

**Community Action Opportunities**

Asheville, North Carolina

Financial Statements  
and Supplementary Information

Year Ended June 30, 2016

and

Independent Auditors' Report

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## Section I



## Independent Auditors' Report

To the Board of Directors  
Community Action Opportunities  
Asheville, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community Action Opportunities (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Opportunities as of June 30, 2016, 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.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 18-25 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of Community Action Opportunities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Opportunities' internal control over financial reporting and compliance.

*Johnson Price Sprinkle PA*

December 28, 2016

## Community Action Opportunities

### Statement of Financial Position

June 30, 2016

#### **Assets**

##### **Currents assets:**

Cash	\$	547,002
Receivables		851,520
Prepaid expenses		29,506
<b>Total current assets</b>		<b>1,428,028</b>

##### **Property and equipment**

Property and equipment		4,235,663
Less accumulated depreciation		(3,584,065)
<b>Net property and equipment</b>		<b>651,598</b>

#### **Total assets**

\$ 2,079,626

#### **Liabilities and Net Assets**

##### **Current liabilities:**

Accounts payable and accrued expenses	\$	617,567
Refundable advance		44,937
Note payable - current portion		54,754
<b>Total current liabilities</b>		<b>717,258</b>

##### **Note payable**

183,360

##### **Total liabilities**

900,618

##### **Net assets:**

###### Unrestricted:

Investment in property and equipment		396,870
Designated for self-insurance		1,003,754
Undesignated (deficit)		(570,054)
		<b>830,570</b>

###### Temporarily restricted:

Investment in property and equipment		254,727
Unexpended grant balance		92,300
Donor restricted assets		1,411
		<b>348,438</b>

##### **Total net assets**

1,179,008

#### **Total liabilities and net assets**

\$ 2,079,626

The accompanying notes are an integral part of these financial statements.

## Community Action Opportunities

### Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, grants and other support:</b>			
Federal grants	\$ -	\$ 4,592,564	\$ 4,592,564
Federal grants passed through State agency	-	2,563,918	2,563,918
State grants	-	45,345	45,345
Local grants	-	223,627	223,627
Program fees	1,102,782	-	1,102,782
Interest income	-	298	298
Other	5,659	248,175	253,834
In-kind contributions:			
Non-cash	-	905,326	905,326
Net assets released from restrictions	8,835,144	(8,835,144)	-
<b>Total revenues, grants and other support</b>	<b>\$ 9,943,585</b>	<b>\$ (255,891)</b>	<b>\$ 9,687,694</b>

The accompanying notes are an integral part of these financial statements.



## Community Action Opportunities

Statement of Activities - continued

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, grants and other support:</b>			
Direct program expenses:			
Salaries and wages	\$ 3,866,863	\$ -	\$ 3,866,863
Salaries and wages, in-kind	224,943	-	224,943
Fringe benefits	1,395,945	-	1,395,945
Workers' compensation	108,871	-	108,871
Travel	82,273	-	82,273
Supplies	703,602	-	703,602
Space cost	223,260	-	223,260
Communications	73,384	-	73,384
Contractual	1,161,487	-	1,161,487
Direct assistance	107,297	-	107,297
Depreciation	147,882	-	147,882
Other in-kind	680,383	-	680,383
Other	401,743	-	401,743
	9,177,933	-	9,177,933
Indirect costs	790,984	-	790,984
Total expenses	9,968,917	-	9,968,917
<b>Change in net assets</b>	(25,332)	(255,891)	(281,223)
<b>Net assets, beginning of year</b>	855,902	604,329	1,460,231
<b>Net assets, end of year</b>	\$ 830,570	\$ 348,438	\$ 1,179,008

The accompanying notes are an integral part of these financial statements.

