



SOUTHWEST MICHIGAN PLANNING COMMISSION

FINANCIAL REPORT

December 31, 2022

**SOUTHWEST MICHIGAN PLANNING COMMISSION
FINANCIAL REPORT
DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southwest Michigan Planning Commission
Benton Harbor, Michigan

Opinion

We have audited the accompanying financial statements of Southwest Michigan Planning Commission (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, 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 Southwest Michigan Planning Commission as of December 31, 2022, 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. 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 Southwest Michigan Planning Commission 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Southwest Michigan Planning Commission adopted a new accounting guidance, FASB ASU No. 2016-02, *Leases (Topic 842)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Southwest Michigan Planning Commission'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 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, including omissions, 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 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 Southwest Michigan Planning Commission'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 Southwest Michigan Planning Commission'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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Financial Position – Designated, Statement of Activities – Designated, and Analysis of Local Activities are presented for purposes of additional analysis and are 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
May 26, 2023

SOUTHWEST MICHIGAN PLANNING COMMISSION
STATEMENT OF FINANCIAL POSITION
December 31, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 522,183
Due from grantors	112,081
Prepaid expenses	23,220
Total Current Assets	<u>\$ 657,484</u>

Noncurrent Assets

Fixed assets - less accumulated depreciation of \$42,229 for 2022	\$ -
Right of use assets - less accumulated amortization of \$65,012 for 2022	63,320
Total Noncurrent Assets	<u>\$ 63,320</u>
Total Assets	<u><u>\$ 720,804</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 42,510
Provision for accrued leave	34,033
Accrued payroll taxes	12,932
Escrow accounts	37,507
Deferred revenue	156,660
Current portion of lease liability	62,778
Total Current Liabilities	<u>\$ 346,420</u>

Noncurrent Liabilities

Lease liability - less current portion	1,985
Total Liabilities	<u>\$ 348,405</u>

Net Assets

Without donor restrictions	\$ 372,399
Total Liabilities and Net Assets	<u><u>\$ 720,804</u></u>

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

SOUTHWEST MICHIGAN PLANNING COMMISSION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>
Support and Revenues	
Federal	\$ 551,160
State	175,846
County	53,112
Local	224,528
Interest and other	3,371
Total Support and Revenues	<u>\$ 1,008,017</u>
Expenses	
Program Expenses	
Grants and Projects	
NATS	\$ 126,592
TCATS	245,581
MDOT	49,828
U of M NSF	779
PPRWT	237
Ox Creek LID Phase I	282
Rideshare	40,559
CEDS/EDA	295,745
PEP Phase II	22,372
Asset Management	11,444
FTA Mobility Management	72,049
Local Planning	127,334
Total Grants and Projects	<u>\$ 992,802</u>
Local projects and services	38,018
Total Program Expenses	<u>\$ 1,030,820</u>
Change in Net Assets	\$ (22,803)
Net Assets, Beginning of Year	<u>395,202</u>
Net Assets, End of Year	<u><u>\$ 372,399</u></u>

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

SOUTHWEST MICHIGAN PLANNING COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	Grants and Projects													Total Program Expenses
	NATS	TCATS	MDOT	U of M NSF	PPRWT	Ox Creek LID Phase I	Rideshare	CEDS/EDA	PEP Phase II	Asset Management	FTA Mobility Management	Local Planning	Local Activities	
Expenses														
Salaries	\$ 54,321	\$ 103,371	\$ 20,900	\$ 335	\$ 91	\$ 128	\$ 16,723	\$ 102,314	\$ 8,963	\$ 3,289	\$ 11,018	\$ 52,531	\$ 8,197	\$ 382,181
Fringe benefits	22,062	44,900	9,181	134	45	53	7,582	41,442	4,238	1,275	4,467	23,725	1,394	160,498
Travel	2,013	4,201	670	-	-	-	59	2,404	420	472	1,324	869	2,428	14,860
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	6,250	6,250
Dues and subscriptions	372	680	59	-	-	-	882	1,729	-	320	-	299	-	4,341
Supplies and materials	77	156	-	-	-	-	42	14	928	-	43	-	360	1,620
Computer services	1,672	2,074	988	-	-	-	400	1,994	105	308	-	140	-	7,681
Conferences and training	826	1,045	100	-	-	-	50	1,984	-	65	-	2,073	-	6,143
Contractual	-	-	-	-	-	-	-	63,313	-	2,965	46,345	8,365	11,399	132,387
General Commissions	-	-	-	-	-	-	-	-	-	-	-	-	1,247	1,247
Direct equipment	157	253	125	-	-	-	126	-	-	102	-	733	-	1,496
Bank fees	-	-	-	-	-	-	-	-	-	-	-	-	803	803
Indirect cost pool	45,092	88,901	17,805	310	101	101	14,695	80,551	7,718	2,648	8,852	38,599	5,940	311,313
Total Expenses	\$ 126,592	\$ 245,581	\$ 49,828	\$ 779	\$ 237	\$ 282	\$ 40,559	\$ 295,745	\$ 22,372	\$ 11,444	\$ 72,049	\$ 127,334	\$ 38,018	\$ 1,030,820

