

Community Action Opportunities

Asheville, North Carolina

Financial Statements and Supplementary Information
Year Ended June 30, 2019

Community Action Opportunities

Financial Statements and Supplementary Information
Year Ended June 30, 2019

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Independent Auditor's Report

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, which comprise the statement of financial position as of June 30, 2019, 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; 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.

Auditor's 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 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 auditor's 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Community Action Opportunities adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended June 30, 2019.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Program Activity and Schedule of Expenditures of Federal Awards and List of Programs, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. 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 12, 2019, 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 the effectiveness of Community Action Opportunities' 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.

Wipfli LLP

Wipfli LLP

December 12, 2019
Madison, Wisconsin

Community Action Opportunities

Statement of Financial Position

June 30, 2019

| <i>Assets</i> | |
|-----------------------------|---------------------|
| Current assets: | |
| Cash | \$ 927,767 |
| Grants receivable | 515,164 |
| Prepaid expenses | 23,237 |
| <hr/> | |
| Total current assets | 1,466,168 |
| <hr/> | |
| Property and equipment, net | 296,347 |
| <hr/> | |
| TOTAL ASSETS | \$ 1,762,515 |

| <i>Liabilities and Net Assets</i> | |
|---|---------------------|
| Current liabilities: | |
| Note payable - current portion | \$ 54,754 |
| Accounts payable | 209,277 |
| Accrued payroll and related expenses | 99,145 |
| Accrued leave | 105,024 |
| Self-insured medical claims payable | 153,657 |
| Grant funds received in advance | 281,367 |
| <hr/> | |
| Total current liabilities | 903,224 |
| <hr/> | |
| Long-term liability: Note payable | 19,911 |
| <hr/> | |
| Total liabilities | 923,135 |
| <hr/> | |
| Net assets: | |
| Without donor restrictions: | 442,990 |
| With donor restrictions | 396,390 |
| <hr/> | |
| Total net assets | 839,380 |
| <hr/> | |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,762,515 |

Community Action Opportunities

Statement of Activities

Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Revenue: | | | |
| Grant revenue | \$ 8,332,081 | \$ - | \$ 8,332,081 |
| Program contributions | 122,692 | - | 122,692 |
| Other | 540,110 | - | 540,110 |
| In-kind contributions | 885,900 | - | 885,900 |
| Net assets released from restrictions | 307,103 | (307,103) | - |
| Total revenue | 10,187,886 | (307,103) | 9,880,783 |
| Expenses: | | | |
| Program activities: | | | |
| Economic development | 2,145,734 | - | 2,145,734 |
| Children, family and community partnerships | 6,821,254 | - | 6,821,254 |
| Accountable results for community action | 152,874 | - | 152,874 |
| Total program activities | 9,119,862 | - | 9,119,862 |
| Management and general | 855,111 | - | 855,111 |
| Total expenses | 9,974,973 | - | 9,974,973 |
| Change in net assets | 212,913 | (307,103) | (94,190) |
| Net assets - Beginning of year, as previously stated | 513,139 | 420,431 | 933,570 |
| Reclassifications | (283,062) | 283,062 | - |
| Net assets - Beginning of year, as restated | 230,077 | 703,493 | 933,570 |
| Net assets - End of year | \$ 442,990 | \$ 396,390 | \$ 839,380 |