## Community Action Opportunities

### Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services				Supporting Services	Total
	Economic Development	Children, Family and Community Partnerships	Accountable Results for Community Action	Total Program Services	Management and General	
Salaries and wages	\$ 726,468	\$ 3,024,041	\$ 116,354	\$ 3,866,863	\$ 488,610	\$ 4,355,473
Salaries and wages, in-kind	-	224,943	-	224,943	-	224,943
Fringe benefits	217,113	1,144,735	34,097	1,395,945	146,213	1,542,158
Workers' compensation	54,309	54,239	323	108,871	2,433	111,304
Travel	33,791	45,395	3,087	82,273	2,421	84,694
Supplies	606,792	96,572	238	703,602	3,136	706,738
Food	1,237	141,702	119	143,058	-	143,058
Professional and career development	32,985	41,713	-	74,698	4,069	78,767
Space cost	50,651	171,294	1,315	223,260	36,083	259,343
Communications	18,963	52,291	2,129	73,383	3,403	76,786
Contractual	471,923	664,722	24,843	1,161,488	9,000	1,170,488
Direct assistance	90,985	16,312	-	107,297	-	107,297
Depreciation	56,285	91,596	-	147,881	230	148,111
Other in-kind	-	680,383	-	680,383	-	680,383
Other	59,858	114,000	10,130	183,988	95,386	279,374
	<u>\$ 2,421,360</u>	<u>\$ 6,563,938</u>	<u>\$ 192,635</u>	<u>\$ 9,177,933</u>	<u>\$ 790,984</u>	<u>\$ 9,968,917</u>

The accompanying notes are an integral part of these financial statements.

## Community Action Opportunities

### Statement of Cash Flows

Year Ended June 30, 2016

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**Cash flows from operating activities:**

Change in net assets	\$	(281,223)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		148,112
(Increase) decrease in assets:		
Receivables		(372,580)
Prepaid expenses		(5,060)
Inventory		5,995
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		70,474
Refundable advance		44,937

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Net cash used by operating activities	(389,345)
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**Cash flows from investing activities:**

Purchases of property and equipment	(32,188)
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Net cash used by investing activities	(32,188)
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**Cash flows from financing activities:**

Payments on long-term debt	(54,755)
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Net cash used by financing activities	(54,755)
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<b>Net decrease in cash</b>	(476,288)
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<b>Cash, beginning of year</b>	1,023,290
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<b>Cash, end of year</b>	\$ 547,002
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**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$ 11,932
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The accompanying notes are an integral part of these financial statements.

## Community Action Opportunities

Notes to Financial Statements

June 30, 2016

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### **Note A – Description of organization:**

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Community Action Opportunities (“the Organization”) is a private non-profit organization, operating in Madison and Buncombe Counties. It is funded primarily by grants from federal, state and local governmental units and agencies. The largest grants are Weatherization, Community Services Block Grant, Heating Appliance Repair and Replacement Program, Head Start and Child Care Food. The Organization administers various programs designed to assist the underprivileged in achieving self-sufficiency.

### **Note B – Significant accounting policies:**

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The significant accounting policies followed by the Organization are presented below to enhance the usefulness of the financial statements to the reader.

#### **Basis of accounting**

The accounts of the Organization are maintained on the accrual basis. In accordance with FASB ASC 958-205, *Preparation of Financial Statements*, contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence and/or nature of any donor restrictions.

#### **Basis of presentation**

Financial statement presentation follows the recommendations of FASB ASC 958-205, *Preparation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets.

#### **Unrestricted**

Unrestricted net assets consist of all resources of the Organization which have no donor imposed restrictions. The Organization’s Board of Directors, at their discretion, may designate unrestricted support for a specified purpose.

#### **Temporarily restricted**

Temporarily restricted net assets consist of contributions received whose use by the Organization is limited by donor - imposed stipulations that expire by passage of time or can be fulfilled by actions of the Organization. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions.

#### **Permanently restricted**

Permanently restricted net assets consist of contributions received from donors whose use by the Organization is limited to investment in perpetuity by donor - imposed stipulations.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### **Note B – Significant accounting policies – continued:**

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#### **Basis of presentation – continued**

As permitted by these standards, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with activities or objectives specified. However, the Organization has discontinued its use of fund reporting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

#### **Receivables**

Receivables are stated at unpaid balances of grants and other receivables. Amounts are charged off to an allowance for uncollectible accounts as they are deemed uncollectible based upon periodic review of the accounts. As of June 30, 2016, no allowance for uncollectible accounts was considered necessary.

#### **Property and equipment**

Property and equipment have been recorded at cost. Contributions of property and equipment have been recorded at their estimated fair market value at the date of the gift. Property and equipment with an original cost or fair value of \$500 or greater are capitalized. Upon sale or other disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and the related gain or loss is reflected in operations. Expenditures for major renewals, replacements and betterments are capitalized. Repairs, maintenance, and minor renewals not in the nature of capital expenditures are reflected in operations as incurred.