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

SOUTHWEST MICHIGAN PLANNING COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities

Change in net assets	\$ (22,803)
activities:	
Depreciation and amortization	68,331
Changes in operating assets and liabilities which provided (used) cash:	
Due from grantors	55,321
Prepaid expenses	(927)
Accounts payable	37,885
Provision for accrued leave	4,206
Accrued payroll taxes	(4,624)
Deferred revenue	(16,322)
Net Cash Provided By Operating Activities	<u>\$ 121,067</u>

Cash Flows From Financing Activities

Payments on lease liability	<u>\$ (63,305)</u>
Net Cash Used in Financing Activities	<u>\$ (63,305)</u>

Net Increase in Cash and Cash Equivalents	\$ 57,762
Cash and Cash Equivalents - Beginning of Year	<u>464,421</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 522,183</u></u>

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

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. General** - The Southwest Michigan Planning Commission (the “Commission”), one of fourteen Michigan regional planning and development agencies, serves Berrien, Cass, and Van Buren Counties. Through the Commission, local units of government coordinate their efforts to maintain and improve the physical, economic and social well being of the area. The Commission has been determined to be a not-for-profit agency for financial reporting purposes.

Commission funding is obtained from county per capita contributions and federal, state and other contracts for specified projects designed to further the Commission’s goals and objectives.

- B. Accounting Method** - The financial statements of the Commission are prepared on the accrual basis.

Financial Statement Presentation - The Commission adheres to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which sets standards for reporting on financial statements of not-for-profit 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 Commission. These assets may be used at the discretion of the Commission’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 Commission or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated be maintained in perpetuity.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- C. Functional Allocation of Expenses** – The costs of providing the programs have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among program services benefited.

Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Fringe benefits	Time and effort
Indirect cost pool	Time and effort

- D. Project and Salary Expenses** - The costs of goods and services which are identifiable for specific projects are directly charged to those projects at the time costs are incurred. Indirect costs are allocated to projects as described in Note 4.

Salary expenses for Commission employees are direct charges to the appropriate projects, with the exception of management and administrative time, which is charged to the indirect cost pool. Fringe benefits are accumulated in cost pools and distributed to projects in proportion to their direct chargeable salaries. For the year ended December 31, 2022, the total fringe benefit rate was 42%.

- E. Fixed Assets** - Fixed assets are valued at historical cost. Depreciation has been provided over the estimated useful lives using the straight-line method. When a grantor has designated funds to be used for an equipment purchase as part of a specific grant to the Commission, the equipment is immediately expensed.
- F. Leases** – The Commission accounts for leases in accordance with 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 Commission obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Commission recognizes a lease liability and right of use ("ROU") asset at the commencement date of the lease.

Beginning January 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the Statement of Financial Position.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- F. Leases, continued** - 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 Commission 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 Commission 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 Commission 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.
- G. Right of Use Assets** - A Right of Use (“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 Commission 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 Commission will recognize lease costs associated with its short-term leases on a straight-line basis over the lease term.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- H. Income Tax Status** - The Commission has been determined to be a governmental unit for income tax purposes and is therefore exempt from taxation.
- I. Statement of Cash Flows** - For the purpose of the Statement of Cash Flows, the Commission considers all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents.
- J. Deferred Revenue** - The deferred revenue represents amounts received, but not yet earned, from various granting and local agencies.
- K. Estimates** - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses.
- L. Change in Accounting Principles** - In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Commission adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Commission evaluated whether a cumulative effect adjustment to equity as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. No cumulative effect adjustment to equity as of January 1, 2022, was necessary. Implementing FASB ASC 842 resulted in recording a ROU asset and lease liability of \$128,333 to the beginning balance of the Statement of Financial Position as of January 1, 2022.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONCLUDED

- L. CHANGE IN ACCOUNTING PRINCIPLES, CONTINUED** - On August 18, 2016, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) – *Presentation and Disclosure of Financial Statements of Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update improves GAAP by increasing the transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP.
- M. REVENUE RECOGNITION** – 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.

