



TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)

ANNUAL REPORT
January 31, 2025 and 2024



St. Joseph, MI

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
PAW PAW, MICHIGAN
JANUARY 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tri-County Council for Child Development, Inc.
Paw Paw, Michigan 49079

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning) (a nonprofit organization), which comprise the statements of financial position as of January 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning) as of January 31, 2025 and 2024, 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.

Basis for Opinion

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. 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 the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s ability to continue as a going concern for a reasonable period of time.

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

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

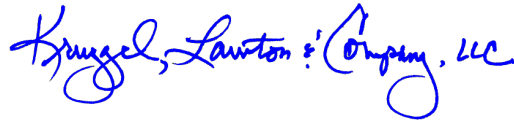
Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 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 18, 2025 on our consideration of the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is stylized with a large, flowing 'K' and 'L'.

Certified Public Accountants

St. Joseph, Michigan
June 18, 2025

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
STATEMENTS OF FINANCIAL POSITION
January 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash, restricted cash, and cash equivalents	\$ 339,657	\$ 250,699
Grants receivable	1,113,506	1,020,696
Inventory	16,375	11,529
Total Current Assets	\$ 1,469,538	\$ 1,282,924
Property and Equipment		
Modulars/buildings	\$ 854,483	\$ 254,210
Vehicles	1,469,494	1,419,697
Furniture and equipment	362,815	362,815
	\$ 2,686,792	\$ 2,036,722
Less: accumulated depreciation	1,969,287	1,852,134
Net Property and Equipment	\$ 717,505	\$ 184,588
Other Assets		
Operating right of use asset	\$ 261,421	\$ 313,047
Total Assets	\$ 2,448,464	\$ 1,780,559
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 511,773	\$ 593,380
Salaries and payroll taxes	418,982	356,933
Operating lease liabilities - current portion	95,567	88,058
Total Current Liabilities	\$ 1,026,322	\$ 1,038,371
Noncurrent Liabilities		
Operating lease liabilities - less current portion	\$ 124,059	\$ 175,257
Total Liabilities	\$ 1,150,381	\$ 1,213,628
Net Assets		
Without donor restrictions	\$ 1,124,297	\$ 442,415
With donor restrictions	173,786	124,516
Total Net Assets	\$ 1,298,083	\$ 566,931
Total Liabilities and Net Assets	\$ 2,448,464	\$ 1,780,559

The Notes to Financial Statements are an integral part of this statement.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
STATEMENT OF ACTIVITIES
Year Ended January 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Federal grants	\$ 13,255,528	\$ -	\$ 13,255,528
Contributions of nonfinancial assets	1,140,713	-	1,140,713
Contributions of financial assets	484,982	173,786	658,768
Release from restrictions	124,516	(124,516)	-
Total Revenues and Support	<u>\$ 15,005,739</u>	<u>\$ 49,270</u>	<u>\$ 15,055,009</u>
Program Expenses			
Head start program			
Continuation grant	\$ 11,965,739	\$ -	\$ 11,965,739
COVID-ARP, CRSSA	346,000	-	346,000
Non-federal programs			
In-kind	1,140,714	-	1,140,714
GSRP	324,254	-	324,254
Governing Board	10,947	-	10,947
Community Funding			
Trusted advisors	1,409	-	1,409
Carolyn's Kids	31,346	-	31,346
Bill Nygren Foundation	112,404	-	112,404
Community contributions	2,659	-	2,659
Other federal programs			
Child and adult care food program	388,385	-	388,385
Total Program Expenses	<u>\$ 14,323,857</u>	<u>\$ -</u>	<u>\$ 14,323,857</u>
Change in Net Assets	\$ 681,882	\$ 49,270	\$ 731,152
Net Assets, Beginning of Year	<u>442,415</u>	<u>124,516</u>	<u>566,931</u>
Net Assets, End of Year	<u><u>\$ 1,124,297</u></u>	<u><u>\$ 173,786</u></u>	<u><u>\$ 1,298,083</u></u>