Property and equipment acquisitions by individual programs are capitalized at the time of purchase. Depreciation expense is recorded over the useful life of the assets based on the Organization's depreciation policy described above. Depreciation expense is calculated using the straight-line method over the useful lives of the assets as follows:

Automotive equipment	5 years
Office equipment and furniture	3 - 5 years
Buildings and improvements	5 - 20 years

#### **Inventory**

Inventory is valued at the lower of cost or market and consists of materials for economic development programs.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### **Note B – Significant accounting policies – continued:**

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#### **Fair value measurement**

FASB ASC 820-10, *Fair Value Measurement and Disclosures*, applies to report balances that are required or permitted to be measured at fair value, defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements.

The fair value hierarchy prioritizes the input to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

**Level 1** (the highest level) inputs are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. For example, securities traded in an active market, such as the New York Stock Exchange, are valued using Level 1 inputs.

**Level 2** inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

**Level 3** inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

#### **In-kind contributions**

The Organization receives in-kind contributions from various organizations and individuals. These contributions consist of rent, supplies, and donated services and are valued at the fair market value of the donated service or item at the time of the donation.

Donated services are recognized as contributions in accordance with FASB ASC 958-605, *Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended June 30, 2016, volunteers also provided services in the Head Start program that were not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 were not met.

## **Community Action Opportunities**

Notes to Financial Statements – continued

June 30, 2016

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### **Note B – Significant accounting policies – continued:**

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#### **Income taxes**

The Organization is exempt from income taxes as a nonprofit corporation under Code Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, effect the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for tax year 2015. Currently, the statute of limitations remains open subsequent to and including tax year 2012; however, no examinations are in process or anticipated. Any changes in the amount of a tax position will be recognized in the period the change occurs.

#### **Cost allocation**

The Organization uses the direct cost method to allocate costs to a particular program that can be specifically identified with the particular program.

For costs that are incurred for common organization objectives and cannot be readily identified with a particular program activity of the Organization, an indirect cost rate is used to allocate the costs to the programs. For management & general indirect costs, the rate is computed using total program salaries and fringe benefits as the basis for allocation. Fringe benefits (other than workers' compensation) are charged proportionally to the programs based on the actual salary costs incurred by the programs. Other indirect costs are allocated on a reasonable basis as approved by the Division of Cost Allocation, U.S. Department of Health & Human Services.

#### **Use of estimates**

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

#### **Subsequent events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 28, 2016, the date the financial statements were available to be issued.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### Note C – Fringe benefits:

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Fringe benefits allocated to the various programs for the year ended June 30, 2016 are as follows:

Vision insurance	\$	1,241
Social security		323,074
Retirement benefits		198,142
Employee assistance programs		1,921
Health insurance		923,076
Dental insurance		2,857
Unemployment insurance		31,820
Life insurance		10,614
Long-term care insurance		23,818
Disability		25,595
		<hr/>
		1,542,158
Included in indirect costs (see Note D)		146,213
		<hr/>
	\$	1,395,945

### Note D – Management and general indirect costs:

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Indirect costs are costs that have been incurred for common Organization objectives and cannot be readily identified with a particular program activity of the Organization. Indirect costs are charged to the grant program based on an allocation plan approved by the Organization's oversight agency, the Department of Health and Human Services. The provisional rate of 16.22% of direct salaries and fringe benefits was approved April 19, 2016. However, the actual calculated rate of 14.75% of direct salaries and fringe benefits was used to charge the individual grants unless otherwise restricted by grantor.



## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### Note D – Management and general indirect costs – continued:

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Indirect costs charged through the indirect cost rate for the year ended June 30, 2016 are as follows:

Salaries and wages	\$	488,610
Employer's share of fringe benefits		146,213
Workers' compensation		2,433
Travel		2,421
Supplies		3,136
Professional and career development		4,069
Space cost		36,083
Communications		3,403
Depreciation		230
Contractual		9,000
Professional services		31,730
Membership dues and subscriptions		5,740
Liability insurance		34,923
Board expense		3,038
Service charges		2,244
Information system service		17,491
Other		220
	\$	790,984
		(A)
Direct personnel costs	\$	5,371,679
		(B)
(A) ÷ (B) =	\$	$\frac{790,984}{5,371,679} = 14.73\%$ of total direct personnel costs

### Note E – Retirement plan:

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The Organization offers a 401(k) contribution plan for eligible employees. The Organization matches the employee contribution up to six percent of compensation. For the year ended June 30, 2016, the Organization's matching contribution amounted to \$198,142. (See Note C).

