
</tr>
<tr>
<td>SameAddress program</td>
<td>1,020,586</td>
<td>-</td>
</tr>
<tr>
<td>MMAP programs</td>
<td>596,956</td>
<td>-</td>
</tr>
<tr>
<td>Other programs</td>
<td>1,246,029</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supporting services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>3,520,688</td>
<td>-</td>
</tr>
<tr>
<td>Administration expense allocation</td>
<td>(2,464,308)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets before effect of pension liability adjustment</td>
<td>190,482</td>
<td>59,497</td>
</tr>
<tr>
<td>Effect of pension liability adjustment (note 9)</td>
<td>519,906</td>
<td>-</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>710,388</td>
<td>59,497</td>
</tr>
<tr>
<td>Net assets - October 1, 2017</td>
<td>5,372,482</td>
<td>100,534</td>
</tr>
<tr>
<td>Net assets - September 30, 2018</td>
<td>$ 6,082,870</td>
<td>$ 160,031</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
### AREA AGENCY ON AGING 1-B
(A Nonprofit Organization)

#### STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

<table>
<thead>
<tr>
<th>Program Services</th>
<th>HCBS</th>
<th>Aging and Medicaid Waiver</th>
<th>MI Health Link Program</th>
<th>MMAP Program</th>
<th>Other Management Programs</th>
<th>Total</th>
<th>Management and General</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$3,069,638</td>
<td>$2,785,422</td>
<td>$464,545</td>
<td>$189,571</td>
<td>$470,062</td>
<td>$6,979,238</td>
<td>$1,508,194</td>
<td>$8,487,432</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>567,576</td>
<td>533,208</td>
<td>91,851</td>
<td>27,154</td>
<td>64,164</td>
<td>1,283,953</td>
<td>1,659,805</td>
<td>2,943,758</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>227,631</td>
<td>214,986</td>
<td>33,397</td>
<td>11,047</td>
<td>32,793</td>
<td>519,579</td>
<td>627,576</td>
<td></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td>$3,864,845</td>
<td>$3,533,616</td>
<td>$589,793</td>
<td>$227,772</td>
<td>$567,019</td>
<td>$8,783,045</td>
<td>$3,275,721</td>
<td>$12,058,766</td>
</tr>
<tr>
<td>Service contracts</td>
<td>17,670,316</td>
<td>18,957,181</td>
<td>5,468,496</td>
<td>-</td>
<td>1,174,604</td>
<td>43,270,597</td>
<td>-</td>
<td>43,270,597</td>
</tr>
<tr>
<td>In-kind</td>
<td>-</td>
<td>1,953,646</td>
<td>-</td>
<td>288,379</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
<td>9,057</td>
<td>-</td>
<td>-</td>
<td>9,057</td>
<td>328,384</td>
<td>337,441</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>347</td>
<td>2,501</td>
<td>17</td>
<td>231</td>
<td>604</td>
<td>3,700</td>
<td>251,333</td>
<td>255,033</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,547</td>
<td>13,547</td>
</tr>
<tr>
<td>Supplies</td>
<td>3,090</td>
<td>60,695</td>
<td>1,443</td>
<td>9,785</td>
<td>4,463</td>
<td>79,476</td>
<td>45,582</td>
<td>125,058</td>
</tr>
<tr>
<td>Meals</td>
<td>1,953</td>
<td>4,749</td>
<td>245</td>
<td>3,714</td>
<td>213</td>
<td>10,874</td>
<td>6,667</td>
<td>17,541</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>1,052</td>
<td>95,288</td>
<td>55</td>
<td>1,151</td>
<td>4,754</td>
<td>102,300</td>
<td>22,225</td>
<td>124,525</td>
</tr>
<tr>
<td>Postage</td>
<td>510</td>
<td>53,156</td>
<td>-</td>
<td>5,524</td>
<td>124</td>
<td>59,314</td>
<td>27,034</td>
<td>86,348</td>
</tr>
<tr>
<td>Travel</td>
<td>82,738</td>
<td>36,074</td>
<td>5,311</td>
<td>4,529</td>
<td>6,411</td>
<td>135,063</td>
<td>6,033</td>
<td>141,096</td>
</tr>
<tr>
<td>Conferences</td>
<td>1,115</td>
<td>22,831</td>
<td>67</td>
<td>2,672</td>
<td>3,158</td>
<td>29,843</td>
<td>9,996</td>
<td>39,839</td>
</tr>
<tr>
<td>Technology services</td>
<td>12,109</td>
<td>83,768</td>
<td>(12,250)</td>
<td>967</td>
<td>1,388</td>
<td>85,982</td>
<td>578,065</td>
<td>664,047</td>
</tr>
<tr>
<td>Accounting services</td>
<td>2,030</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,030</td>
<td>49,430</td>
<td>51,460</td>
</tr>
<tr>
<td>Legal services</td>
<td>23,729</td>
<td>30,366</td>
<td>10,477</td>
<td>-</td>
<td>-</td>
<td>64,572</td>
<td>141,216</td>
<td>205,788</td>
</tr>
<tr>
<td>Temp services</td>
<td>108,955</td>
<td>-</td>
<td>-</td>
<td>15,260</td>
<td>124,215</td>
<td>19,511</td>
<td>143,726</td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>146,885</td>
<td>166,801</td>
<td>1,250</td>
<td>9,745</td>
<td>58,753</td>
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See accompanying notes to financial statements
## Area Agency on Aging 1-B
(A Nonprofit Organization)