The Notes to Financial Statements are an integral part of this statement.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
STATEMENT OF ACTIVITIES
Year Ended January 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Federal grants	\$ 11,586,467	\$ -	\$ 11,586,467
Contributions of nonfinancial assets	1,144,482	-	1,144,482
Contributions of financial assets	285,508	125,000	410,508
Release from restrictions	-	(25,333)	(25,333)
Total Revenues and Support	<u>\$ 13,016,457</u>	<u>\$ 99,667</u>	<u>\$ 13,116,124</u>
Program Expenses			
Head start program			
Continuation grant	\$ 11,183,958	\$ -	\$ 11,183,958
COVID-ARP, CRSSA	31,345	-	31,345
Non-federal programs			
In-kind	1,144,482	-	1,144,482
GSRP	208,808	-	208,808
Governing Board	17,668	-	17,668
Community Funding			
Trusted advisors	3,390	-	3,390
Bill Nygren Foundation	484	-	484
Other federal programs			
Child and adult care food program	<u>408,203</u>	<u>-</u>	<u>408,203</u>
Total Program Expenses	<u>\$ 12,998,338</u>	<u>\$ -</u>	<u>\$ 12,998,338</u>
Change in Net Assets	18,119	99,667	117,786
Net Assets, Beginning of Year	<u>424,296</u>	<u>24,849</u>	<u>449,145</u>
Net Assets, End of Year	<u><u>\$ 442,415</u></u>	<u><u>\$ 124,516</u></u>	<u><u>\$ 566,931</u></u>

The Notes to Financial Statements are an integral part of this statement.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended January 31, 2025

Program Services											
	Head Start Program		Non-Federal Programs			Community Funding				Other Federal Programs	
	Continuation Grant	COVID-ARP, CRSSA	In-Kind	GSRP	Governing Board	Trusted Advisors	Carolyn's Kids	Bill Nygren Foundation	Community Contributions	Child and Adult Care Food Program	Total
Salaries and wages	\$ 7,699,498	\$ -	\$ -	\$ 260,092	\$ -	\$ -	\$ -	\$ 70,681	\$ -	\$ -	\$ 8,030,271
Fringe benefits	2,356,259	-	-	64,162	673	-	-	13,979	-	-	2,435,073
Professional services	80,214	-	-	-	2,500	-	-	14,646	-	-	97,360
Contractual services	177,698	-	-	-	2,026	-	-	2,463	-	-	182,187
Travel	270,057	-	-	-	573	-	-	336	-	-	270,966
Office equipment	8,935	-	-	-	-	-	-	2,631	-	-	11,566
Equipment	4,779	-	-	-	-	-	-	-	-	-	4,779
Building	54,266	-	-	-	-	-	-	-	-	-	54,266
Insurance:											
Vehicle	45,933	-	-	-	-	-	-	-	-	-	45,933
Theft, bond, and board	7,826	-	-	-	-	-	-	-	-	-	7,826
General	76,124	-	-	-	-	-	-	-	-	-	76,124
Childrens	5,614	-	-	-	-	-	-	-	-	-	5,614
Supplies:											
Office	17,559	-	-	-	-	-	-	-	-	-	17,559
Program	58,701	346,000	-	-	-	-	25,518	-	149	66,032	496,400
Food	4,325	-	-	-	5,175	-	-	-	275	322,353	332,128
Medical/dental	6,101	-	-	-	-	-	-	-	-	-	6,101
Repairs and maintenance	265,284	-	-	-	-	-	5,828	-	-	-	271,112
Depreciation	117,153	-	-	-	-	-	-	-	-	-	117,153
Amortization	113,368	-	-	-	-	-	-	-	-	-	113,368
Utilities	131,132	-	-	-	-	159	-	-	-	-	131,291
Telephone	106,993	-	-	-	-	-	-	-	-	-	106,993
Advertising	15,680	-	-	-	-	490	-	7,044	-	-	23,214
Leases:											
Space	142,229	-	-	-	-	-	-	-	-	-	142,229
Equipment	26,009	-	-	-	-	-	-	-	-	-	26,009
Career Development	128,708	-	-	-	-	-	-	73	2,146	-	130,927
Printing	7,776	-	-	-	-	-	-	234	-	-	8,010
Postage	3,631	-	-	-	-	-	-	-	-	-	3,631
Dues and subscriptions	21,223	-	-	-	-	-	-	-	-	-	21,223
Medical:											
Physicals	11,179	-	-	-	-	-	-	317	-	-	11,496
In-kind:											
Personnel	-	-	905,640	-	-	-	-	-	-	-	905,640
Space - indoors/outdoors	-	-	202,601	-	-	-	-	-	-	-	202,601
Other	-	-	32,473	-	-	-	-	-	-	-	32,473
Miscellaneous	1,485	-	-	-	-	760	-	-	89	-	2,334
Total Functional Expenses	\$ 11,965,739	\$ 346,000	\$ 1,140,714	\$ 324,254	\$ 10,947	\$ 1,409	\$ 31,346	\$ 112,404	\$ 2,659	\$ 388,385	\$ 14,323,857