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### Note F – Receivables:

Receivables as of June 30, 2016 consist of the following:

Grants	\$	821,831
Sales tax		29,689
	\$	851,520

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### Note G – Property and equipment:

Property and equipment as of June 30, 2016 consist of the following:

	Grantor	Agency	Total
Automotive equipment	\$ 602,589	\$ -	\$ 602,589
Office equipment and furniture	440,213	340,722	780,935
Land	-	134,000	134,000
Buildings and improvements	1,477,317	1,240,822	2,718,139
	2,520,119	1,715,544	4,235,663
Less: accumulated depreciation	(2,265,392)	(1,318,673)	(3,584,065)
	\$ 254,727	\$ 396,871	\$ 651,598

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Assets purchased with program funds are represented in the grantor column. Grantor assets in the amount of \$254,727 have reversionary titles which remain with the individual grantor.

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### Note H – Accounts payable and accrued expenses:

Accounts payable and accrued expenses as of June 30, 2016 consist of the following:

Trade payables	\$	144,659
Accrued salaries		167,814
Accrued leave		114,066
Medical claims liability		186,630
Other		4,398
	\$	617,567

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The medical claims liability is recorded at estimated fair value based on an actuarial study utilizing Level 2 inputs.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### Note I – Refundable advance:

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The refundable advance of \$44,937 as of June 30, 2016 consists of grant funds advanced in excess of the total grant awarded. Management returned the excess grant funds during the year ending June 30, 2017.

### Note J – Note payable:

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Note payable consists of the following as of June 30, 2016:

Note payable on program service building due in monthly installments of \$4,563 in principal, plus interest of 4.25%. The note matures December 2020 and is collateralized by equipment and a deed of trust on real property, with a carrying amount of \$396,871.

\$ 238,114

Less current installments

(54,754)

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\$ 183,360

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Maturities of note payable are as follows:

Fiscal year ending June 30:

2017	\$ 54,754
2018	54,754
2019	54,754
2020	54,754
2021	19,098
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	\$ 238,114

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## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### Note K – Net assets:

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As of June 30, 2016, temporarily restricted net assets consist of the following:

Investment in property and equipment	\$	254,727
Unexpended grant balance:		
Quality Enhancement		92,300
Donor restricted assets:		
Area classroom donations		1,411
<hr/>		
Total temporarily restricted net assets	\$	348,438

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Unrestricted net assets in the amount of \$1,003,754 have been designated by management for health care benefits under the self-funded health care plan.

### Note L – Commitments and contingencies:

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A portion of the Organization's grants receivable is subject to the approval of the final indirect cost rate by the Organization's oversight agency and final closeout by the grantors. As discussed in Note D, indirect costs have been charged at the actual calculated rate.

The Organization provides group health, dental and vision benefits to employees through a self-funded insurance program. The liability for medical claims at June 30, 2016 consists of incurred but not reported (IBNR) actual claims, incurred prior to June 30, 2016 but reported for payment subsequent to year end (see Note H). To protect against potential catastrophic illness claims, the Organization carries both individual and aggregate stop-loss coverage for events over certain limits. However, the stop loss contracts are structured under a "claims paid" format for the policy period, leaving the Organization with a potential liability for catastrophic IBNR (run-out) claims. Management has established a medical claims reserve as a component of equity, based on the actuarially determined cost of providing this employee benefit. The equity reserve consists of funds earmarked for self-insured health benefits which are unexpended and unencumbered as of June 30, 2016.

The Organization funds the self-insurance program through premiums charged to grants at an actuarially determined rate. The current year decrease of \$14,662 to the medical claims reserve is included in other income on the statement of activities.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2016

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### **Note M – Leased facilities:**

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The Organization leases a warehouse for Weatherization under a month-to-month operating lease for \$2,500 per month. Rent expense for the year ended June 30, 2016 was \$30,000.

### **Note N – Concentrations:**

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#### Grants receivable

The Organization receives grants from federal, state and local governmental units to fund its programs. This creates a concentration of credit risk with respect to grants receivable.

#### Cash

All deposits of the Organization with banks are secured as required by G. S. 115C–444. The deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. As of June 30, 2016, the Organization’s deposits had a carrying amount of \$547,002 and a bank balance of \$550,808. Of the bank balance, \$250,000 was covered by federal depository insurance and \$300,808 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

## Section II

## Community Action Opportunities

Weatherization Assistance Program for Low Income Persons – Contract Number 6513 (DOE)