### Statement of Functional Expenses
**Year Ended September 30, 2019**

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<th>HCBS Medicaid Waiver</th>
<th>Aging and Adult Services Program</th>
<th>MI Health Link Program</th>
<th>MMAP Programs</th>
<th>Other Programs</th>
<th>Total</th>
<th>Management and General</th>
<th>Totals</th>
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<td>$25,027,488</td>
<td>$6,064,924</td>
<td>$554,469</td>
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See accompanying notes to financial statements
### AREA AGENCY ON AGING 1-B
(A Nonprofit Organization)

#### STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

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<th>HCBS Medicaid Waiver</th>
<th>HCBS Medicaid Adult Services</th>
<th>HCBS MI Health Link</th>
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<th>Other Programs</th>
<th>Total</th>
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See accompanying notes to financial statements
## AREA AGENCY ON AGING 1-B
(A Nonprofit Organization)

### STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

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Total previous page

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<td>50,000</td>
<td>30,641</td>
<td>99,691</td>
<td>2,464,308</td>
<td>(2,464,308)</td>
<td>-</td>
<td>-</td>
<td>15,147</td>
<td>15,147</td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total expenses and transfers

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$  25,217,668</td>
<td>$  21,257,460</td>
<td>$  6,389,760</td>
<td>$  1,020,586</td>
<td>$  596,956</td>
<td>$  1,246,029</td>
<td>$  55,728,459</td>
<td>$  1,056,380</td>
<td>$  56,784,839</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
AREA AGENCY ON AGING 1-B  
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease) increase in net assets before effect of pension liability adjustment</td>
<td>$(527,545)</td>
<td>$249,979</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>15,229</td>
<td>15,147</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>(3,029)</td>
<td>(16,639)</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>8,406</td>
<td>-</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>2,099</td>
<td>11,033</td>
</tr>
<tr>
<td>Change in pension funding status</td>
<td>1,127,107</td>
<td>519,906</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>925,441</td>
<td>(47,766)</td>
</tr>
<tr>
<td>Decrease in prepaid expenses and other</td>
<td>51,358</td>
<td>16,552</td>
</tr>
<tr>
<td>Increase in asset for pension benefit</td>
<td>(193,576)</td>
<td>-</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td>1,127,158</td>
<td>512,505</td>
</tr>
<tr>
<td>Decrease in liability for pension benefit</td>
<td>(866,748)</td>
<td>(687,024)</td>
</tr>
<tr>
<td>Increase (decrease) in other employee liabilities</td>
<td>147,277</td>
<td>(49,771)</td>
</tr>
<tr>
<td>(Decrease) increase in due to State of Michigan</td>
<td>(851,929)</td>
<td>838,233</td>
</tr>
<tr>
<td>Decrease in deferred revenue</td>
<td>(31,625)</td>
<td>(125,804)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>1,457,168</td>
<td>986,372</td>
</tr>
<tr>
<td>Net cash provided from operating activities</td>
<td>929,623</td>
<td>1,236,351</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property and equipment</td>
<td>-</td>
<td>(10,500)</td>
</tr>
<tr>
<td>Sales of investments</td>
<td>247,000</td>
<td>457,029</td>
</tr>
<tr>
<td>Sale of investment in not-for-profit organization</td>
<td>390,000</td>
<td>390,000</td>
</tr>
<tr>
<td>Net cash provided from investing activities</td>
<td>637,000</td>
<td>836,529</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds of note payable</td>
<td>2,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>3,566,623</td>
<td>2,072,880</td>
</tr>
<tr>
<td>Cash and cash equivalents - beginning</td>
<td>5,370,208</td>
<td>3,297,328</td>
</tr>
<tr>
<td>Cash and cash equivalents - ending</td>
<td>$8,936,831</td>
<td>$5,370,208</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization

The Area Agency on Aging 1-B (a Nonprofit Organization), ("the Agency") is a 501(c)(3), not-for-profit organization. The Agency provides, through contract and direct service purchase, home care support and nutrition services to persons age 60 and above, and to persons with disabilities who are age 18 and older residing in the Michigan counties of Livingston, Macomb, Monroe, Oakland, St. Clair and Washtenaw. The reported revenues and expenses include all amounts received and expended directly by the Agency and contractor organizations in connection with the provision of programs contracted with them by the Agency. The accounts are maintained on the accrual basis of accounting.

