



Reach Resource Services
Audited Financial Statements
September 30, 2023

Prepared by Taylor & Morgan, P.C.

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REACH RESOURCE SERVICES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Reach Resource Services

Opinion

We have audited the accompanying financial statements of Reach Resource Services (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statement of activities and functional expenses for the year ended September 30, 2023 and the statements of cash flows for the years ended September 30, 2023 and 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reach Resource Services as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures

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include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Reach Resource Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reach Resource Services' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

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

Other Matters

Other Information

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* (CFR) 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of Reach Resource Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Reach Resource Services' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants
Flint, Michigan
June 26, 2024

Reach Resource Services
Statements of Financial Position
September 30, 2023 and 2022

ASSETS	September 30, 2023	September 30, 2022
Cash and cash equivalents	\$ 184,572	\$ 118,523
Grants receivable	228,907	508,204
Property and equipment - Net of depreciation	<u>645,673</u>	<u>403,213</u>
Total assets	<u>\$ 1,059,152</u>	<u>\$ 1,029,940</u>
LIABILITIES		
Accounts payable	\$ 3,166	\$ 29,002
Accrued payroll and related liabilities	32,013	-
Mortgage loan - current	8,716	-
Advance from granters	<u>-</u>	<u>42,056</u>
Total current liabilities	43,895	71,058
Mortgage payable - long term	<u>170,938</u>	<u>-</u>
Total liabilities	214,833	71,058
NET ASSETS		
With donor restrictions:		
Street outreach	35,578	-
COVID responses	<u>12,766</u>	<u>-</u>
Total donor restricted	48,344	-
Without donor restrictions	<u>795,975</u>	<u>958,882</u>
Total net assets	<u>844,319</u>	<u>958,882</u>
Total liabilities and net assets	<u>\$ 1,059,152</u>	<u>\$ 1,029,940</u>

See accompanying notes to basic financial statements.

Reach Resource Services
Statement of Activities
For the Year Ended September 30, 2023
With Summarized Information for the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	September 30, 2023	Totals September 30, 2022
PUBLIC SUPPORT AND REVENUE				
Support				
State of Michigan Contract	\$ -	\$ -	\$ -	\$ 637,004
HHS REACH	-	433,652	433,652	-
HUD - TP Grant	-	89,249	89,249	125,657
HUD - SOP Grant	-	71,143	71,143	120,241
HUD - RRRH Grant	-	190,091	190,091	154,860
HHS - TP Grant	-	453,274	453,274	194,726
HHS - SOP Grant	-	168,559	168,559	175,220
MSHDA Grants	-	53,835	53,835	-
Federal Basic Center Grant	-	190,043	190,043	200,000
ESG Grants	-	250,053	250,053	626,843
EFSP Grant	-	5,800	5,800	5,552
Private Grants	-	92,362	92,362	62,877
	<u>-</u>	<u>1,998,061</u>	<u>1,998,061</u>	<u>2,302,980</u>
Revenue				
Interest	21	-	21	26
Contributions	9,070	-	9,070	11,148
	<u>9,091</u>	<u>-</u>	<u>9,091</u>	<u>11,174</u>
Total support and revenue	9,091	1,998,061	2,007,152	2,314,154
Net assets released from restrictions	<u>1,998,061</u>	<u>(1,998,061)</u>	<u>-</u>	<u>-</u>
	2,007,152	-	2,007,152	2,314,154
EXPENSES				
Program services	1,958,062	-	1,958,062	2,047,583
Supporting services	<u>163,653</u>	<u>-</u>	<u>163,653</u>	<u>155,349</u>
Total expenses	<u>2,121,715</u>	<u>-</u>	<u>2,121,715</u>	<u>2,202,932</u>
Increase/(decrease) in net assets	(114,563)	-	(114,563)	111,222
Net assets, beginning of year	<u>958,882</u>	<u>-</u>	<u>958,882</u>	<u>847,660</u>
Net assets, end of year	<u>\$ 844,319</u>	<u>\$ -</u>	<u>\$ 844,319</u>	<u>\$ 958,882</u>

See accompanying notes to basic financial statements.