Community Action Opportunities

Statement of Functional Expenses

Year Ended June 30, 2019

| | Economic Development | Children, Family and Community Partnerships | Accountable Results for Community Action | Total Program Activities | Management and General | Total Expenses |
|--------------------------|---------------------------------|--|---|---|-----------------------------------|---------------------------|
| Salaries and wages | \$ 703,597 | \$ 3,099,498 | \$ 108,275 | \$ 3,911,370 | \$ 554,716 | \$ 4,466,086 |
| Fringe benefits | 231,359 | 1,314,364 | 30,910 | 1,576,633 | 158,785 | 1,735,418 |
| Travel | 38,538 | 22,617 | 441 | 61,596 | 3,778 | 65,374 |
| Supplies | 529,248 | 171,783 | 231 | 701,262 | 3,327 | 704,589 |
| Space costs | 33,841 | 114,472 | 4,313 | 152,626 | 28,823 | 181,449 |
| Communications | 2,475 | 10,487 | 390 | 13,352 | 17,690 | 31,042 |
| Contractual | 474,267 | 659,714 | - | 1,133,981 | 500 | 1,134,481 |
| Direct client assistance | 48,166 | 1,994 | - | 50,160 | - | 50,160 |
| Depreciation | - | 112,340 | - | 112,340 | 755 | 113,095 |
| Other | 84,243 | 346,359 | 8,314 | 438,916 | 86,737 | 525,653 |
| Food expense | - | 81,726 | - | 81,726 | - | 81,726 |
| In-kind expenses | - | 885,900 | - | 885,900 | - | 885,900 |
| Total Expenses | \$ 2,145,734 | \$ 6,821,254 | \$ 152,874 | \$ 9,119,862 | \$ 855,111 | \$ 9,974,973 |

See accompanying notes to financial statements.

Community Action Opportunities

Statement of Cash Flows

Year Ended June 30, 2019

| | |
|--|-------------|
| Increase (decrease) in cash: | |
| Cash flows from operating activities: | |
| Change in net assets | (\$ 94,190) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 113,095 |
| Changes in operating assets and liabilities: | |
| Grants receivable | 68,170 |
| Prepaid expenses | (2,776) |
| Accounts payable | 122,566 |
| Accrued payroll and related expenses | 39,347 |
| Accrued leave | (371) |
| Self-insured medical claims payable | (169,370) |
| Grant funds received in advance | 159,068 |
| Net cash provided by operating activities | 235,539 |
| Cash flows from investing activities: | |
| Purchases of property and equipment | (12,541) |
| Net cash used in investing activities | (12,541) |
| Cash flows from financing activities: | |
| Principal payments on note payable | (54,754) |
| Net cash used in financing activities | (54,754) |
| Change in cash | 168,244 |
| Cash - Beginning of year | 759,523 |
| Cash - End of year | \$ 927,767 |
| Supplemental cash flow disclosure: | |
| Interest paid and expensed | \$ 4,122 |

Community Action Opportunities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Community Action Opportunities (“the Organization”) is a private non-profit organization, operating in Madison and Buncombe Counties. The Organization administers various programs designed to assist the underprivileged in achieving self-sufficiency. It is funded primarily by grants from federal, state and local governmental units and agencies. The Organization also maintains Accountable Results for Community Action which is a programmatic software utilized by North Carolina community action agencies. The Organization received approximately 50% and 15% of its total revenue (excluding in-kind) from the U.S. Department of Health and Human Services (DHHS) Head Start and Low-Income Home Energy Assistance (LIHEAP) grants for the year ended June 30, 2019.

DHHS has determined that the Organization’s Head Start grant is to be put out for bid in order to determine if another entity could be better suited to operate a portion or all of the Organization’s Head Start grant. Should the Head Start grant be awarded to another entity, it would substantially alter the Organization’s operations. The Organization will be submitting a proposal to continue operating their Head Start program.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution. Without donor restrictions can further be classified as undesignated or designated by governing board.

With Donor Restrictions - Net assets subject to donor-imposed time and/or purpose restrictions. When a donor restriction expires, donor restrictions are then transferred to without donor restrictions

Use of Estimates

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

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. The Organization considers items with a cost greater than \$500 and a useful life greater than one year to be property and equipment.

Community Action Opportunities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Property and equipment purchased with grant funds are owned by the Organization while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds are normally restricted by the funding source for use in specific programs operated by the Organization. Grant equipment net of depreciation was \$81,663 as of June 30, 2019.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

In-Kind Contributions

The Organization has recorded in-kind contributions for space and professional services in the statements of activities and functional expenses in accordance with GAAP. GAAP requires that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of GAAP are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions of nonprofessional volunteers during the year with a value of \$22,683, for its Head Start programs, which are not recorded in the statements of activities or functional expenses.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Program contributions represent amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. The contributions are recorded as net assets with donor restrictions due to the implied stipulation that the contributions be used in the program the beneficiary received assistance. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If the restriction is satisfied in the year of contribution, the contribution is recorded as without donor restrictions.