Basis of Accounting

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

Classification of Net Assets

Net assets of the Agency are classified as based on the existence or absence of donor-imposed restrictions limiting the Agency’s ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Accordingly, the Agency’s net assets are categorized and reported as follows:

Net Assets Without Donor Restrictions

This portion of the Agency’s net assets is available for general obligations and is not subject to any donor-imposed restrictions. Revenues earned from contributions without donor restrictions, investment income available for general operations and all operating expenses are reported in this category. As needed, the Board may designate net assets to be allocated for specific actions.
Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions

This portion of the Agency’s net assets is limited to uses specified by donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other event specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Area Agency on Aging 1-B (a Nonprofit Organization) considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The total cash balances on deposit in the United States in non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) with up to $250,000 per bank. The Agency’s cash balance in excess of the FDIC limit at September 30, 2019 and 2018 was $3,397,586 and $2,917,572, respectively.

Accounts Receivable

Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. At September 30, 2019 and 2018, the Agency had an allowance for doubtful accounts in the amount of $-0- and $43,606, respectively. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.
Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Revenue Recognition/Grants

Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Revenue from grant awards under expense reimbursement programs is recognized in the period in which the related expenditures are incurred. All revenue is considered to be without donor restrictions unless specifically restricted by the funding source.

Support that is restricted by the funding source is reported as an increase in net assets with donor restrictions. When support is expended to satisfy the restricted purpose, net assets with donor restrictions are classified to net assets without donor restrictions. See Note 13 for the breakdown of net assets with donor restrictions.

The Michigan Department of Health and Human Services (MDCH) MI Choice grant is a capitated rate plan. Under this plan, the Agency is paid a monthly fee for each eligible participant enrolled in the plan at the end of each month. The fee is based on participant age and the level of need for support services. These payments are reconciled each month to determine overpayments (money due back to the State) or underpayments (money due to the Agency). As of September 30, 2019, overpayments were $158,304 and underpayments were $173,885. As of September 30, 2018, overpayments were $1,010,233 and underpayments were $653,805.

Deferred Revenue

Deferred revenue represents non-federal grant funds received in advance of grant expenditures for non-exchange transactions and foundation funding.

Contributions

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.
Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Risks and Uncertainties

The Agency’s investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Equipment and Leasehold Improvements

Equipment and leasehold improvements with a cost greater than $5,000 are recorded when purchased. The fair market value of donated fixed assets at the time of donation is similarly capitalized. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful life or life of the lease. Costs of maintenance and repairs are charged to expense when incurred. Expenditures for major repairs and betterments are capitalized.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Functional expenses are allocated among the programs and supporting services based on specific identification of costs to programs, as well as various time studies, expense studies and estimates made by the Agency’s management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency. The Agency had no fundraising expense for the years ended September 30, 2019 and 2018.

Advertising

Advertising costs are expensed as incurred and amounted to $276,970 and $299,897 for the years ended September 30, 2019 and 2018, respectively.
Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Cost Method of Accounting for Investments

The Agency sold its 20% membership interest in The Washtenaw PACE, Inc. d/b/a Huron Valley PACE, a 501(c)(3) not-for-profit organization that promotes the wellness, dignity and independence of older adults by providing health care and support services, primarily to low income individuals. The Agency’s interest was sold for $1,373,706 to be paid in three equal annual installments starting June 1, 2017. The last installment was received during the year ended September 30, 2019. The Agency held no membership interest as of September 30, 2019. The Agency recognized a gain on sale from this investment totaling $77,262 for both of the years ended September 30, 2019 and 2018. There were no dividends received for the years ended September 30, 2019 and 2018.

Reclassification

Certain prior year amounts in the September 30, 2018 financial statements have been reclassified to conform to the presentation of the September 30, 2019 financial statements. These reclassifications had no net effect on the September 30, 2018 net assets, net earnings, or cash flows as previously reported.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities. ASU 2016-14 improves the net asset classification requirements and disclosure requirements regarding liquidity, financial performance, and cash flows. ASU 2016-14 requires retroactive application and is effective for fiscal years beginning after December 15, 2017. The Organization adopted ASU 2016-14 for the year ended September 30, 2019.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 28, 2020, which is the date the financial statements were available to be issued.
Note 2 - Tax Status

The Area Agency on Aging 1-B (a Nonprofit Organization) is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Agency’s income tax filings are subject to audit by various taxing authorities. The Agency’s open audit periods are for the fiscal years ended September 30, 2016 - 2019.