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 254,072	\$ 228,593	\$ (25,479)
Refundable advance	-	(3,024)	(3,024)
Total grant revenue	254,072	225,569	(28,503)
Other revenue:			
Interest income	-	3	3
Total other revenue	-	3	3
Total revenue	254,072	225,572	(28,500)
<b>Expenses:</b>			
Training and technical assistance:			
Travel	21,251	4,547	16,704
Career development	25,000	12,036	12,964
Other	-	4,533	(4,533)
Total training and technical assistance	46,251	21,116	25,135
Health and safety	29,662	29,095	567
Program operations:			
Salaries and wages	73,323	71,571	1,752
Fringe benefits	25,271	21,099	4,172
Workers' compensation	5,737	9,345	(3,608)
Materials	30,960	23,909	7,051
Contractual	10,394	14,232	(3,838)
Transportation	3,000	3,426	(426)
Rent	3,590	4,800	(1,210)
Other	7,741	11,318	(3,577)
Total program operations	160,016	159,700	316
Administration:			
Indirect costs	18,143	15,661	2,482
Total administration	18,143	15,661	2,482
Total expenses	254,072	225,572	28,500
Revenue over (under) expenses	\$ -	\$ -	\$ -

## Community Action Opportunities

Weatherization Assistance Program for Low Income Persons – Contract Number 6513 (LIHEAP)

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 901,479	\$ 886,220	\$ (15,259)
Refundable advance	-	(41,913)	(41,913)
	901,479	844,307	(57,172)
Administrative support from CSBG	-	20,962	20,962
Total grant revenue	901,479	865,269	(36,210)
Other revenue:			
Interest	-	4	4
Miscellaneous	-	806	806
Total other revenue	-	810	810
Total revenue	901,479	866,079	(35,400)
<b>Expenses:</b>			
Program operations:			
Salaries and wages	284,296	273,851	10,445
Fringe benefits	97,370	80,791	16,579
Workers' compensation	20,858	31,104	(10,246)
Contractual	86,547	75,038	11,509
Supplies	145,000	135,440	9,560
Travel	38,000	31,624	6,376
Space costs	21,865	27,899	(6,034)
Other program operations	21,409	26,555	(5,146)
Total program operations	715,345	682,302	33,043
Health and safety	150,222	126,906	23,316
Administration:			
Indirect costs	35,912	56,871	(20,959)
Total administration	35,912	56,871	(20,959)
Total expenses	901,479	866,079	35,400
Revenue over (under) expenses	\$ -	\$ -	\$ -



## Community Action Opportunities

Community Services Block Grant – Grantee Number 32183

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 766,015	\$ 531,861	\$ (234,154)
Receivable from funding source	-	154,131	154,131
Total grant revenue	766,015	685,992	(80,023)
Other revenue:			
Miscellaneous	-	813	813
Total other revenue	-	813	813
Total revenue	766,015	686,805	(79,210)
<b>Expenses:</b>			
Direct costs:			
Salaries and wages	337,670	324,265	13,405
Fringe benefits	124,946	98,250	26,696
Workers' compensation	6,431	9,574	(3,143)
Supplies and materials	920	569	351
Contractual	350	-	350
Travel	29,700	25,828	3,872
Space costs	10,000	9,911	89
Direct assistance	102,186	90,985	11,201
Administrative support for Weatherization	29,377	20,962	8,415
Other	48,357	42,802	5,555
Total direct costs	689,937	623,146	66,791
Indirect costs	76,078	63,659	12,419
Total expenses	766,015	686,805	79,210
Revenue over (under) expenses	\$ -	\$ -	\$ -

## Community Action Opportunities

Heating Appliance Repair and Replacement Program – Contract Number 6513

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 479,655	\$ 453,208	\$ (26,447)
Receivable from funding source	-	11,934	11,934
<b>Total revenue</b>	<b>479,655</b>	<b>465,142</b>	<b>(14,513)</b>
<b>Expenses:</b>			
Program operations:			
Salaries and wages	56,146	52,102	4,044
Fringe benefits	19,228	15,444	3,784
Workers' compensation	2,584	4,215	(1,631)
Contract labor	121,784	153,709	(31,925)
Other program operations	18,484	19,479	(995)
<b>Total program operations</b>	<b>218,226</b>	<b>244,949</b>	<b>(26,723)</b>
Materials	242,321	209,617	32,704
Administration:			
Indirect costs	19,108	10,576	8,532
<b>Total expenses</b>	<b>479,655</b>	<b>465,142</b>	<b>14,513</b>
Revenue over (under) expenses	\$ -	\$ -	\$ -

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/01 (2016)