Program revenue - The Commission generates revenue from program services. The Commission 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.

All revenue is recognized at a point in time.

Receivables are stated at the amount management expects to collect from outstanding balances and are presented net of allowance for doubtful accounts. Management has determined that no allowance is necessary at December 31, 2022. Factors considered in determining collectability include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. The Commission does not charge interest on past due accounts.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. LIQUIDITY AND AVAILABILITY

As of December 31 2022, the Commission has the following:

Working capital	\$ 311,064
Average days' cash on hand	185

The table below represents financial assets available for general expenditures within one year at December 31, 2022:

Cash and cash equivalents	\$ 522,183
Due from grantors	112,081
Prepaid expenses	23,220
Total financial assets available to meet general expenditures within one year	<u>\$ 657,484</u>

NOTE 3. FISCAL PERIODS

The grants/programs listed below are awarded on a December 31st year-end basis. Expenses and revenues relating to these grants/programs have been included in their entirety in these financial statements.

Grants/Program

Economic Development Administration (EDA)

The grants/programs listed below are awarded on a September 30th year-end basis.

Grants/Programs

Twin Cities Area Transportation Study (TCATS)

Niles Area Transportation Study – (NATS)

Michigan Department of Transportation Regional Transportation Planning (MDOT)

Asset Management

Mobility Management

The grants/programs listed below are awarded on a June 30th year-end basis.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3. FISCAL PERIODS - CONCLUDED

Grants/Programs

EDA Cares Act
Rideshare

The EDA Palisades grant runs from June 21, 2021 – June 21, 2024.

The remaining grants/programs are entered based on a project specific contractual agreement that varies depending on the project.

Only those expenses and related revenues applicable to the activities occurring during the Commission's fiscal year ended December 31, 2022 are included in the accompanying financial statements.

NOTE 4. INDIRECT COSTS

Indirect costs that support all on-premises projects are allocated based on the ratio of the individual project's salaries, fringe benefits and contract services on-site. Occasionally the Commission will take on projects with a maximum allowable indirect rate predetermined by contract.

The Commission's bookkeeping necessitates that projects with contractually fixed maximum allowable indirect rates must be segregated from the overall indirect rate calculation for the Commission. The resulting indirect cost rate for the year ended December 31, 2022 was 64%.

The following are the total indirect costs allocated to projects:

Salaries (chargeable)	\$ 105,146
Benefits	59,648
Travel	473
Telephone	2,119
Professional fees	6,669
Postage	1,718
Dues and subscriptions	2,668
Office expenses	15,439
Contractual	12,650
Computer services	36,452
Depreciation and amortization	68,331
	<u>\$ 311,313</u>

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5. DEFINED CONTRIBUTION PENSION PLAN

The Commission has established an insured, money purchase contributory pension plan which covers substantially all full-time employees. Pension expense for the year ended December 31, 2022 amounted to \$32,321.

NOTE 6. 457 DEFERRED COMPENSATION PLAN

The 457 Deferred Compensation Plan is offered on a voluntary basis to all employees. These funds are withheld from the employee's wages or salary on a pretax basis as allowed by the Internal Revenue Service.

NOTE 7. LEASE LIABILITY

The Commission entered into a 10 - year lease at a new location effective January 1, 2014. The Commission has made an \$11,220 security deposit on the lease which is included in prepaid expenses in the accompanying financial statements. Monthly rent is \$5,610 under this lease.

The Commission entered into a 5 – year lease of a Quadient 5 pound scale, effective November 11, 2021. Monthly rent of this scale is \$58.