Note 3 - Investments and Fair Value Measurements

Investments consist of the following at September 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$ 250,064</td>
<td>$ 494,035</td>
</tr>
</tbody>
</table>

At September 30, 2019, the certificates of deposit are scheduled to mature in the fiscal year ending September 30, 2020.

Generally accepted accounting principles (GAAP) establish 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

**Basis of Fair Value Measurements**

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified 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.
Note 3 - Investments and Fair Value Measurements (Continued)

A financial instrument’s 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Disclosures concerning assets measured at fair value on a recurring basis are as follows:

<table>
<thead>
<tr>
<th>Fair Value Based on</th>
<th>Quoted Prices in Active Markets (Level 1)</th>
<th>Other Observable Inputs (Level 2)</th>
<th>Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets Measured at Fair Value</td>
<td>$ 250,064</td>
<td>$ 250,064</td>
<td>$ -</td>
</tr>
<tr>
<td>At September 30, 2019: Brokered certificates of deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At September 30, 2018: Brokered certificates of deposit</td>
<td>$ 494,035</td>
<td>$ 494,035</td>
<td>$ -</td>
</tr>
</tbody>
</table>

The certificates of deposit have been classified as Level 1 using quoted market prices and other relevant information generated by market transactions.

Note 4 - Equipment and Leasehold Improvements

The cost of equipment and leasehold improvements is summarized as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$ 346,360</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>354,473</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(477,939)</td>
</tr>
<tr>
<td>Undepreciated cost</td>
<td>$ 222,894</td>
</tr>
</tbody>
</table>

Depreciation expense was $15,229 and $15,147 for the years ended September 30, 2019 and 2018, respectively.
Note 5 - Local Support

A majority of the intergovernmental grants that the Agency participates in require local support efforts in terms of cash contributions, donated services or donated facilities. The donated services are valued at the fair market value or at the value for which the contractors would pay if the donated services were not available. These amounts have been reported in the financial statements as local support funds because they meet the following criteria:

a. The services are significant and form an integral part of the efforts of the contractors; the services require specialized skill and would be performed by salaried personnel if the donated services were not available to accomplish its purpose; and the contractors would continue the programs.

b. The contractors control the employment of the service donors and the Agency monitors this function.

c. The Agency has a clearly measurable basis for the amounts.

There were no material amounts of donated services recognized for grant reporting purposes that did not meet the criteria for inclusion in the financial statements. The composition of total donated services recorded for the years ended September 30, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matching funds</td>
<td>$ -</td>
<td>$ 396,678</td>
</tr>
<tr>
<td>Donated services</td>
<td>2,242,025</td>
<td>1,740,534</td>
</tr>
<tr>
<td>Total donated services</td>
<td>$ 2,242,025</td>
<td>$ 2,137,212</td>
</tr>
</tbody>
</table>
Note 6 - Program Services

For the statements of revenue, expenses and changes in net assets for the years ended September 30, 2019 and 2018, support programs included are: Title III - Federal Admin, Title III - Part B, Services, Title III - Part C, Nutrition, Title III - Part D, Preventative Health, Title III - Part E, National Family Caregivers Support Program, Title VII - Elder Abuse Prevention, Title VII/A - LTC Ombudsman, American Recovery and Reinvestment Act, State Respite, State Alternative Care, State Access, State In-Home Services, State Aging Network, Community Care Services, and Ombudsman programs. Other programs include MMAP, Medicaid Ombudsman, Medicaid Waiver, Targeted Care Management, Integrated Care, Michigan Health Endowment Fund and other resources.

Note 7 - Facility Operating Leases

The Agency has entered into various operating lease agreements for office space which expire on various dates through September 2021. The Agency is also obligated under various operating leases for copiers, postage meters, telephone equipment and an automobile. The annual minimum lease payments under these operating leases are as follows for the years ending September 30th:

<table>
<thead>
<tr>
<th>Year Ending September 30th</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 307,106</td>
</tr>
<tr>
<td>2021</td>
<td>303,152</td>
</tr>
<tr>
<td>Total</td>
<td>$ 610,258</td>
</tr>
</tbody>
</table>

Total rent expense on these facility leases for 2019 and 2018 was $337,441 and $350,654, respectively. Copiers, postage meters, telephone equipment, and automobile lease expense for 2019 and 2018 was $25,067 and $48,921, respectively.