The Notes to Financial Statements are an integral part of this statement.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended January 31, 2024

Program Services									
	Head Start Program		Non-Federal Programs			Community Funding		Other Federal Programs	
	Continuation Grant	COVID-ARP, CRSSA	In-Kind	GSRP	Governing Board	Trusted Advisors	Bill Nygren Foundation	Child and Adult Care Food Program	Total
Salaries and wages	\$ 6,888,004	\$ -	\$ -	\$ 154,544	\$ -	\$ -	\$ -	\$ 41,264	\$ 7,083,812
Fringe benefits	2,310,076	-	-	44,950	797	-	-	-	2,355,823
Professional services	34,883	15,000	-	-	13,436	-	-	-	63,319
Contractual services	112,310	-	-	6,314	-	-	-	-	118,624
Travel	238,481	-	-	-	346	-	-	-	238,827
Office equipment	5,171	-	-	-	-	-	-	-	5,171
Equipment	3,076	-	-	-	-	-	-	-	3,076
Insurance:									
Vehicle	36,536	-	-	-	-	-	-	-	36,536
Theft, bond, and board	7,501	-	-	-	-	-	-	-	7,501
General	73,210	-	-	-	-	-	-	-	73,210
Childrens	10,767	-	-	-	-	-	-	-	10,767
Supplies:									
Office	20,921	-	-	-	-	-	-	-	20,921
Program	212,337	6,795	-	-	-	449	-	309,729	529,310
Food	18,059	-	-	-	3,089	99	105	57,210	78,562
Medical/dental	10,252	-	-	-	-	-	-	-	10,252
Repairs and maintenance	303,364	-	-	3,000	-	1,660	-	-	308,024
Depreciation	119,621	-	-	-	-	-	-	-	119,621
Amortization	129,071	-	-	-	-	-	-	-	129,071
Utilities	136,535	-	-	-	-	-	-	-	136,535
Telephone	128,186	9,333	-	-	-	-	-	-	137,519
Advertising	6,892	217	-	-	-	-	379	-	7,488
Leases:									
Space	112,442	-	-	-	-	-	-	-	112,442
Equipment	87,206	-	-	-	-	-	-	-	87,206
Teacher qualifications	131,245	-	-	-	-	-	-	-	131,245
Printing	7,062	-	-	-	-	-	-	-	7,062
Postage	3,460	-	-	-	-	-	-	-	3,460
Dues and subscriptions	23,864	-	-	-	-	-	-	-	23,864
Medical:									
Physicals	8,878	-	-	-	-	-	-	-	8,878
In-kind:									
Personnel	-	-	897,118	-	-	-	-	-	897,118
Space - indoors/outdoors	-	-	214,370	-	-	-	-	-	214,370
Other	-	-	32,994	-	-	-	-	-	32,994
Miscellaneous	4,548	-	-	-	-	1,182	-	-	5,730
Total Functional Expenses	<u>\$ 11,183,958</u>	<u>\$ 31,345</u>	<u>\$ 1,144,482</u>	<u>\$ 208,808</u>	<u>\$ 17,668</u>	<u>\$ 3,390</u>	<u>\$ 484</u>	<u>\$ 408,203</u>	<u>\$ 12,998,338</u>