Community Action Opportunities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Cost Allocation

Certain categories of expenses are attributable to one or more program or supporting functions of the Organization in the statements of activities and functional expenses. Those expenses include depreciation, occupancy costs, administrative salaries and supplies. Depreciation and occupancy costs are allocated based on a square footage basis and the remaining administrative costs are allocated based on time and effort.

Costs that provide common benefit to all of the Organization's programs are allocated using a federally negotiated indirect cost rate agreement. A provisional indirect cost rate has been approved by the Department of Health and Human Services (DHHS). A provisional indirect cost rate is based upon the projected costs of the Organization for the fiscal year under consideration. The Organization adjusts the provisional rate based upon actual experience. This adjusted rate is subject to approval by DHHS at which time the indirect cost rate becomes final.

Adoption of Accounting Standard

On July 1, 2018, the Organizations adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Prior to the adoption of the ASU, the Organization had a policy of implying a time restriction for property and equipment acquired with grant funds. Under the time restriction policy, the net asset value of property and equipment acquired with grant funds was reported as a temporarily restricted net asset. The ASU requires a placed-in-service approach in which net assets for property and equipment acquired with grant funds are reported as without donor restrictions. Accordingly, temporarily restricted net assets of \$121,719 were transferred to net assets without donor restrictions on July 1, 2018.

Community Action Opportunities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASU Topic 606.

On June 21, 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource recipient. Early application of the amendments in this update is permitted. The Organization is currently evaluating the impact of the provisions of ASU Topic 958.

Subsequent Events

Subsequent events have been evaluated through December 12, 2019, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

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, 2019, the Organization’s deposits had a carrying amount of \$927,767 and a bank balance of \$960,708. Of the bank balance, \$250,000 was covered by federal depository insurance and \$710,708 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Note 3: Grants Receivable

The grants receivable balance represents amounts due from various funding sources as follows:

| | | |
|--------------------------|----|---------|
| Direct federal programs | \$ | 172,903 |
| State and local programs | | 311,519 |
| Sales tax | | 30,742 |
| <hr/> | | |
| Total | \$ | 515,164 |

Community Action Opportunities

Notes to Financial Statements

Note 4: Property and Equipment

A summary of property and equipment is as follows:

| | | |
|-----------------------------|----|------------|
| Land | \$ | 134,000 |
| Building and improvements | | 2,665,073 |
| Vehicles | | 523,139 |
| Equipment and fixtures | | 732,689 |
| Total cost | | 4,054,901 |
| Accumulated depreciation | (| 3,758,554) |
| Property and equipment, net | \$ | 296,347 |

Note 5: Note Payable

A summary of notes payable at June 30, 2019, is as follows:

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.

| | | |
|-------------------|----|---------|
| | \$ | 74,665 |
| Current portion | (| 54,754) |
| Long-term portion | \$ | 19,911 |
| 2020 | \$ | 54,754 |
| 2021 | | 19,911 |
| Total | \$ | 74,665 |

Note 6: Self-insured Medical Claims Payable

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, 2019 consists of incurred but not reported (IBNR) actual claims, incurred prior to June 30, 2019 but reported for payment subsequent to year end. To protect against potential catastrophic illness claims, the Organization carries individual 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 of \$153,657.

Management has established a medical claims reserve as a designated component of net assets without donor restrictions, based on the actuarially determined cost of providing this employee benefit. The equity reserve of \$394,576 consists of funds earmarked for self-insured health benefits which are unexpended and unencumbered as of June 30, 2019.

Community Action Opportunities

Notes to Financial Statements

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions are purpose restricted for the following activities:

| | |
|---|-------------------|
| Self-insurance reserve for health insurance | \$ 394,576 |
| Area classroom donations | 1,814 |
| <u>Net assets with donor restrictions</u> | <u>\$ 396,390</u> |

Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following for the Organization as of June 30, 2019:

| | |
|--|-------------------|
| Cash | \$ 927,767 |
| <u>Grants receivable</u> | <u>515,164</u> |
| Subtotal financial assets | 1,442,931 |
| Less: current liabilities (excluding note payable) | (848,470) |
| <u>Less: net assets with donor restrictions</u> | <u>(396,390)</u> |
| <u>Total financial assets available</u> | <u>\$ 198,071</u> |

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash. The Organization can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source.