Maturities of the lease liabilities are as follows:

2023	\$	62,778
2024		639
2025		661
2026		685
	\$	<u>64,763</u>

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8. EXPLANATION OF ACRONYMS

NATS	Niles Area Transportation Study
TCATS	Twin Cities Area Transportation Study
MDOT	Michigan Department of Transportation
U of M NSF	University of Michigan National Science Foundation
PPRWT	Paw Paw River Water Trail
CEDS/EDA	Comprehensive Economic Development Strategy - Economic Development Administration (U.S. Department of Commerce)
PEP II	National Pollutant Discharge Elimination System: Public Education Program
RPI	Regional Prosperity Initiative
CZM	Coastal Zone Management
BRWT	Black River Water Trail
Local Planning	Local Technical Assistance, Local Recreational Planning and Local Planning Assistance

NOTE 9. CONCENTRATION OF CREDIT RISK

The Commission maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, \$290,240 was uninsured.

NOTE 10. FIXED ASSETS

Fixed assets are summarized as follows as of December 31, 2022:

	Estimated Asset Lives	
Furniture and equipment	5 years	\$ 42,229
Less accumulated depreciation		(42,229)
		<u>\$ -</u>

Depreciation included in the Statement of Activities for the year ended December 31, 2022 amounted to \$1,794.

SOUTHWEST MICHIGAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11. ROU ASSETS

ROU assets are summarized as follows as of December 31, 2022:

	Estimated Asset Lives	
Right of use assets	<u>5-10 years</u>	\$ 128,333
Less accumulated amortization		<u>(65,013)</u>
		<u><u>\$ 63,320</u></u>

Amortization included in the Statement of Activities and changes in net assets for the year ended December 31, 2022 amounted to \$66,537.

NOTE 12. DEFERRED REVENUES

At December 31, 2022 the schedule below shows the Commission's deferred revenues:

PPRWT	\$ 6,638
CEDS/EDA	128,988
Local Planning	<u>21,034</u>
	<u><u>\$ 156,660</u></u>

NOTE 13. GRANT FUNDS PASSED THROUGH SUBRECIPIENTS

The U.S. Department of Commerce has awarded Berrien-Cass-Van Buren Workforce Development Board, Inc. ("BCVBWB"), Regents of University of Michigan ("RUM") and the Commission a grant for a project titled: Palisades Economic Recovery Initiative. The Commission administers the grant and passes through grant awards to BCVBWB and RUM. The Commission only recognizes activity that is related to the Commission on the Commission's financials. During the fiscal year December 31, 2022 the Commission has passed the following funds to BCVBWB \$46,263 (\$37,011 federal) and RUM \$149,728 (\$119,783 federal).

NOTE 14. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through May 26, 2023, the date the financials were available to be issued. No events or transactions occurred during this period which requires recognition of disclosures in the financial statements.

SUPPLEMENTARY INFORMATION

SOUTHWEST MICHIGAN PLANNING COMMISSION
STATEMENT OF FINANCIAL POSITION – DESIGNATED
DECEMBER 31, 2022

	<u>NATS</u>	<u>TCATS</u>	<u>Mobility Manager</u>	<u>PEP PHASE II</u>	<u>PPRWT</u>	<u>CEDS/EDA</u>	<u>Asset Management</u>	<u>Local Planning</u>	<u>Totals</u>
Assets									
Current Assets									
Due from grantors	\$ 22,227	\$ 70,108	\$ -	\$ 15,724	\$ -	\$ -	\$ -	\$ 4,022	\$ 112,081
Due from (to) other funds	(5,734)	(50,711)	1,208	(15,724)	6,638	156,233	11,262	17,282	120,454
Total Current Assets	<u>\$ 16,493</u>	<u>\$ 19,397</u>	<u>\$ 1,208</u>	<u>\$ -</u>	<u>\$ 6,638</u>	<u>\$ 156,233</u>	<u>\$ 11,262</u>	<u>\$ 21,304</u>	<u>\$ 232,535</u>
Liabilities and Net Assets									
Current Liabilities									
Escrow accounts	\$ 16,493	\$ 19,397	\$ 1,208	\$ -	\$ -	\$ 409	\$ -	\$ -	\$ 37,507
Deferred revenue	-	-	-	-	6,638	128,987	-	21,304	156,929
Total Current Liabilities	<u>\$ 16,493</u>	<u>\$ 19,397</u>	<u>\$ 1,208</u>	<u>\$ -</u>	<u>\$ 6,638</u>	<u>\$ 129,396</u>	<u>\$ -</u>	<u>\$ 21,304</u>	<u>\$ 194,436</u>
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,837</u>	<u>\$ 11,262</u>	<u>\$ -</u>	<u>\$ 38,099</u>
Total Liabilities and Net Assets	<u>\$ 16,493</u>	<u>\$ 19,397</u>	<u>\$ 1,208</u>	<u>\$ -</u>	<u>\$ 6,638</u>	<u>\$ 156,233</u>	<u>\$ 11,262</u>	<u>\$ 21,304</u>	<u>\$ 232,535</u>