The Notes to Financial Statements are an integral part of this statement.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
STATEMENTS OF CASH FLOWS
For the Years Ended January 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 731,152	\$ 117,786
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	117,153	119,621
Noncash lease payments	7,937	(49,732)
(Increase) decrease in current assets:		
Grants receivable	(92,810)	3,887
Inventory	(4,846)	3,822
Prepaid expenses	-	219,462
Increase (decrease) in current liabilities:		
Accounts payable	(81,607)	(235,410)
Salaries and payroll taxes	62,049	86,377
Net Cash Provided By Operating Activities	<u>\$ 739,028</u>	<u>\$ 265,813</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	\$ (650,070)	\$ (15,114)
Net Cash Used In Investing Activities	<u>\$ (650,070)</u>	<u>\$ (15,114)</u>
Net Increase in Cash, Restricted Cash, and Cash Equivalents	\$ 88,958	\$ 250,699
Cash, Restricted Cash, and Cash Equivalents at Beginning of Year	<u>250,699</u>	<u>-</u>
Cash, Restricted Cash, and Cash Equivalents at End of Year	<u><u>\$ 339,657</u></u>	<u><u>\$ 250,699</u></u>
Supplementary Disclosure of Cash Flow Information:		
Noncash disclosure:		
Right of use asset obtained in exchanged for lease liability	<u><u>\$ -</u></u>	<u><u>\$ 268,268</u></u>

The Notes to Financial Statements are an integral part of this statement.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 1. STATEMENT OF PURPOSE

Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning) (the “Organization”) acts as the sponsor for the Tri-County Head Start Program. The Organization strives to study, plan, encourage, contract for, and administer programs aimed at increasing opportunities for the victims of poverty; to receive and administer and distribute funds from whatever source received for those purposes; and to employ and make available professional staff services for persons involved in the program.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – The accounts of the Organization are organized on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise it assets, liabilities, net assets, revenues, and expenses.

Basis of Presentation – The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which sets standards for reporting on financial statements of nonprofit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to 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 board of directors.

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

Grant Revenue– Grant funds are considered earned as program expenses are incurred. All variances between fund advances and related expenses are shown as “grants receivable” or “deferred revenue”.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash, Restricted Cash, and Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of ninety (90) days or less to be cash and cash equivalents. As of January 31, 2025 and 2024, the Organization had restricted cash of \$173,786 and \$124,516, respectively, see Note 11.

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

Inventory – Inventories, which consists mainly of food, are valued at cost or net realizable value, on a first-in, first-out basis. The cost is recorded as an expense at the time the inventory items are purchased.

Property and Equipment – Acquisitions of property and equipment in excess of \$5,000 and a useful life of greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method, with a full month of depreciation being recognized in the month of acquisition and disposal. Depreciation is computed using the following estimated useful lives:

Modulars/buildings	15 years
Vehicles	5-9 years
Furniture and equipment	5-7 years

Leases - The Organization accounts for leases in accordance with Accounting Standard Update (“ASU”) No. 2016-02, *Leases* (Topic 842). Leases are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. Management determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. Management determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right of use ("ROU") asset at the commencement date of the lease. Operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the Statements of Financial Position.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Leases, Concluded

Lease liabilities - A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate based on the information available at the commencement date of the lease. The incremental borrowing rate for a lease is the rate of interest the Organization would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. The Organization determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

ROU assets - A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that is reasonably certain to exercise. The Organization will recognize lease costs associated with its short-term leases on a straight-line basis over the lease term.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Allocation of Expenses – The costs of providing the program and other activities are typically summarized on a functional basis in the Statements of Activities. The Organization does not have supporting services and accordingly, certain costs that would otherwise have been allocated among program and supporting services benefited, are reported as program expenses.

Contributions of Financial Assets – Contributions, including promises to give, are recorded when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made. Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the annual period in which the contributions are received.

Revenue Recognition - Program revenue - The Organization generates revenue from program services. The Organization recognizes revenue from these services on a ratable basis over the contract term beginning on the date service commences. The contract terms generally are on an annual basis that matches the reporting period and are billed in installments. These fees are recognized as revenue in the Statements of Activities at the start date of the program to which they pertain.