Reach Resource Services
Statement of Functional Expenses
For the Year Ended September 30, 2023
With Summarized Information for the Year Ended September 30, 2022

	Program Services				Supporting Services	September 30, 2023	September 30, 2022
	Basic Center - REACH	Transitional Living - Traverse Place	Street Outreach	Total Expenses	Management and General	Total Expenses	Total Expenses
Salaries	\$ 500,210	\$ 396,335	\$ 198,673	\$ 1,095,218	\$ 88,606	\$ 1,183,824	\$ 1,170,634
Employee benefits	66,522	68,719	18,660	153,901	9,816	163,717	151,777
Payroll taxes	37,911	30,317	15,162	83,390	6,757	90,147	89,068
Total salaries and related expenses	604,643	495,371	232,495	1,332,509	105,179	1,437,688	1,411,479
Rent	7,687	13,273	11,263	32,223	-	32,223	27,616
Contributions	-	-	-	-	30,000	-	-
Utilities	11,492	18,752	268	30,512	3,390	33,902	32,839
Maintenance	42,131	13,554	15,352	71,037	1,056	72,093	49,766
Home furnishings	1,187	2,651	-	3,838	-	3,838	8,222
Telephone and internet	17,262	7,524	1,821	26,607	2,956	29,563	33,984
Mortgages	-	-	-	-	4,962	4,962	-
Postage	594	-	-	594	66	660	1,596
Printing	151	-	2,336	2,487	276	2,763	7,926
Office supplies	6,764	1,112	1,159	9,035	904	9,939	18,817
Copier supplies	332	462	-	794	88	882	973
Education supplies	528	160	-	688	-	688	2,058
Food and consumables	24,089	33,557	5,975	63,621	-	63,621	82,317
Marketing	8,720	5,770	3,655	18,145	-	18,145	11,817
Travel/vehicle	4,381	5,362	27,971	37,714	4,041	41,755	36,829
Insurance	15,607	5,387	4,454	25,448	2,977	28,425	32,885
Medical supplies and services	-	613	-	613	-	613	714
Professional services	11,779	3,461	2,217	17,457	-	17,457	53,963
Miscellaneous	10,208	2,102	874	13,184	-	13,184	7,965
Training	7,673	6,374	3,635	17,682	1,966	19,648	6,399
Specific assistance - rent and utilities	40,068	154,503	4,422	198,993	-	198,993	301,420
Specific assistance - other	721	3,065	3,112	6,898	-	6,898	13,600
Bus passes	-	-	-	-	-	-	2,860
Interest	-	-	-	-	1,050	1,050	-
Youth activities	3,701	1,549	-	5,250	-	5,250	9,412
Total expenses before depreciation	819,718	774,602	321,009	1,915,329	158,911	2,074,240	2,155,457
Depreciation	31,208	11,525	-	42,733	4,742	47,475	47,475
Total expenses	\$ 850,926	\$ 786,127	\$ 321,009	\$ 1,958,062	\$ 163,653	\$ 2,121,715	\$ 2,202,932

See accompanying notes to basic financial statements.

Reach Resource Services
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	September 30, 2023	September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets	\$ (114,563)	\$ 111,222
Adjustments to reconcile decrease in net		
Assets to net cash provided by operating		
Activities:		
Depreciation	47,275	47,475
(Increase)/decrease in operating assets		
Grants receivable	279,297	(244,209)
Prepaid expenses	-	1,932
Deposits	-	1,000
Increase/(decrease) in operating liabilities		
Accounts payable	(25,836)	
Advance from granters	(42,056)	24,517
Accrued payroll and related expenses	32,013	2,208
Net cash provided by (used in) operating activities	176,130	(55,855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(109,735)	(175,209)
Net cash provided by (used in) investing activities	(109,735)	(175,209)
Net cash provided by (used in) financing activities		
Payments made on long term debt	(346)	-
Net cash provided by (used in) financing activities	(346)	-
Net increase (decrease) in cash	66,049	(231,064)
Beginning cash	118,523	349,587
Ending cash	\$ 184,572	\$ 118,523
Amount paid for interest	\$ 670	\$ -
Amount paid for taxes	\$ -	\$ -

Non cash transactions:

During the year ended September 30, 2023, the organization borrowed \$180,000 and used the proceeds of the loan for the purchase of a house for future use.