SOUTHWEST MICHIGAN PLANNING COMMISSION
STATEMENT OF ACTIVITIES – DESIGNATED
FOR THE YEAR ENDED DECEMBER 31, 2022

	NATS	TCATS	MDOT	U of M NSF	PPRWT	Ox Creek LID Phase I	Rideshare	CEDS/EDA	RPI	PEP Phase II	Asset Management	FTA Mobility Management	Local Planning	Totals
Support														
Federal	\$ 98,014	\$ 180,644	\$ 6,655	\$ -	\$ -	\$ -	\$ 33,919	\$ 231,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 551,160
State	-	-	28,838	-	-	-	-	90,654	-	-	22,706	32,644	1,004	175,846
Local	28,578	59,434	-	779	2	-	-	-	-	22,372	-	-	86,571	197,736
Interest	-	-	-	-	-	-	-	-	-	-	-	-	733	733
Total Support	\$ 126,592	\$ 240,078	\$ 35,493	\$ 779	\$ 2	\$ -	\$ 33,919	\$ 322,582	\$ -	\$ 22,372	\$ 22,706	\$ 32,644	\$ 88,308	\$ 925,475
Expenses														
Salaries	\$ 54,321	\$ 103,371	\$ 20,900	\$ 335	\$ 91	\$ 128	\$ 16,723	\$ 102,314	\$ -	\$ 8,963	\$ 3,289	\$ 11,018	\$ 52,531	\$ 373,984
Fringe benefits	22,062	44,900	9,181	134	45	53	7,582	41,442	-	4,238	1,275	4,467	23,725	159,104
Travel	2,013	4,201	670	-	-	-	59	2,404	-	420	472	1,324	869	12,432
Dues and subscriptions	372	680	59	-	-	-	882	1,729	-	-	320	-	299	4,341
Supplies and materials	77	156	-	-	-	-	42	14	-	928	-	43	-	1,260
Computer services	1,672	2,074	988	-	-	-	400	1,994	-	105	308	-	140	7,681
Conferences and training	826	1,045	100	-	-	-	50	1,984	-	-	65	-	2,073	6,143
Contractual - off site	-	-	-	-	-	-	-	63,313	-	-	2,965	46,345	8,365	120,988
Direct equipment	157	253	125	-	-	-	126	-	-	-	102	-	733	1,496
Indirect cost pool	45,092	88,901	17,805	310	101	101	14,695	80,551	-	7,718	2,648	8,852	38,599	305,373
Total Expenses	\$ 126,592	\$ 245,581	\$ 49,828	\$ 779	\$ 237	\$ 282	\$ 40,559	\$ 295,745	\$ -	\$ 22,372	\$ 11,444	\$ 72,049	\$ 127,334	\$ 992,802
Excess (Deficiency) of Revenues over (under) Expenses	\$ -	\$ (5,503)	\$ (14,335)	\$ -	\$ (235)	\$ (282)	\$ (6,640)	\$ 26,837	\$ -	\$ -	\$ 11,262	\$ (39,405)	\$ (39,026)	\$ (67,327)
Transfer in Net Assets-Local Activities	-	5,503	14,335	-	235	282	6,640	-	-	-	-	39,405	23,580	89,980
Transfer out Net Assets - Local Activities	-	-	-	-	-	-	-	-	(133,270)	-	-	-	-	(133,270)
Change in Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,837	\$ (133,270)	\$ -	\$ 11,262	\$ -	\$ (15,446)	\$ (110,617)
Net Assets - Beginning of Year	-	-	-	-	-	-	-	-	133,270	-	-	-	15,446	148,716
Net Assets - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,837	\$ -	\$ -	\$ 11,262	\$ -	\$ -	\$ 38,099