Grant receivables are stated at the amount management expects to collect from outstanding balances and are presented net of an allowance. Management considers historical and forward-looking factors in its determination of the allowance including historical and anticipated customer performance, an aged analysis of receivables, current economic conditions and reasonable and supportable forecasts of future events and economic conditions.

The Organization receives its grant and contract support primarily from various State Agencies. Support received from those grants is recognized on a “net funded” basis.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 3. LIQUIDITY AND AVAILABILITY

For the years ended January 31, 2025, and 2024, the Organization has working capital and average days cash on hand of the following:

	<u>2025</u>	<u>2024</u>
Working capital	\$ 443,216	\$ 244,553
Average days of cash on hand	5	4

Financial assets for the years ended January 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Cash, restricted cash, and cash equivalents	\$ 339,657	\$ 250,699
Grants receivable	<u>1,113,506</u>	<u>1,020,696</u>
Total financial assets	<u><u>\$ 1,453,163</u></u>	<u><u>\$ 1,271,395</u></u>
Less amounts provided not available to be used within one year:		
Restricted cash	<u>\$ 173,786</u>	<u>\$ 124,516</u>
Total	<u><u>\$ 173,786</u></u>	<u><u>\$ 124,516</u></u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 1,279,377</u></u>	<u><u>\$ 1,146,879</u></u>

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 4. GRANTS RECEIVABLE

Grants receivable, which the Organization deems fully collectible, consist of the following for the years ended January 31, 2025 and 2024:

	2025	2024
Head Start Grant - PA22	\$ 776,697	\$ 846,120
Department of Education		
Child Care Program	24,704	53,297
GSRP	138,747	96,430
Trust Advisors	46,309	24,849
Nonfederal grant receivable	127,049	-
Total	<u>\$ 1,113,506</u>	<u>\$ 1,020,696</u>

NOTE 5. GOVERNMENT GRANTS

The Organization received money from the Department of Health and Human Services during the years ended January 31, 2025 and 2024. The Organization also has received a Child Care Food Program grant from the Michigan Department of Education which represents funds received based on the number of meals served. Total amounts of these grants amount to approximately 89% and 88% of the Organization's total revenues for the years ended 2025 and 2024, respectively.

NOTE 6. LEASE AGREEMENTS

The Organization has an obligation as a lessee for classrooms with an initial noncancelable term more than one year. The Organization classifies these leases as operating leases. Because the Organization is not reasonably certain to exercise the renewal options, the optional periods are not included in determining the lease terms, and associated payments under these renewal options are excluded from the lease payments used to determine the lease liabilities. The leases do not include termination options for either party, guaranteed residual values or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments only.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 6. LEASE AGREEMENTS, CONCLUDED

Management has elected not to separate nonlease components from lease components in the lease.

The components of lease cost are as follows for the years ended:

<u>Lease cost</u>	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 168,238	\$ 199,648
 <u>Other information</u>		
Weighted-average remaining lease term - operating leases		2 years
Weighted-average discount rate - operating leases		3.5

Maturities of the operating lease liabilities was as follows for the years ending January 31:

2026	\$ 102,000
2027	79,250
2028	51,000
Total lease payments	\$ 232,250
Present value adjustment	(12,624)
Present value of lease liabilities	\$ 219,626

NOTE 7. CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Organization receives a significant amount of donated materials, services, and building space. Those nonfinancial assets are reflected in the Statements of Activities for the years ended January 31, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Personnel	\$ 905,640	\$ 897,118
Space - Indoors/Outdoors	202,601	214,370
Other	32,473	32,994
Total contributions of nonfinancial assets	\$ 1,140,714	\$ 1,144,482

These recognized contributions of nonfinancial assets did not have donor-imposed restriction. All donations were valued at the estimated fair value based on the wholesale values that would be received selling similar products if the items had not been donated.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 8. TAX-EXEMPT STATUS

The Organization is exempt from federal income tax under provisions of Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. The Organization files tax returns in the U.S. federal jurisdiction. As of January 31, 2025 and 2024, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for three years after the current fiscal year.