Note 9: Employee Retirement Plan

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, 2019, the Organization's matching contribution amounted to \$202,776.

Note 10: Operating Lease Agreement

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, 2019 was \$30,000.

Note 11: Net Asset Reclassifications

As a result of analyzing net asset classifications, the Organization determined that certain net assets should be reclassified. Temporarily restricted net assets for performance-based awards of \$296,898 at June 30, 2018 were reclassified to net assets without donor restrictions. Additionally, the Organization determined that reserves for self-insurance that were classified as board designated unrestricted net assets of \$701,679 at June 30, 2018 were more appropriate to classify as net assets with donor restrictions. Including the reclassification for property and equipment of \$121,719 from temporarily restricted to net assets without donor restrictions, the net effect is a beginning net asset reclassification of \$283,062 from net assets without donor restrictions to net assets with donor restrictions on July 1, 2018.

Community Action Opportunities

Notes to Financial Statements

Note 12: Contingencies

At June 30, 2019, the Organization had commitments under various grants of approximately \$2,600,000. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

The Organization participates in a number of federal and state grant programs. These programs are always subject to program compliance audits by the grantors and their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The Organization is also required to match 25% of the grant funds received under the Head Start program through local sources. The Organization believes that it is in substantial compliance with the grant programs, including matching requirements, and that disallowed amounts, if any, would not be significant.

Supplementary Information

Community Action Opportunities

Schedule of Program Activity

Year Ended June 30, 2019

| | FEDERAL PROGRAMS | | | | | | | |
|---------------------------------|---|---|--------------------|-------------------------------------|---|----------------------|--------------------|------------------|
| | Department of Agriculture | | | DOE | Department of Health and Human Services | | | |
| | 10.558 | | | 81.042 | 93.568 | | | |
| Total | 17-18 Child and Adult Care Food Program (1) | 18-19 Child and Adult Care Food Program (2) | 10.558 Subtotal | Weatherization Assistance (3) | HARRP WAP (4) | LIHEAP WAP (5) | 93.568 Subtotal | |
| REVENUE | | | | | | | | |
| Grant revenue | \$ 8,332,081 | \$ 72,132 | \$ 334,339 | \$ 406,471 | \$ 304,871 | \$ 544,154 | \$ 816,820 | \$ 1,360,974 |
| Program contributions | 122,692 | - | - | - | 2,754 | - | - | - |
| Other | 540,110 | - | - | - | - | - | - | - |
| In-kind contributions | 885,900 | - | - | - | - | - | - | - |
| Transfers | - | 1,063 | 86,937 | 88,000 | (314) | (528) | (189) | (717) |
| Total Revenue | 9,880,783 | 73,195 | 421,276 | 494,471 | 307,311 | 543,626 | 816,631 | 1,360,257 |
| EXPENSES | | | | | | | | |
| Salaries and wages | 4,466,086 | 7,055 | 64,901 | 71,956 | 103,571 | 54,389 | 261,688 | 316,077 |
| Fringe benefits | 1,735,418 | 5,355 | 26,891 | 32,246 | 37,340 | 16,653 | 94,931 | 111,584 |
| Travel | 65,374 | - | - | - | 27,381 | 591 | 36,831 | 37,422 |
| Supplies/Materials | 704,589 | - | - | - | 49,022 | 224,391 | 193,932 | 418,323 |
| Space costs | 181,449 | - | - | - | 5,274 | 5,478 | 32,768 | 38,246 |
| Communications | 31,042 | - | - | - | 2,717 | 1,399 | 6,900 | 8,299 |
| Contractual | 1,134,481 | 41,075 | 250,863 | 291,938 | 33,911 | 228,749 | 125,456 | 354,205 |
| Direct client assistance | 50,160 | - | - | - | - | - | - | - |
| Depreciation | 113,095 | - | - | - | - | - | - | - |
| Other | 525,653 | 79 | 1,973 | 2,052 | 25,320 | 494 | 6,485 | 6,979 |
| Food Expense | 81,726 | 17,203 | 62,234 | 79,437 | - | - | - | - |
| Indirect | - | 2,428 | 14,414 | 16,842 | 22,775 | 11,482 | 57,640 | 69,122 |
| In-kind expenses | 885,900 | - | - | - | - | - | - | - |
| Total Expenses | 9,974,973 | 73,195 | 421,276 | 494,471 | 307,311 | 543,626 | 816,631 | 1,360,257 |
| Change in Net Assets | (94,190) | - | - | - | - | - | - | - |
| Net assets - Beginning of year | 933,570 | - | - | - | - | - | - | - |
| NET ASSETS - END OF YEAR | \$ 839,380 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Community Action Opportunities