REACH RESOURCE SERVICES
Notes to Financial Statements
September 30, 2023

1. Organization and summary of significant accounting policies

Organization:

Genesee County Youth Corporation, doing business as Reach Resource Services (the "Organization") is a nonprofit organization providing services to runaway youth in the Flint, Shiawassee, and Lapeer County area. The Organization receives a majority of its funding from government contracts and grants.

The Organization provides the following programs to youth and their families without fees:

Basic Center – REACH

REACH serves 10-17 year old runaways, homeless and youth at-risk of homelessness and their families who are experiencing crisis situations and need assistance. Services include 24-hour telephone or face to face crisis intervention, 90-day prevention counseling, information and referral, and 21-day emergency shelter, aftercare counseling and follow-up care. Designed with a goal of family reunification, all services are provided to youth voluntarily.

Transitional Living – Traverse Place

Traverse Place provides transitional living opportunities in a supervised congregate facility and through scattered site graduated housing. Program services are built upon four foundational principals – Housing, Education, Employment and Life Skills. Youth ages 17 through 21 may remain in shelter and/or in the graduated housing for a combined period of up to 21 months with the goal of graduation to permanent, safe, and stable housing.

Street Outreach

The street outreach team's focus is aimed at street youth, adults, and families who are both uninformed and in need of basic assistance such as food, clothing, case management, safety planning, hygiene needs, transportation and/or emergency and long-term shelter care. Street outreach makes regular contact with schools, law enforcement, community organizations, local businesses, the faith community, and health care providers with the goal of ending homelessness.

Method of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred regardless of when the related cash is received or paid.

Tax Exempt Status:

The Organization has been classified as an other-than-private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties. The Organization is subject to a tax on income from any unrelated business (the Organization has no unrelated business income) as defined by Section 509(a) (1) of the Code.

The Organization evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of September 30, 2023, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's tax returns are subject to examination by the appropriate taxing jurisdictions. At September 30, 2023, the Organization's federal tax returns remain open for the last three years.

REACH RESOURCE SERVICES
Notes to Financial Statements
September 30, 2023

1. Organization and summary of significant accounting policies (continued)

Financial Statement Presentation:

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization 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 grantor or donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some grantor or donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Donor and grantor restricted contributions are reported as increases in net assets with donor restrictions on the statement of activity. When a restriction expires, the corresponding net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Contributions:

Contributions of cash and other assets, including unconditional promises to give in the future, are recorded at fair value and reported as revenue when received. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Functional expenses:

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly to their natural classification. Other expenses that are common to multiple program services and supporting services are allocated on various statistical bases.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Beneficial Interest in Assets Held by Others:

The Organization has previously established and periodically makes contributions to various endowment funds held and managed by the Community Foundation of Greater Flint. See Note 5 for more information.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

2. Donated Services

No amounts have been reflected in the financial statements for donated services, since no objective basis is available to measure the value of such services.

3. Cash and Cash Equivalents

At September 30, 2023, the carrying amount of deposits was \$184,572, and the bank balance was \$181,892. The difference was due to outstanding checks and deposits. The entire bank balance was covered by Federal depository insurance.

REACH RESOURCE SERVICES
Notes to Financial Statements
September 30, 2023

4. Property and Equipment:

A summary of building and equipment at September 30, 2023 and 2022, is as follows:

	2023	2022
Equipment and vehicles	\$ 308,445	\$ 308,445
Buildings and improvements	1,197,071	907,335
	<u>1,505,516</u>	<u>1,215,780</u>
Less: Accumulated depreciation	(859,843)	(812,567)
	<u>\$ 645,673</u>	<u>\$ 403,213</u>

Property and equipment are stated at cost. Depreciation is accumulated at annual rates, which are sufficient to amortize the gross carrying amounts over the estimated useful lives. The organization's policy is to capitalize all assets with an individual cost exceeding \$5,000.