NOTE 9. EMPLOYEE BENEFIT PLANS

Retirement plan – The Employees’ Retirement Plan of the Organization is a defined contribution pension plan that covers all employees who work a minimum of 1,000 hours per year, have completed at least one year of services, and have attained 18 years of age. Future Service Employer Contributions are at the discretion of the Board.

In addition, the plan has the option of a 401(k), giving employees the option of direct involvement in their retirement by giving them the ability to choose the investments in which they want to put their money for their retirement. However, there is no employer match with the 401(k) plan.

Discretionary employer contributions were \$331,729 and \$466,433 for the plan years ended January 31, 2025 and 2024, respectively.

NOTE 10. CONTINGENCIES

The Organization receives a substantial amount of its support from the Federal government. A significant reduction in the level of this support, if this were to occur, may have an effect on Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s ability to continue its programs and activities.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at January 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Bill Nygren Foundation	\$145,735	\$124,516
Carolyns Kids	18,737	-
Community Contributions	9,314	-
Total	<u><u>\$173,786</u></u>	<u><u>\$124,516</u></u>

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS, CONCLUDED

Net assets released from restriction during the years ended January 31st:

	<u>2025</u>	<u>2024</u>
Trusted Advisors	\$ -	\$ 24,849
Bill Nygren Foundation	91,199	484
Carolyns Kids	31,263	-
Community Contributions	<u>2,054</u>	<u>-</u>
	<u><u>\$124,516</u></u>	<u><u>\$ 25,333</u></u>

NOTE 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 18, 2025, the date on which the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

**TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)**

FEDERAL AWARDS

January 31, 2025

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Current Year Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Direct Programs:				
Head Start Cluster				
Head Start	93.600	05CH011389-04	\$12,542,530	\$ -
COVID-19 - Head Start	93.600	05HE001208C6	346,000	-
Total Head Start Cluster			<u>\$12,888,530</u>	<u>\$ -</u>
Total U.S. Department of Health and Human Services			<u>\$12,888,530</u>	<u>\$ -</u>
U.S. Department of Agriculture				
Passed Through Michigan Department of Education:				
Child and Adult Care Food Program (CACFP):				
CACFP Meals 2023 and 2024	10.558	221920/231920	\$ 366,998	\$ -
Total Child and Adult Care Food Program			<u>\$ 366,998</u>	<u>\$ -</u>
Total Passed Through Michigan Department of Education			<u>\$ 366,998</u>	<u>\$ -</u>
Total Department of Agriculture			<u>\$ 366,998</u>	<u>\$ -</u>
Total Federal Financial Assistance			<u><u>\$13,255,528</u></u>	<u><u>\$ -</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2025

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning) (the “Organization”) under the federal government for the year ended January 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate for any indirect costs occurred.

**TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended January 31, 2025**

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued based on
financial statements prepared in accordance
with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency (ies) identified? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency (ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance
for major programs Unmodified

Any audit finding disclosed that are required to
be reported in accordance with
2 CFR section 200.516(a)? _____ Yes X No

Identification of Major Programs

Federal Assistance Number(s)

93.600 and 93.356

Name of Federal Program or Cluster

Head Start Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

TRI-COUNTY COUNCIL FOR CHILD DEVELOPMENT, INC.
(D/B/A FLOWERS EARLY LEARNING)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended January 31, 2025

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no findings in the prior year.

SECTION III – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the current year.



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

To the Board of Directors of
Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)
Paw Paw, Michigan 49079

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 Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning) (a nonprofit organization), which comprise the statement of financial position as of January 31, 2025, 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 18, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*, CONCLUDED**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
June 18, 2025



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

To the Board of Directors of
Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)
Paw Paw, Michigan 49079

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s 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 each of Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s major federal programs for the year ended January 31, 2025. Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)'s federal programs.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE,
CONTINUED**

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 Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s compliance with the requirements of each 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:

- 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 Tri-County Council for Child Development, Inc. (D/B/A Flowers Early Learning)’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Tri-County Council for Child Development Inc.’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Council for Child Development Inc.’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

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. 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
June 18, 2025