Schedule of Program Activity

Year Ended June 30, 2019

| | FEDERAL PROGRAMS | | | | STATE AND LOCAL PROGRAMS | | | |
|------------------------------------|---|----------------------|------------------|------------------------|--------------------------|----------------------|---------------------------|----------------|
| | Department of Health and Human Services | | | | | | | |
| | 93.569 | 93.600 | | | | | | |
| Community Services Block Grant (6) | FY 18 Head Start (7) | FY 19 Head Start (8) | 93.600 Subtotal | Total Federal Programs | NC PreK Buncombe (9) | NC PreK Madison (10) | Buncombe Cty Schools (11) | |
| REVENUE | | | | | | | | |
| Grant revenue | \$ 460,636 | \$ 2,384,341 | \$ 2,128,593 | \$ 4,512,934 | \$ 7,045,886 | \$ 754,236 | \$ 187,093 | \$ 131,916 |
| Program contributions | 16,626 | 38,504 | 62,861 | 101,365 | 120,745 | - | - | 1,445 |
| Other | - | - | - | - | - | - | - | - |
| In-kind contributions | - | 366,050 | 519,850 | 885,900 | 885,900 | - | - | - |
| Transfers | 2,370 | (719,126) | (339,232) | (1,058,358) | (969,019) | 789,151 | 175,684 | - |
| Total Revenue | 479,632 | 2,069,769 | 2,372,072 | 4,441,841 | 7,083,512 | 1,543,387 | 362,777 | 133,361 |
| EXPENSES | | | | | | | | |
| Salaries and wages | 255,457 | 856,135 | 959,523 | 1,815,658 | 2,562,719 | 914,584 | 170,355 | 80,234 |
| Fringe benefits | 74,669 | 297,955 | 321,304 | 619,259 | 875,098 | 359,301 | 65,812 | 32,601 |
| Travel | 7,477 | 18,501 | 24,235 | 42,736 | 115,016 | - | - | - |
| Supplies/Materials | 3,466 | 79,989 | 25,740 | 105,729 | 576,540 | 21,703 | 7,655 | - |
| Space costs | 5,646 | 58,611 | 86,093 | 144,704 | 193,870 | 18,385 | 3,404 | - |
| Communications | 6,381 | 18,107 | 28,853 | 46,960 | 64,357 | 23,518 | 4,380 | - |
| Contractual | 2,459 | 133,740 | 141,312 | 275,052 | 957,565 | - | 73,000 | - |
| Direct client assistance | 48,166 | 96 | - | 96 | 48,262 | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - |
| Other | 22,553 | 50,148 | 62,048 | 112,196 | 169,100 | - | - | - |
| Food Expense | - | - | - | - | 79,437 | - | - | 2,289 |
| Indirect | 53,358 | 190,437 | 203,114 | 393,551 | 555,648 | 205,896 | 38,171 | 18,237 |
| In-kind expenses | - | 366,050 | 519,850 | 885,900 | 885,900 | - | - | - |
| Total Expenses | 479,632 | 2,069,769 | 2,372,072 | 4,441,841 | 7,083,512 | 1,543,387 | 362,777 | 133,361 |
| Change in Net Assets | - | - | - | - | - | - | - | - |
| Net assets - Beginning of year | - | - | - | - | - | - | - | - |
| NET ASSETS - END OF YEAR | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Community Action Opportunities