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual	Variance
<b>Revenue:</b>			
Federal funds:			
Grant received	\$ 4,654,061	\$ 1,938,292	\$ (2,715,769)
Receivable from funding source	-	484,199	484,199
Total grant revenue	4,654,061	2,422,491	(2,231,570)
Child care food program reimbursements:			
Received	340,000	180,019	(159,981)
Total reimbursement	340,000	180,019	(159,981)
Grantee's contribution:			
In-kind: non-cash	1,103,516	366,050	(737,466)
In-kind: cash	60,000	522,330	462,330
Total in-kind	1,163,516	888,380	(275,136)
Miscellaneous	-	15	15
Total revenue	6,157,577	3,490,905	(2,666,672)
<b>Expenses:</b>			
Federal share:			
Head Start training and technical assistance (PA 20):			
Direct costs:			
Travel	4,000	5,401	(1,401)
Professional and career development	44,648	15,519	29,129
	48,648	20,920	27,728

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/01 (2016)

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP) – continued

Year Ended June 30, 2016

	Budget	Actual	Variance
<b>Head Start (PA 22):</b>			
Direct costs:			
Salaries and wages	\$ 1,754,346	\$ 957,885	\$ 796,461
Fringe benefits	626,351	389,829	236,522
Workers' compensation	37,891	16,133	21,758
Travel and transportation	51,000	24,807	26,193
Supplies	63,750	35,273	28,477
Contractual	313,098	159,431	153,667
Child care	11,865	-	11,865
Other	252,351	158,486	93,865
Child care food program expenses	496,406	277,340	219,066
	3,607,058	2,019,184	1,587,874
Indirect costs	420,592	183,046	237,546
	4,027,650	2,202,230	1,825,420
<b>Grantee's share:</b>			
Head Start full year/part day (PA 22):			
Grantee – salaries	402,462	-	402,462
Grantee – other	701,054	366,050	335,004
Total grantee's share	1,103,516	366,050	737,466
Total federal and grantee's share	5,179,814	2,589,200	2,590,614
Revenue over (under) expenses	977,763	901,705	(76,058)
<b>Transfers:</b>			
Transfer to NC Pre-K - Madison	(145,073)	(163,287)	(18,214)
Transfer to NC Pre-K - Buncombe	(832,690)	(660,378)	172,312
Transfer to Developmental Day	-	(78,040)	(78,040)
Total transfers	(977,763)	(901,705)	76,058
Revenue over (under) expenses and transfers	\$ -	\$ -	\$ -

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/01 (2015)

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual		Total	Variance
		Prior Year	Current Year		
<b>Revenue:</b>					
Federal funds:					
Grant received	\$ 4,572,629	\$ 2,402,555	\$ 2,170,074	\$ 4,572,629	\$ -
Total grant revenue	4,572,629	2,402,555	2,170,074	4,572,629	-
Child care food program reimbursements:					
Received	340,000	189,901	162,888	352,789	12,789
Total reimbursement	340,000	189,901	162,888	352,789	12,789
Grantee's contribution:					
In-kind: non-cash	1,083,157	413,719	411,585	825,304	(257,853)
In-kind: cash	60,000	460,111	628,696	1,088,807	1,028,807
Total in-kind	1,143,157	873,830	1,040,281	1,914,111	770,954
Miscellaneous	-	64	1,800	1,864	1,864
Total revenue	6,055,786	3,466,350	3,375,043	6,841,393	785,607
<b>Expenses:</b>					
Federal share:					
Head Start training and technical assistance (PA 20):					
Direct costs:					
Travel and transportation	4,000	12,275	4,264	16,539	(12,539)
Professional and career development	44,648	27,097	25,636	52,733	(8,085)
	48,648	39,372	29,900	69,272	(20,624)
Head Start (PA 22):					
Direct costs:					
Salaries and wages	1,649,721	919,316	932,594	1,851,910	(202,189)
Fringe benefits	720,361	395,970	272,343	668,313	52,048
Workers' compensation	27,664	12,661	14,492	27,153	511
Travel and transportation	60,000	24,491	26,846	51,337	8,663
Supplies	63,192	28,478	33,133	61,611	1,581
Contractual	239,224	136,330	142,560	278,890	(39,666)
Other	250,754	133,922	169,913	303,835	(53,081)
Child care food program expenses	494,372	280,282	259,563	539,845	(45,473)
Total direct costs	3,505,288	1,931,450	1,851,444	3,782,894	(277,606)
Indirect costs	392,031	197,012	197,748	394,760	(2,729)
	3,897,319	2,128,462	2,049,192	4,177,654	(280,335)