Depreciation expense for the years ending September 30, 2023 and 2022, was \$47,475 and \$47,475, respectively.

5. Beneficial Interests Held by Third Party with Variance Power

The Organization has a beneficial interest in specific funds held at the Community Foundation of Greater Flint (the "Community Foundation"). Under the terms by which the Community Foundation has accepted the gift, the Organization can expect to receive distributions of revenue earned on these funds to perpetuity. The organization will never receive the assets held by the community foundation.

These assets held by the Community Foundation are not recorded on the Organization's financial statements, since the Community Foundation maintains variance power over the distributions of income from this gift and could legally redirect the income from the assets to a different income beneficiary. Because the Community Foundation maintains variance power, the Organization has no legal right to the annual income from these trusts. While the Community Foundation has the legal right to change the beneficiary, the Organization's management does not expect such a change to occur and expects to continue to receive income distributions annually from the assets held at the Community Foundation.

The fair value of the investments held by the Community Foundation in funds whereby the Community Foundation has variance power at September 30, 2023 totaled \$30,000.

6. Long-Term Debt

As of September 30, 2023, long-term debt was comprised of the following:

Note payable to Metro Community Development for the purchase and renovation of a building. Monthly payments of \$1,396, including interest at 7.0 % paid monthly, maturing August 2033 secured by property.	\$ 179,654
Less current portion	<u>(8,716)</u>
Long-term debt	<u>\$ 170,938</u>

REACH RESOURCE SERVICES
Notes to Financial Statements
September 30, 2023

6. Long-Term Debt (continued)

The future maturities of long-term debt are as follows:

2024	\$	8,716
2025		8,740
2026		8,764
2027		9,031
2028		9,056
Thereafter		135,347
Total	\$	<u>179,654</u>

7. Liquidity

As part of the Organization'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 following summarizes the Organization's financial assets at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 184,572	\$ 118,523
Grants and other receivables	<u>228,907</u>	<u>508,204</u>
	413,479	626,727
Restricted by donors with time or purpose restrictions	<u>48,344</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 365,135</u>	<u>\$ 626,727</u>

8. Contingencies

The Organization has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grant, management believes that any required reimbursements would not be material.

9. Subsequent Events

Management has reviewed subsequent events through June 26, 2024, which is the date the financial statements were available to be issued.

**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**

Board of Directors
Reach Resource Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Genesee County Youth Corporation (a nonprofit organization), doing business as Reach Resource Services, which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reach Resource Services' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reach Resource Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Reach Resource Services' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we identified one deficiency in internal control which is described in Finding #23-001 in the Schedule of Finding and Questioned Costs. We consider this deficiency to be a material weakness in internal control over financial reporting. However, additional material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reach Resource Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants
Flint, MI

June 26, 2024

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

Board of Directors
Reach Resource Services

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Reach Resource Services' compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on Reach Resource Services' major federal program for the year ended September 30, 2023. Reach Resource Services' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Reach Resource Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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TROY, MICHIGAN

CHARLOTTE, NORTH CAROLINA

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Reach Resource Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Reach Resource Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Reach Resource Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

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 Reach Resource Services' compliance.

Other Matters

The results of our auditing *procedures* disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants
Flint, MI