Schedule of Program Activity

Year Ended June 30, 2019

| | OTHER ACTIVITIES | | | | | |
|---------------------------------|---|---------------------------------------|--|--|------------------------------------|--|
| | Total State and Local Programs | Total Program Activity | Indirect Cost Pool (12) | Other Cost Pools (13) | Health Reserve (14) | Corporate and Other Grants (15) |
| REVENUE | | | | | | |
| Grant revenue | \$ 1,073,245 | \$ 8,119,131 | \$ - | \$ - | \$ - | \$ 212,950 |
| Program contributions | 1,445 | 122,190 | - | - | - | 502 |
| Other | - | - | - | - | - | 540,110 |
| In-kind contributions | - | 885,900 | - | - | - | - |
| Transfers | 964,835 | (4,184) | - | - | - | 4,184 |
| Total Revenue | 2,039,525 | 9,123,037 | - | - | - | 757,746 |
| EXPENSES | | | | | | |
| Salaries and wages | 1,165,173 | 3,727,892 | 554,716 | - | - | 183,478 |
| Fringe benefits | 457,714 | 1,332,812 | 158,785 | - | 197,393 | 46,428 |
| Travel | - | 115,016 | 3,778 | (54,800) | - | 1,380 |
| Supplies/Materials | 29,358 | 605,898 | 3,327 | (33,543) | - | 128,907 |
| Space costs | 21,789 | 215,659 | 28,823 | (69,360) | - | 6,327 |
| Communications | 27,898 | 92,255 | 17,690 | (81,957) | - | 3,054 |
| Contractual | 73,000 | 1,030,565 | 500 | 32,331 | - | 71,085 |
| Direct client assistance | - | 48,262 | - | - | - | 1,898 |
| Depreciation | - | - | 755 | 61,525 | - | 50,815 |
| Other | - | 169,100 | 86,737 | 145,804 | 109,710 | 14,302 |
| Food Expense | 2,289 | 81,726 | - | - | - | - |
| Indirect | 262,304 | 817,952 | (855,111) | - | - | 37,159 |
| In-kind expenses | - | 885,900 | - | - | - | - |
| Total Expenses | 2,039,525 | 9,123,037 | - | - | 307,103 | 544,833 |
| Change in Net Assets | - | - | - | - | (307,103) | 212,913 |
| Net assets - Beginning of year | - | - | - | - | 701,679 | 231,891 |
| NET ASSETS - END OF YEAR | \$ - | \$ - | \$ - | \$ - | \$ 394,576 | \$ 444,804 |

Community Action Opportunities

Schedule of Expenditures of Federal Awards and List of Programs Year Ended June 30, 2019

| <u>Federal Grantor/ Program Title</u> | <u>CFDA Number</u> | <u>Funding Source/ Pass-through Entity</u> | <u>Program Period</u> | <u>Federal Expenditures</u> |
|---|-----------------------------------|--|-----------------------|---------------------------------|
| DEPARTMENT OF AGRICULTURE | | | | |
| (1) Child and Adult Care Food Program #7222-501 | 10.558 | North Carolina Department of Health and Human Services | 10/01/17-09/30/18 | \$ 72,132 |
| (2) Child and Adult Care Food Program #7222-501 | | North Carolina Department of Health and Human Services | 10/01/18-09/30/19 | <u>334,339</u> |
| | Total CFDA 10.558 | | | <u>406,471</u> |
| DEPARTMENT OF ENERGY | | | | |
| (3) Weatherization Assistance Program #7634 | 81.042 | North Carolina Department of Environmental Quality | 07/01/18-06/30/19 | <u>304,871</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| (4) Heating Appliance Repair and Replacement Program #7634 | 93.568 | North Carolina Department of Environmental Quality | 07/01/18-06/30/19 | 544,154 |
| (5) Low Income Home Energy Assistance Program #7634 | | North Carolina Department of Environmental Quality | 07/01/18-06/30/19 | <u>816,820</u> |
| | Total CFDA 93.568 | | | <u>1,360,974</u> |
| (6) Community Services Block Grant #37117 | 93.569 | North Carolina Department of Health and Human Services | 07/01/18-06/30/19 | <u>460,636</u> |
| (7) Head Start Program #04CH4780-04 | 93.600 | U.S. Department of Health and Human Services | 01/01/18-12/31/18 | 2,384,341 |
| (8) Head Start Program #04CH4780-05 | | U.S. Department of Health and Human Services | 01/01/19-12/31/19 | <u>2,128,593</u> |
| | Total CFDA 93.600 | | | <u>4,512,934</u> |
| | TOTAL FEDERAL EXPENDITURES | | | <u>\$ 7,045,886</u> |