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/01 (2015)

Schedule of Revenue and Expenses Compared With Budget (Non-GAAP) – continued

Year Ended June 30, 2016

	Budget	Actual		Total	Variance
		Prior Year	Current Year		
Grantee's share:					
Head Start full year/ part day (PA 22):					
Grantee - salaries	\$ 402,461	\$ 138,672	\$ 135,949	\$ 274,621	\$ 127,840
Grantee - other	680,696	275,047	275,636	550,683	130,013
Total grantee's share	1,083,157	413,719	411,585	825,304	257,853
Total federal and grantee's share	5,029,124	2,581,553	2,490,677	5,072,230	(43,106)
Revenue over (under) expenses	1,026,662	884,797	884,366	1,769,163	742,501
<b>Transfers:</b>					
Transfer to NC Pre-K - Madison	(144,077)	(184,392)	(166,886)	(351,278)	(207,201)
Transfer to NC Pre-K - Buncombe	(821,187)	(671,330)	(640,170)	(1,311,500)	(490,313)
Transfer to Developmental Day	(61,398)	(29,075)	(77,310)	(106,385)	(44,987)
Total transfers	(1,026,662)	(884,797)	(884,366)	(1,769,163)	(742,501)
Revenue over (under) expenses and transfers	\$ -	\$ -	\$ -	\$ -	\$ -

### **Section III**



**Independent Auditors' 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  
Community Action Opportunities  
Asheville, North Carolina

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 Community Action Opportunities (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 December 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Opportunities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Opportunities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001, that we consider to be a significant deficiency.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Opportunities' 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*.

### Community Action Opportunities' Response to Findings

Community Action Opportunities' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Opportunities' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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.

*Johnson Price Sprinkle PA*

December 28, 2016



## **Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Community Action Opportunities  
Asheville, North Carolina

### Report on Compliance for Each Major Federal Program

We have audited Community Action Opportunities' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Action Opportunities' major federal programs for the year ended June 30, 2016. Community Action Opportunities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action Opportunities' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Opportunities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action Opportunities' compliance.

### Opinion on Each Major Federal Program

In our opinion, Community Action Opportunities 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 June 30, 2016.

### Report on Internal Control over Compliance

Management of Community Action Opportunities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Opportunities' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Opportunities' 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.

Community Action Opportunities' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Opportunities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Johnson Price Sprinkle PA*

December 28, 2016

**Community Action Opportunities**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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**Section I. Summary of Auditors' Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                              yes      X      no
- Significant deficiency(s) identified?                  X      yes              none reported

Noncompliance material to financial statements noted?                              yes      X      no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?                              yes      X      no
- Significant deficiency(s) identified that are not considered to be material weaknesses?                  X      yes              none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                          yes      X      no

**Community Action Opportunities**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2016

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**Identification of major federal programs:**

CFDA #	Name of Federal Program or Cluster
93.568	Low Income Home Energy Assistance Program
93.568	Heating Appliance Repair and Replacement Program
93.569	Community Services Block Grant

Dollar threshold to distinguish  
between Type A and Type B Programs \$750,000

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Auditee qualified as low-risk auditee?                        X      yes                                no

## **Community Action Opportunities**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2016

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### **Section II. Financial Statement Findings**

#### **Significant Deficiency**

##### **Finding: 2016-001: Monitoring**

Condition: Program directors did not consistently apply the monitoring or approval function.

Criteria: An effective system of internal controls provides for an adequate approval process when processing transactions.

Cause: Procedures are in place to ensure that invoice approval is obtained and annual leave is approved prior to being used, but such procedures were not followed.

Effect: Certain transactions may be processed and recorded without appropriate final approval. For the year ended June 30, 2016, disbursements testing resulted in 4 (out of 100) instances in which the required approval signature was missing on the invoice. Payroll testing resulted in 3 (out of 25) instances in which annual leave was approved after the leave was taken.

Recommendation: Program directors should be reminded of the procedures in place to ensure that transaction approval is obtained.

Views of responsible officials and planned corrective action: Community Action Opportunities, Inc. agrees with the finding and recommended procedures have been implemented.

## Community Action Opportunities

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2016

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### Section III. Federal Award Findings and Questioned Costs

#### U.S. Department of Health and Human Services

Passed through the North Carolina Department of Environment and Natural Resources

Program Name: Heating Appliance Repair and Replacement Program

CFDA #93.568

Program Name: Low Income Home Energy Assistance Program

CFDA # 93.568

Passed through the North Carolina Department of Health and Human Services/Economic and Family Services

Program Name: Community Services Block Grant

CFDA # 93.569

#### Significant Deficiency

##### **Finding: 2016-002: Monitoring, Allowable Activities and Allowable Costs/Cost Principles**

Condition: Program directors did not consistently apply the monitoring or approval function.