SOUTHWEST MICHIGAN PLANNING COMMISSION
ANALYSIS OF LOCAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Support and Revenues

County	\$ 53,112
Local	26,792
Interest and other	2,638
Total Support and Revenues	<u>\$ 82,542</u>

Expenses

Salaries	\$ 8,197
Fringe benefits	1,394
Travel	2,428
Supplies and materials	360
Professional services	6,250
Contractual	11,399
Commission expenses	1,247
Bank fees	803
Indirect cost pool	5,940
Total Expenses	<u>\$ 38,018</u>

Excess of Revenues Over Expenses	\$ 44,524
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Transfer out Net Assets to Designated Accounts	(89,980)
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Transfer in Net Assets from Designated Accounts	<u>133,270</u>
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Change in Net Assets	\$ 87,814
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Net Assets, Beginning of Year	<u>246,486</u>
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Net Assets, End of Year	<u><u>\$ 334,300</u></u>
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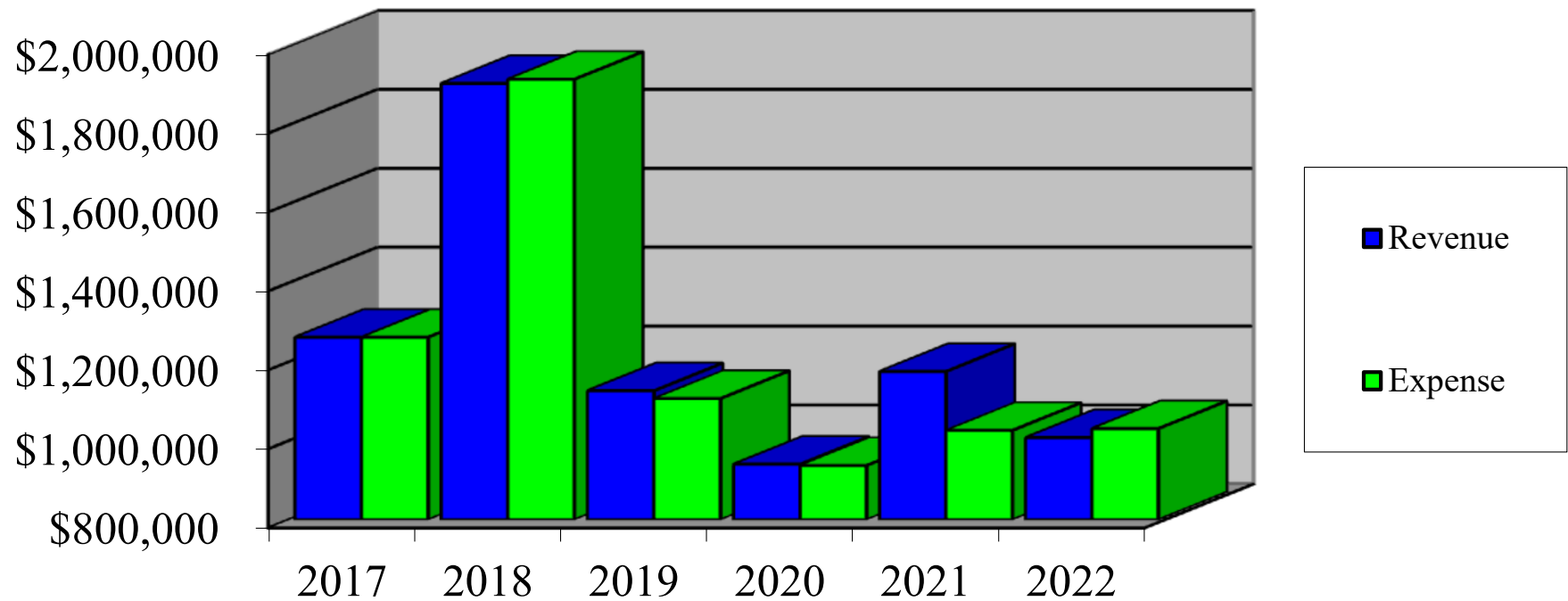
SOUTHWEST MICHIGAN PLANNING COMMISSION