In addition, the Agency has an option to terminate the lease of its Southfield, Michigan office location at any time should the Agency stop receiving federal funds under Title III of the Older Americans Act or not receive other government funding satisfactory to the tenant. A six month written notice of termination is required. A termination fee equal to the sum of the unamortized cost of tenant modifications and leasing commissions, plus six months rent at the current rate is also required. The Agency has not elected to apply this option.
Note 8 - Concentrations

Approximately $23,299,000 and $20,280,000 or 39% and 36% of revenues are federal and state funds received through the State of Michigan, Department of Health and Human Services at September 30, 2019 and 2018, respectively. Accounts receivable from the State of Michigan, Department of Health and Human Services accounted for approximately 21% and 48% of total accounts receivable at September 30, 2019 and 2018, respectively.

Note 9 - Retirement Plans

Defined Benefit Pension Plan

In 2006, the Area Agency on Aging 1-B (a Nonprofit Organization) assumed the full financial obligations of its participants from the former participation in the United Way Community Services and Affiliated Agencies (UWCS) plan. As a result, all assets allocated to the Agency were released in full by UWCS. At that time, the Agency had established its own fully qualified (now frozen) defined benefit pension plan (the Plan) to fund the benefits of these same participants.

The Agency has engaged PNC Bank as the Trustee and investment Custodian of the Plan as of September 30, 2019 and 2018. Watkins, Ross & Co. prepared the actuarial reports as of September 30, 2019 and 2018.

All retirement benefits under the Plan are insured by the Pension Benefit Guarantee Corporation (PBGC) if the Plan terminates. Generally, the PBGC guarantees vested normal age retirement benefits, early retirement benefits and survivor’s pensions. However, a statutory ceiling exists, which is adjusted periodically, on the amount of an individual’s monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan’s net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan Sponsor and the level of benefits guaranteed by the PBGC.
Note 9 - Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The following actuarial information in these notes that were prepared by Watkins, Ross & Co. sets forth the benefit obligation, the fair value of plan assets, and the funded status of the Agency’s Plan; the amounts recognized in the Agency’s financial statements; and the principal weighted-average assumptions used:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in benefit obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation - beginning</td>
<td>$ 5,212,648</td>
<td>$ 5,830,201</td>
</tr>
<tr>
<td>Interest cost</td>
<td>201,545</td>
<td>193,891</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>31,727</td>
<td>(385,704)</td>
</tr>
<tr>
<td>Benefits paid (other than settlement)</td>
<td>(287,374)</td>
<td>(425,740)</td>
</tr>
<tr>
<td>Benefits paid (settlement)</td>
<td>(2,314,320)</td>
<td>-</td>
</tr>
<tr>
<td>Projected benefit obligation - ending</td>
<td>$ 2,844,226</td>
<td>$ 5,212,648</td>
</tr>
</tbody>
</table>

| Change in plan assets: |             |             |
| Fair value of assets - beginning | $ 4,345,900 | $ 4,276,429 |
| Actual return on assets         | 178,596     | 311,455     |
| Employer contributions          | 1,115,000   | 183,756     |
| Benefits paid                   | (2,601,694) | (425,740)   |
| Fair value of assets - ending   | $ 3,037,802 | $ 4,345,900 |
| Funded status at end of year    | $ 193,576   | (866,748)   |

The following sets forth the Plan’s funded status accounted to the amounts included in the Agency’s statements of financial position.

Actuarial present value of benefit obligations and funded status:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated benefit and projected obligations</td>
<td>$ (2,844,226)</td>
<td>$ (5,212,648)</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>$ 3,037,802</td>
<td>$ 4,345,900</td>
</tr>
<tr>
<td>Asset (liability) for pension benefits</td>
<td>$ 193,576</td>
<td>(866,748)</td>
</tr>
</tbody>
</table>
Note 9 - Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The effect of the pension liability adjustment recognized in net assets without donor restrictions consists of the change in other loss from the year ended September 30, 2019 to the year ended September 30, 2018. Other loss for those years is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other loss</td>
<td>$340,143</td>
<td>$1,467,250</td>
</tr>
</tbody>
</table>

Components of net periodic postretirement benefit cost:

<table>
<thead>
<tr>
<th>Component</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>$201,545</td>
<td>$193,891</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(241,317)</td>
<td>(228,196)</td>
</tr>
<tr>
<td>Unrecognized net actuarial loss</td>
<td>37,700</td>
<td>50,943</td>
</tr>
<tr>
<td>Net periodic postretirement benefit cost</td>
<td>$ (2,072)</td>
<td>$16,638</td>
</tr>
<tr>
<td>Settlement Adjustment</td>
<td>$1,183,855</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Estimated amounts that will be amortized from net assets over the next fiscal year consist of the following:

<table>
<thead>
<tr>
<th>Component</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gain</td>
<td>$1,434</td>
<td>$37,659</td>
</tr>
</tbody>
</table>

The following are weighted-average assumptions used to determine net periodic benefit cost at September 30, 2019 and 2018:

Discount rate 4.00% 3.50%

The following are weighted-average assumptions used to determine benefit obligations for the years ended September 30, 2019 and 2018:

Discount rate 4.00% 4.00%

Expected return on plan assets 5.50% 5.50%
Note 9 - Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

In fiscal 2019 and 2018, the benefits paid by the Plan totaled $2,601,694 and $425,740, respectively. There is no required minimum cash contribution for 2020. The Agency expects the benefits paid by the Plan in the ensuing five fiscal years and thereafter to be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$363,849</td>
</tr>
<tr>
<td>2021</td>
<td>347,784</td>
</tr>
<tr>
<td>2022</td>
<td>474,901</td>
</tr>
<tr>
<td>2023</td>
<td>331,623</td>
</tr>
<tr>
<td>2024</td>
<td>343,792</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,645,077</td>
</tr>
</tbody>
</table>

The Agency’s Board of Directors has established an investment policy for the Plan. The general investment principles of the policy require that investments be made solely in the interest of the beneficiaries, that the Plan’s funds be invested with care, skill, prudence, and diligence, that the plan investments be reasonably diversified to reduce the risk of large losses, that the Board may employ one or more investment managers to attain plan objectives, and that cash is to be employed productively at all times. The investment management policy of the Plan requires the investment managers to preserve capital, ensure that the risk is commensurate with the given investment style and objectives, and to adhere to the investment management styles for which the investment manager is hired. The goals of each investment manager are to meet or exceed the market index or benchmark selected by the Board and to display an overall level of risk in the portfolio that is consistent with the established benchmark.
Note 9 - Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The significant actuarial assumptions used in the valuations as of October 1, 2018 were: (a) life expectancy of participants (the RP 2014 adjusted to 2006 Total Dataset Mortality with Scale MP-2018 was used), (b) retirement age weighted-average of 65, (c) investment return assumed average rates of return of 5.50%, and (d) discount rate at October 1, 2018 of 4.00%.

The changes in the significant actuarial assumptions since the prior valuation were: (a) the discount rate was changed from 3.50% to 4.00%.

The fair values of the Credit Union’s pension plan asset allocation at September 30, 2019 and 2018 is as follows:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 3,037,802</td>
<td>$ 3,037,802</td>
<td>$ -</td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>$ 1,412,451</td>
<td>$ 1,412,451</td>
<td>$ -</td>
</tr>
<tr>
<td>Equity funds</td>
<td>2,827,321</td>
<td>2,827,321</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>106,128</td>
<td>106,128</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 4,345,900</strong></td>
<td><strong>$ 4,345,900</strong></td>
<td><strong>$ -</strong></td>
</tr>
</tbody>
</table>
Note 9 - Retirement Plans (Continued)

Defined Contribution 401(k) Plan

The Agency sponsors a tax deferred profit sharing plan for eligible employees under Section 401(k) of the Internal Revenue Code. The Agency recognized $160,562 and $121,019 for its matched contributions to the Plan during 2019 and 2018, respectively.

Note 10 - Fringe Benefits

Fringe benefits consisted of the following for the years ended September 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health benefits</td>
<td>$ 1,257,046</td>
<td>$ 1,171,850</td>
</tr>
<tr>
<td>Insurance (life and disability)</td>
<td>115,029</td>
<td>90,399</td>
</tr>
<tr>
<td>Retirement - pension</td>
<td>1,225,455</td>
<td>104,955</td>
</tr>
<tr>
<td>401(k) match</td>
<td>160,562</td>
<td>121,019</td>
</tr>
<tr>
<td>Other</td>
<td>81,683</td>
<td>63,321</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,839,775</strong></td>
<td><strong>$ 1,551,544</strong></td>
</tr>
</tbody>
</table>

Note 11 - Contingencies

In the ordinary course of business, the Agency has become involved in various legal matters. In the opinion of management and legal counsel, the outcome of these legal actions will not have a material adverse effect on the Agency’s financial statements.

Note 12 - Revenue Diversification Activities

Management and the Board of Directors have initiated Business to Business and Business to Consumers contracts and operations.

The major initiative, which is a Business to Business initiative, is called Michigan Health Link (MHL). This program incurred $169,000 and $306,000 in losses during the years ended September 30, 2019 and 2018, respectively. Management and the Board of Directors are taking measures with this program to limit further losses to the Agency while meeting its obligations under the contracts.
Note 13 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of September 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MHEF Hospitalization Grant</td>
<td>$ 58,475</td>
<td>$ 42,058</td>
</tr>
<tr>
<td>Re-Imagine Caregiving</td>
<td>193,960</td>
<td>-</td>
</tr>
<tr>
<td>Caregiver Assessment Tool</td>
<td>44,008</td>
<td>-</td>
</tr>
<tr>
<td>Livingston Caregiver</td>
<td>23,307</td>
<td>-</td>
</tr>
<tr>
<td>2020 Census</td>
<td>27,992</td>
<td>-</td>
</tr>
<tr>
<td>Holiday Meals</td>
<td>26,512</td>
<td>31,366</td>
</tr>
<tr>
<td>Compassionate &amp; Immediate Care</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Independence &amp; Safety Support</td>
<td>1,415</td>
<td>147</td>
</tr>
<tr>
<td>Mission Multiplier</td>
<td>69,090</td>
<td>86,440</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 444,771</strong></td>
<td><strong>$ 160,031</strong></td>
</tr>
</tbody>
</table>

