BLUE WATER COMMUNITY ACTION

SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)

For the year ended September 30, 2024

BLUE WATER COMMUNITY ACTION

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Blue Water Community Action
Port Huron, Michigan

We have audited the financial statements of Blue Water Community Action (the "Agency") (a nonprofit organization) as of and for the year ended September 30, 2024 and have issued our report thereon dated March 5, 2025, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis 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* (Uniform Guidance), and is not a required part of the financial statements. The accompanying schedule of transportation expenses is presented for purposes of additional analysis as required by the Blue Water Area Transportation Commission and is also 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.

UHY LLP

Port Huron, Michigan
March 5, 2025

BLUE WATER COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Human Development Commission:			
Food distribution cluster -			
Commodity supplemental food program	10.565	N/A	$ 5,147
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**5,147**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority:			
Housing counseling assistance program	14.169	HUD - 2022 - Blue Water C -0015	37,000
COVID-19 - Home investment partnerships program - HALO homeless prevention program	14.239	HML-2023-270-HPP	5,145
Passed through the City of Port Huron:			
CDBG - Entitlement/special purpose grants cluster -			
Community development block grant utility and eviction	14.218	N/A	17,500
Passed through the Michigan Department of Health and Human Services:			
Continuum of care program -	14.267		
Permanent supportive housing statewide leasing consolidated rapid re-housing		E20244089	34,951
Direct award -			
Continuum of care program -			
Permanent supportive housing dedicated plus	14.267	N/A	190,108
Total continuum of care program			225,059
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			**284,704**
U.S. DEPARTMENT OF TREASURY			
Passed through the Michigan Department of Health and Human Services:			
COVID-19 coronavirus state and local fiscal recovery funds -	21.027		
Weatherization deferral		E20245138	141,857
Local water utility assistance		E20245398	27,511
TOTAL U.S. DEPARTMENT OF TREASURY			**169,368**

BLUE WATER COMMUNITY ACTION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF ENERGY			
Passed through Michigan Department of Health and Human Services:			
Weatherization assistance for low-income persons -	81.042		
Weatherization - AWY22		E20242643	$ 94,494
Weatherization - AWY24		E20243123	360,210
Weatherization - AWY24		E20245644	17,641
Weatherization - AWY25		E20245644	27,295
TOTAL U.S. DEPARTMENT OF ENERGY			**499,640**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Health and Human Services:			
477 cluster -			
Temporary assistance for needy families -	93.558		
Diaper bank FFY24		N/A	33,600
Passed through Salvation Army of St. Clair County:			
477 cluster -			
Temporary assistance for needy families -	93.558		
ESP		E20234318-00	6,804
Total temporary assistance for needy families			40,404
Passed through Michigan Department of Health and Human Services:			
477 cluster -			
Community services block grant:	93.569		
Master agreement-2023		E20241389	137,398
Master agreement-2024		E20241430	312,065
Total community services block grant			449,463
Total 477 cluster			489,867
Passed through Michigan Department of Health and Human Services:			
Low income home energy assistance program -	93.568		
LIHEAP - weatherization assistance		E20242409	208,963
Direct programs:			
Head Start cluster - Head Start -	93.600		
Full year, part day 2022-23		N/A	5,006
Early Head Start, 2022-23		N/A	3,604
Closeout		N/A	2,991
Total Head Start cluster			11,601
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**710,431**
TOTAL FEDERAL AWARDS			**$ 1,669,290**

BLUE WATER COMMUNITY ACTION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2024

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Blue Water Community Action (the "Agency") for the year ended September 30, 2024. Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements, the *accrual basis*, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In addition, expenditures reported on the Schedule are recognized following the cost principles contained in 2 CFR Part 200, Subpart E, *Cost Principles*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented on the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Agency has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Revenue has been accrued at September 30, 2024 to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as refundable advances on the statement of financial position.

Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

NOTE 2 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Grants and awards per basic financial statements	$ 2,676,551
Less -	
State grants	(317,912)
Local grants	(689,349)
Expenditures of federal awards	$ 1,669,290

NOTE 3 - LOANS

Funding has been provided for the purchase and renovations of the Agency's operating facility by the United States Department of Agriculture Rural Development. Information for the project at and for the year ended September 30, 2024 is as follows:

Authorized	$ 1,500,000
Loan balance at September 30, 2024	$ 1,284,174
2024 activity:	
Proceeds	$ -
Expenditure - building improvements	-

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
Blue Water Community Action
Port Huron, Michigan

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 Blue Water Community Action (the "Agency") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024; 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 March 5, 2025.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 or significant deficiencies may exist that were not identified.

To the Board of Directors
Blue Water Community Action

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blue Water Community Action'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Port Huron, Michigan
March 5, 2025

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

To the Board of Directors
Blue Water Community Action
Port Huron, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Blue Water Community Action's (the "Agency") 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 the Agency's major federal programs for the year ended September 30, 2024. The Agency'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, the Agency 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 September 30, 2024.

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 the Agency 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 the Agency's compliance with the compliance requirements referred to above.

To the Board of Directors
Blue Water Community Action

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 the Agency's 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 the Agency'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 substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Agency's 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:

- Exercise professional judgement 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 the Agency'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 the Agency'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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Blue Water Community Action

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiency.

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.

UHY LLP

Port Huron, Michigan
March 5, 2025

BLUE WATER COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal controls over financial reporting:				
Material weakness(es) identified?		yes	x	no
Significant deficiency(ies) identified that are not considered to be material weaknesses?		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 that are not considered to be material weaknesses?		yes	x	none reported
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 2 CFR section 200.516(a) of the Uniform Guidance?		yes	x	no

Identification of major program:

Assistance Listing Number	Name of Federal Program or Cluster
# 81.042	Weatherization Assistance Program
# 93.568	Low-Income Home Energy Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	x	yes		no

BLUE WATER COMMUNITY ACTION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - PRIOR-YEAR FINDINGS AND QUESTIONED COSTS

2023-001: Controls over Disbursement

Type: Significant deficiency in internal control over compliance.

Status of finding: Corrective Action has been taken.

2023-002: Controls over Reporting

Assistance Listing Number, Federal Agency, Program Name, Program Title: Assistance Listing #93.600; U.S. Department of Health and Human Services; Direct Program; Head Start: Full Year, Part Day 2022-23, Early Head Start 2022-23, and Carryforward programs

Type: Significant deficiency in internal control over compliance.

Status of Finding: Corrective action has been taken.