Criteria: An effective system of internal controls provides for an adequate approval process when processing transactions.

Questioned cost: \$0

Cause: Procedures are in place to ensure that invoice approval is obtained, but such procedures were not followed.

Effect: Certain transactions may be processed and recorded without appropriate final approval.

Context: For the year ended June 30, 2016, disbursements testing resulted in 4 (out of 100) instances in which the required approval signature was missing on the invoice.

Recommendation: Program directors should be reminded of the procedures in place to ensure that transaction approval is obtained.

Views of responsible officials and planned corrective action: Community Action Opportunities, Inc. agrees with the finding and recommended procedures have been implemented.

## Community Action Opportunities

Corrective Action Plan

Year Ended June 30, 2016

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### Section II. Financial Statement Findings

Finding 2016-001: Monitoring, Allowable Activities and Allowable Costs/Cost Principles

*Name of contact person:* Darren Waugh, Finance Director

*Corrective Action:* Program directors have been formally reminded that invoices requiring a director's signature for payment in accordance with the internal control policies and procedures of Community Action Opportunities, Inc. must have that approval signature prior to the payment of the invoice. Also, directors have been reminded that proper approval and signature are required for annual leave to be taken by staff.

*Proposed Completion Date:* Immediately.

### Section III. Federal Award Findings and Questioned Costs

Finding 2016-002: Monitoring, Allowable Activities and Allowable Costs/Cost Principles

*Name of contact person:* Darren Waugh, Finance Director

*Corrective Action:* Program directors have been formally reminded that invoices requiring a director's signature for payment in accordance with the internal control policies and procedures of Community Action Opportunities, Inc. must have that approval signature prior to the payment of the invoice.

*Proposed Completion Date:* Immediately.



**Community Action Opportunities**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

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There were no audit findings for the years ended June 30, 2015, 2014 and 2013.

## Community Action Opportunities

### Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2016

	Federal CFDA Number	Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
<b>Federal:</b>					
U.S. Department of Health and Human Services:					
Direct Programs:					
Head Start (2015)	93.600	04CH4780/01	\$ 2,170,074	\$ -	\$ 1,040,281
Head Start (2016)	93.600	04CH4780/01	2,422,491	-	888,380
			4,592,565	-	1,928,661
Office of Community Services:					
Passed through North Carolina Department of Health and Human Services, Division of Social Services/Economic and Family Services, Office of Economic Opportunity					
Community Services Block Grant	93.569	32183	685,992	-	-
			685,992	-	-
U. S. Department of Energy					
Passed through North Carolina Department of Environment and Natural Resources					
Division of Energy, Mineral and Land Resources					
Weatherization Assistance Program	81.042	6513	225,569	-	-
			225,569	-	-
U. S. Department of Health and Human Services					
Passed through North Carolina Department of Environment and Natural Resources					
Division of Energy, Mineral and Land Resources					
Heating Appliance Repair and Replacement Program	93.568	6513	465,142	-	-
Low Income Home Energy Assistance Program	93.568	6513	844,307	-	-
			1,309,449	-	-

**Community Action Opportunities**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2016

	Federal CFDA Number	Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
U.S. Department of Agriculture					
Passed through North Carolina Department of Health and Human Services, Division of Public Health – Women's and Children's Health					
Child Care Food Program	10.558	7222-501	\$ 162,888	\$ -	\$ -
Child Care Food Program	10.558	7222-501	180,019	-	-
			342,907	-	-
Total federal awards			7,156,482	-	1,928,661
<b>State:</b>					
North Carolina Department of Health and Human Services:					
Passed through Buncombe County Partnership for Children					
Sustaining Facility Quality Incentives		2016-11000475	-	45,345	-
			-	45,345	-
Total State awards			-	45,345	-
Total federal and State awards			\$ 7,156,482	\$ 45,345	\$ 1,928,661

**Notes to the preceding schedule:**

**Note A - Basis of Presentation:**

The accompanying schedule of expenditures of federal and State awards (SEFA) includes the federal and State grant activity of Community Action Opportunities under programs of the federal and State governments for the year ended June 30, 2016. The information in this SEFA 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**Note B - Summary of Significant Accounting Policies**

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

Community Action Opportunities has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.