June 26, 2024

Reach Resource Services
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title/Grant Identifier	Federal A.L.N. Number	Current Year Expenditures
<u>U.S. Department of Health and Human Services</u>		
Basic Center Program 2022/23	90CY7321-02-00	93.623 \$ 200,000
Street Outreach Program 2022/23	90YO2454-02-00	93.557 150,000
Transitional Living for Homeless Youth 2022/23	90CX7479-02-00	93.550 <u>249,900</u>
Total Direct Funding		599,900
Passed through Michigan Department of Health and Human Services:		
Social Services Block Grant 2022/23	E20232985-00	93.667 189,492
Temporary Assistance to Needy Families (TANF) 2022/23	E20232985-00	93.558 <u>296,965</u>
Total passed through Michigan Department of Health and Human Services		<u>486,457</u>
Total U.S. Department of Health and Human Services		1,086,357
<u>U.S. Department of Housing and Urban Development</u>		
Continuum of Care 2022/23	MI 0144 L5F 05 2214	14.267 118,730
2022/23	MI 0147 L5F 05 2214	14.267 87,871
2022/23	MI 0670 L5F 05 2102	14.267 <u>190,090</u>
Total Direct Funding - Continuum of Care		396,691
Passed through Michigan State Housing Development Authority		
Emergency Solutions Grant 2020-2023	HML-2020-Catholic-96963-ESF	14.231 109,055
2020 - COVID	HML 2020-9963-C19	14.231 <u>19,632</u>
Total passed through Michigan State Housing Development Authority		128,687
Passed through City of Flint:		
Emergency Solutions Grant 2021-2022 - COVID	Cares Rapid Rehousing (21-090A)	14.231 35,099
2021-2022 - COVID	Cares - Shelters Operations - Renovations (21-090A)	14.231 92,871
2021-2022 - COVID	Cares - Shelters Operations (21-090A)	14.231 34,480
2021-2022	Emergency Shelter (22-048)	14.231 <u>37,898</u>
Total passed through City of Flint		200,348
Passed through Genesee County		
Emergency Solutions Grant 2022	Emergency Shelter	14.231 26,813
2023	Emergency Shelter	14.231 <u>28,632</u>
Total passed through Genesee County		<u>55,445</u>
Total Emergency solutions Grant		<u>384,480</u>
Total U.S. Department of Housing and Urban Development		781,171
Passed through the United Way National Board:		
Federal Emergency Management Agency 2022/23	Phase Cares	97.024 <u>15,000</u>
Total passed through United Way National Board		15,000
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>1,882,528</u>

The accompanying notes are an integral part of this schedule

Reach Resource Services
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

- 1) The Schedule of Expenditures of Federal Awards has been prepared under the accrual basis of accounting.
- 2) The Organization has elected to not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Reach Resource Services
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Audit findings required to be reported in accordance with the Uniform Guidance?	No

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
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Identification of major programs:

<u>A.L.N.</u>	<u>Name of Federal Program or Cluster</u>
14.267	<i>Continuum of Care</i>

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Reach Resource Services
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section II - Financial Statement Findings

2023-001	Lack of Segregation of Duties - Lack of Supervisory Review
Finding Type	Material Weakness in Internal Control Over Financial Reporting
Condition:	The business manager retired on September 30, 2023 before completing the monthly billings and reconciliations. The Executive Director undertook the tasks usually performed by the business manager. This created an inherent lack of segregation of duties where individual cash disbursements authorized and processed by the executive director could contain errors and not be detected on a timely basis by others. While no errors were identified, the current internal controls in place at the Organization could allow such errors to occur and not be detected on a timely basis. Additionally, when a business manager was on staff, the Executive Director served in a supervisory role reviewing the financial transactions, billings, reconciliations, and cash disbursements processed by the business manager to ensure they were correct. With the executive director performing all bookkeeping and approval tasks, there is no supervisory review of his work. As with the cash disbursements issue discussed above, errors could occur and not be detected.
Criteria:	Strong internal controls suggest that the same person does not have control over both cash and the records that pertain to cash and that financial transactions and reconciliations be reviewed by someone other than the preparer to ensure that potential errors are identified and corrected.
Effect:	A lack of segregation of duties and supervisory review can result in errors occurring in the processing of cash disbursements, billings, bank reconciliations and general ledger postings without being detected by employees and management on a timely basis.
Cause	The condition is a result of the accounting records not being prepared, reviewed, or reconciled by someone other than the sole person preparing and approving the transactions and the financial records.
Recommendation:	Additional controls and policies should be implemented to ensure that all related accounting records are reviewed and reconciled by someone other than the preparer. Additional staff should be hired to provide those controls.
View of Responsible Officials:	Management and the Board of Directors recognizes the lack of a business manager as a concern and the Executive Director is in the process of hiring a new business manager at the opinion date.

Section II - Federal Award Finding and Questioned Costs

None