Note 14 - Note Payable

The Agency has a note payable to PNC Bank. The note was used to provide funding necessary to make up the shortfall between assets and liabilities associated with the termination of the Agency’s defined benefit pension plan. The note requires monthly payments of $36,512, including interest at 2.95%, secured by all personal property owned by the Agency, maturing September 2024

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less current portion of note payable</td>
<td>350,100</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total note debt reflected as long-term</strong></td>
<td><strong>$ 1,649,900</strong></td>
<td>$ -</td>
</tr>
</tbody>
</table>
Note 14 - Note Payable (Continued)

The debt service requirements of the long-term debt, based on the terms of the note payable for the five years succeeding, are as follows:

<table>
<thead>
<tr>
<th>Year Ending September 30th</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$350,100</td>
</tr>
<tr>
<td>2021</td>
<td>394,186</td>
</tr>
<tr>
<td>2022</td>
<td>406,139</td>
</tr>
<tr>
<td>2023</td>
<td>418,454</td>
</tr>
<tr>
<td>2024</td>
<td>431,121</td>
</tr>
</tbody>
</table>

Covenant

The note agreement with the bank contains a covenant requiring the maintenance of a specific liquidity ratio. Under the terms of the agreement, the bank may call the loan if the Agency is in violation of this covenant. As of September 30, 2019, the Agency was in compliance with the covenant.

Note 15 - 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:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets available for general expenditure within one year</td>
<td>$12,932,363</td>
<td>$10,319,699</td>
</tr>
<tr>
<td>Less those unavailable for general expenditure within one year, due to:</td>
<td>(444,772)</td>
<td>(160,032)</td>
</tr>
<tr>
<td>Restricted by donor with time or purpose restrictions</td>
<td>(140,319)</td>
<td>(191,677)</td>
</tr>
<tr>
<td>Less prepaid expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$12,347,272</td>
<td>$9,967,990</td>
</tr>
</tbody>
</table>

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

*** End of Notes ***
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2019

<table>
<thead>
<tr>
<th>Federal Agency/Pass-Through Agency Program Title</th>
<th>Federal CFDA Number</th>
<th>Award Amount</th>
<th>Passed Through to Subrecipients</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Health and Human Services - Passed-Through the State of Michigan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Programs for the Aging Cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title III - Federal Admin - FY 2019 AIP</td>
<td>93.044</td>
<td>$309,336</td>
<td>-</td>
<td>$309,336</td>
</tr>
<tr>
<td>Title III - Part B, Services - FY 2019 AIP</td>
<td>93.044</td>
<td>2,996,541</td>
<td>-</td>
<td>2,996,541</td>
</tr>
<tr>
<td>Title III - Federal Admin - FY 2019 AIP</td>
<td>93.045</td>
<td>587,739</td>
<td>-</td>
<td>587,739</td>
</tr>
<tr>
<td>Title III - Federal Admin - FY 2019 AIP</td>
<td>93.045</td>
<td>134,046</td>
<td>-</td>
<td>134,046</td>
</tr>
<tr>
<td>Nutrition Services Incentive Program - FY 2019 AIP</td>
<td>93.053</td>
<td>1,643,291</td>
<td>-</td>
<td>1,643,291</td>
</tr>
<tr>
<td>Total Special Programs for the Aging Cluster</td>
<td></td>
<td>11,268,816</td>
<td>-</td>
<td>11,268,816</td>
</tr>
<tr>
<td>Other Federal Awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title III - Part D, Preventative Health - FY 2019 AIP</td>
<td>93.043</td>
<td>202,100</td>
<td>-</td>
<td>202,100</td>
</tr>
<tr>
<td>Title III - Part E, National Family Caregivers Support Program - FY 2019 AIP</td>
<td>93.052</td>
<td>1,682,310</td>
<td>-</td>
<td>1,682,310</td>
</tr>
<tr>
<td>Title VII - Elder Abuse Prevention - FY 2019 AIP</td>
<td>93.041</td>
<td>41,603</td>
<td>-</td>
<td>41,603</td>
</tr>
<tr>
<td>Title VII/A - LTC Ombudsman - FY 2019 AIP</td>
<td>93.042</td>
<td>44,003</td>
<td>-</td>
<td>44,003</td>
</tr>
<tr>
<td>Total Other Federal Awards</td>
<td></td>
<td>1,970,016</td>
<td>-</td>
<td>1,970,016</td>
</tr>
<tr>
<td>U.S. Department of Health and Human Services - Centers for Medicare and Medicaid Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed-Through MMAP, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MMAP Ship Core - 90SAPG0010-01-00</td>
<td>93.324</td>
<td>220,451</td>
<td>-</td>
<td>220,451</td>
</tr>
<tr>
<td>MMAP SMP - 90MP0218-03-02</td>
<td>93.049</td>
<td>70,028</td>
<td>-</td>
<td>70,028</td>
</tr>
<tr>
<td>MMAP MHL Counseling - 1J1CMS331414</td>
<td>93.048</td>
<td>30,862</td>
<td>-</td>
<td>30,862</td>
</tr>
<tr>
<td>MMAP MIPPA - 1801MIMISH, 1801MIMIAA</td>
<td>93.628</td>
<td>4,549</td>
<td>-</td>
<td>4,549</td>
</tr>
<tr>
<td>MMAP MHEF</td>
<td>93.324</td>
<td>8,731</td>
<td>-</td>
<td>8,731</td>
</tr>
<tr>
<td>Total Passed through MMAP, Inc.</td>
<td></td>
<td>334,621</td>
<td>-</td>
<td>334,621</td>
</tr>
<tr>
<td>Total Federal Expenditures</td>
<td>$13,573,453</td>
<td></td>
<td>$</td>
<td>$13,573,453</td>
</tr>
</tbody>
</table>