GRAPH PRESENTATION

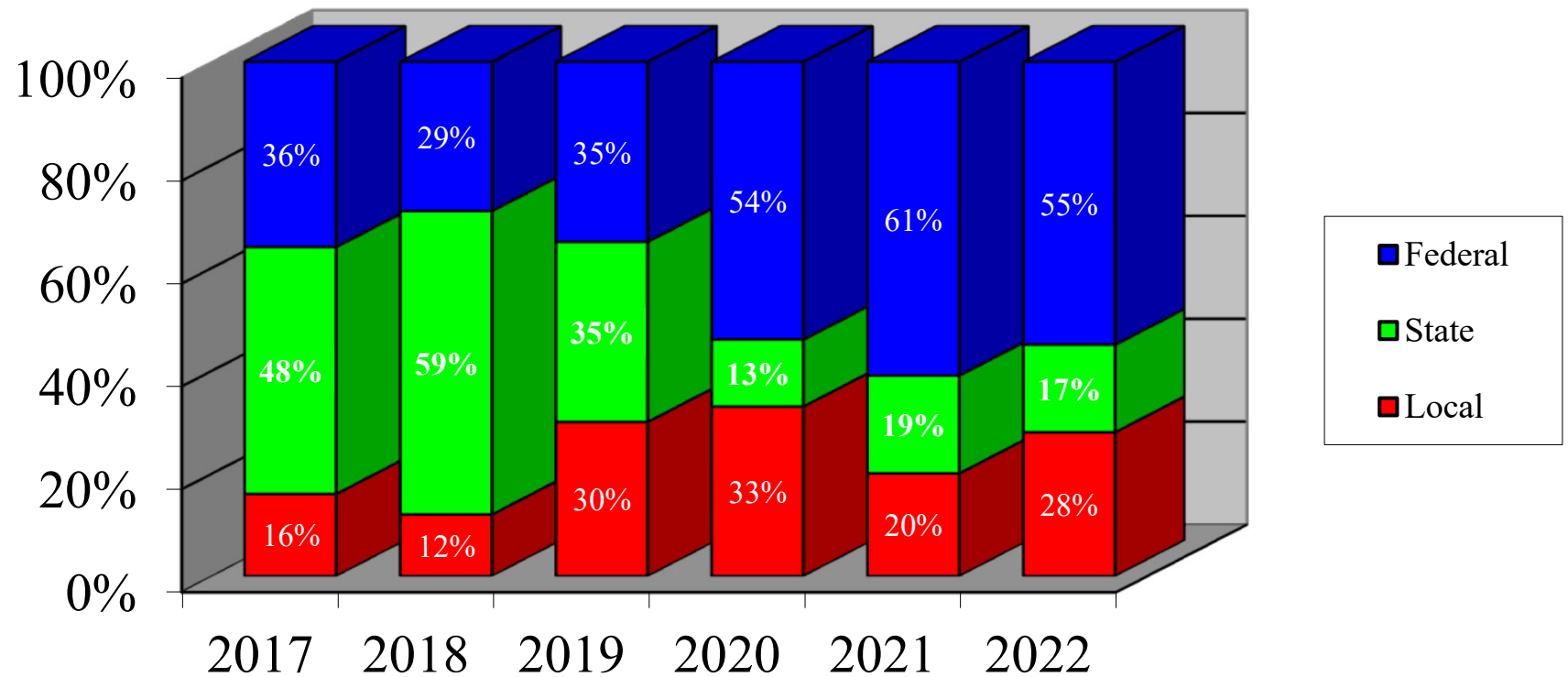
December 31, 2022

Southwest Michigan Planning Commission

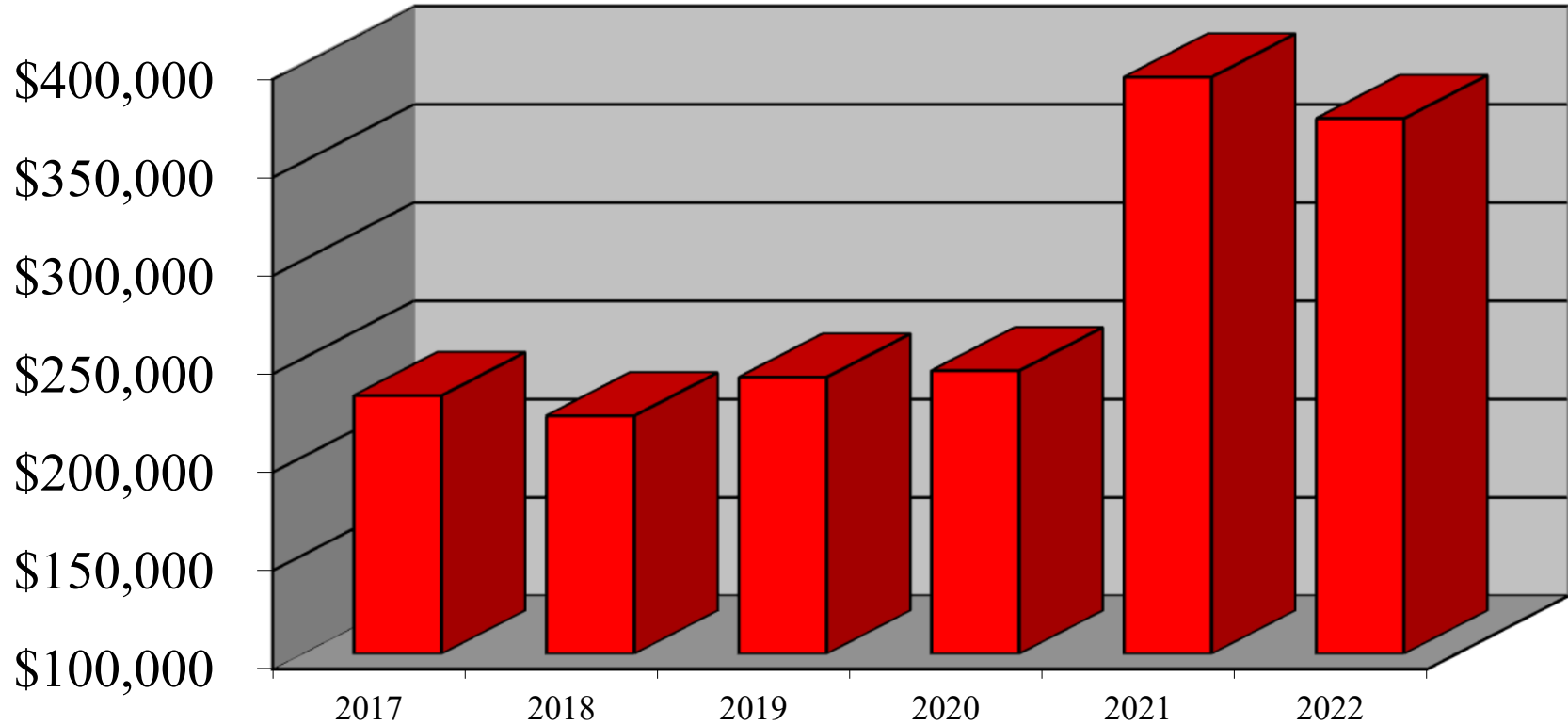
Revenue - vs- Expense Analysis



Southwest Michigan Planning Commission Revenue Analysis



Southwest Michigan Planning Commission Fund Balance Trends





To the Board of Directors
Southwest Michigan Planning Commission
Benton Harbor, Michigan

In planning and performing our audit of the financial statements of Southwest Michigan Planning Commission ("the Commission") as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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 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. We consider the following deficiencies in Commission's internal control to be material weaknesses.

Grant Revenue Posting

During the audit it was noted that there were misclassifications between federal and nonfederal sources. It is important to record grant allocations properly between revenue sources (federal, state, local, miscellaneous). Failure to do this may result in the Commission missing a required compliance audit. It is important to note that the Commission has already taken the necessary steps to fix these postings and has corrected this weakness.

Subrecipient Grant Recording

During the audit it was noted that the Commission was awarded grants with multiple recipients stated in the grant agreements. The Commission volunteered to administer the grant but recorded all of the activity from the grant in the Commission's accounting system. The Commission should only recognize activity that is related to the Commission and issue a subrecipient note in the Commission's year end financial statements describing the revenue sources that was passed through by the Commission to the subrecipients for these grants. The Commission has already taken the necessary steps to fix these postings and has implemented policy and procedures to fix this weakness.

This communication is intended solely for the information and use of management, the Board of Directors, and others with the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in blue ink that reads 'Kruggel Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
May 26, 2023