Community Action Opportunities

Schedule of Expenditures of Federal Awards and List of Programs Year Ended June 30, 2019

| <u>Program Title</u> | <u>Funding Source/ Pass-through Entity</u> | <u>Program Year</u> |
|----------------------------------|--|---------------------|
| STATE AND LOCAL PROGRAMS | | |
| (9) NC PreK - Buncombe | North Carolina Department of Health and Human Services | 07/01/18-06/30/19 |
| (10) NC PreK - Madison | North Carolina Department of Health and Human Services | 07/01/18-06/30/19 |
| (11) Buncombe County Schools | Buncombe County Partnership for Children | 07/01/18-06/30/19 |
| OTHER ACTIVITIES | | |
| (12) Indirect Cost Pool | Funded by grants and corporate | N/A |
| (13) Other Cost Pools | Funded by grants and corporate | N/A |
| (14) Health Reserve | Health contributions | N/A |
| (15) Corporate and Other Grants | Grants, contributions and other income | N/A |

Notes to Schedule of Expenditures of Federal Awards and List of Programs

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and list of programs (the "Schedule") includes the federal award activity of Community Action Opportunities under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Community Action Opportunities, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Opportunities.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

Community Action Opportunities has a federally negotiated indirect cost rate agreement and therefore has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Subrecipients

Community Action Opportunities does not have any subrecipients and therefore has not incurred subrecipient expenditures during the year ended June 30, 2019.



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Community Action Opportunities
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States 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, which comprise the statement of financial position as of June 30, 2019, 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 12, 2019.

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 Community Action Opportunities’ internal control.

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

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

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*.

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 Community Action Opportunities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Opportunities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

December 12, 2019
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Community Action Opportunities
Asheville, North Carolina

Report on Compliance for the Major Federal Program

We have audited Community Action Opportunities' compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on Community Action Opportunities' major federal program for the year ended June 30, 2019. Community Action Opportunities' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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; 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 the major federal program. However, our audit does not provide a legal determination on Community Action Opportunities' compliance.

Opinion

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 its major federal program for the year ended June 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Wipfli LLP

Wipfli LLP

December 12, 2019
Madison, Wisconsin

Community Action Opportunities

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|------------|
| Type of auditor's report issued? | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|-----------------|
| Internal control over major federal programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | No |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? | No |
| Identification of major federal programs: | |
| <u>Name of Federal Major Program or Cluster</u> | <u>CFDA No.</u> |
| Head Start | 93.600 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

None

Section III - Federal and Award Findings and Questioned Costs

None

Community Action Opportunities

Schedule of Findings and Questioned Costs

Section IV - Summary Schedule of Prior Year Findings

Finding 2018-001 and 2018-002: Monitoring and Monitoring, Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Condition

Management did not apply the monitoring function for the amounts charged monthly to the fringe benefits pool for health benefits allocated to grants and programs.

Criteria

An effective system of internal control should include review procedures of monthly payroll entries related to health benefits.

Cause

There were insufficient procedures in place for the monthly monitoring of health benefits charged to grants and programs.

Effect

Due to a formula error in the monthly health benefits worksheet, grants and programs were overcharged for health benefits in the amount of \$109,710 during the year ended June 30, 2018.

Recommendation

Procedures should be implemented requiring detailed review of monthly payroll entries and worksheets related to health benefits.

Current Year Status

Subsequent to June 30, 2019, Community Action Opportunities repaid the \$109,710 questioned cost to Head Start. No matters were noted in relation to overcharging grants for health benefits for the year ended June 30, 2019. Therefore, this finding has been resolved.