See accompanying notes to schedule of expenditures of federal awards
Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Area Agency on Aging 1-B (a Nonprofit Organization) under programs of the federal government for the year ended September 30, 2019. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Area Agency on Aging 1-B (a Nonprofit Organization), it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Area Agency on Aging 1-B (a Nonprofit Organization).

Note B - Summary of Significant Accounting policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the Cost Principles for Nonprofit Organizations or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as well as cost principles in accordance with the State of Michigan. The Area Agency on Aging 1-B (a Nonprofit Organization) has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C - Major Programs

Major programs are identified in the Summary of Auditor’s Results section of the Schedule of Findings and Questioned Costs.

* * * End of Notes * * *
<table>
<thead>
<tr>
<th>Administration</th>
<th>Title IIC-1</th>
<th>Title IIC-2</th>
<th>Title III-B</th>
<th>Title III-D</th>
<th>Title III-E</th>
<th>Title VII-EAP</th>
<th>Title VII-A</th>
<th>NSIP</th>
<th>Program Income</th>
<th>Cash Match</th>
<th>In-Kind Match</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>1,051,121</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>Case Management</td>
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<tr>
<td>Case Coord./Support</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Disaster Advocacy</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td></td>
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</tr>
<tr>
<td>Info &amp; Assist</td>
<td>-</td>
<td>610,078</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Education</td>
<td>-</td>
<td>35,025</td>
<td>-</td>
<td>56,255</td>
<td>-</td>
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<td></td>
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<tr>
<td>Outreach</td>
<td>-</td>
<td>292,902</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td></td>
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<td></td>
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<tr>
<td>Transportation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,624</td>
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<td>-</td>
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<td>Chore</td>
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<td>-</td>
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<td></td>
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<tr>
<td>Home Care Assist</td>
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<td>-</td>
<td>539,754</td>
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<tr>
<td>Home Injury Control</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Homemaker</td>
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</tr>
<tr>
<td>Home Health Aide</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td>Multidisc Mgmt.</td>
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<td>-</td>
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<tr>
<td>Personal Care</td>
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<td>-</td>
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<td></td>
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</tr>
<tr>
<td>Assistive Devices &amp; Technologies</td>
<td>-</td>
<td>113,162</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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</tr>
<tr>
<td>Hospice Care</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td></td>
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</tr>
<tr>
<td>Hospice Services</td>
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<td>-</td>
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<td></td>
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</tr>
<tr>
<td>Friendly Resource</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td>Legal Aid</td>
<td>-</td>
<td>301,198</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
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<tr>
<td>Community Serv.</td>
<td>-</td>
<td>95,864</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Adult Day Care</td>
<td>-</td>
<td>17,234</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>232,623</td>
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</tr>
<tr>
<td>Demension ADC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td>Disease Prevention</td>
<td>-</td>
<td>-</td>
<td>-</td>
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Total $1,051,121 $3,021,480 $1,279,991 $4,286,647 $202,100 $1,432,310 $41,605 $44,005 $2,467 $371,223 $14,002,566
## AREA AGENCY ON AGING 1-B
(A Nonprofit Organization)

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SEPTEMBER 30, 2019

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