

**Community Action Opportunities**

Asheville, North Carolina

Financial Statements  
and Supplementary Information

Year Ended June 30, 2018

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, 2018, 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, 2018, 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* 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 January 3, 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.

*Johnson Price Sprinkle PA*

January 3, 2019

## Community Action Opportunities

### Statement of Financial Position

June 30, 2018

#### Assets

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

Cash	\$	759,523
Receivables		583,334
Prepaid expenses		20,461

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Total current assets		1,363,318
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<b>Property and equipment</b>		4,112,115
Less accumulated depreciation		(3,715,214)

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Net property and equipment		396,901
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<b>Total assets</b>	\$	1,760,219
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#### Liabilities and Net Assets

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

Accounts payable and accrued expenses	\$	574,931
Deferred revenue		122,299
Note payable – current portion		54,754

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Total current liabilities		751,984
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<b>Note payable</b>		74,665
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Total liabilities		826,649
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##### **Net assets:**

###### Unrestricted:

Designated for self-insurance		701,679
Undesignated (deficit)		(188,540)

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Total unrestricted net assets		513,139
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###### Temporarily restricted:

Investment in property and equipment		121,719
Unexpended grant balance		296,898
Donor restricted assets		1,814

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Total temporarily restricted net assets		420,431
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Total net assets		933,570
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<b>Total liabilities and net assets</b>	\$	1,760,219
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The accompanying notes are an integral part of these financial statements.

## Community Action Opportunities

### Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, grants and other support:</b>			
Federal grants	\$ -	\$ 4,630,011	\$ 4,630,011
Federal grants passed through State agency	-	2,437,940	2,437,940
State grants	-	52,104	52,104
Local grants	-	144,223	144,223
Program fees	1,130,519	-	1,130,519
Interest income	329	-	329
Loss on disposal of property and equipment	(10,897)	-	(10,897)
Other	7,724	198,742	206,466
In-kind contributions:			
Non-cash	-	941,082	941,082
Net assets released from restrictions	8,395,790	(8,395,790)	-
<b>Total revenues, grants and other support</b>	<b>\$ 9,523,465</b>	<b>\$ 8,312</b>	<b>\$ 9,531,777</b>

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



## Community Action Opportunities

Statement of Activities – continued

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
<b>Expenses:</b>			
Direct program expenses:			
Salaries and wages	\$ 3,912,591	\$ -	\$ 3,912,591
Salaries and wages, in-kind	208,982	-	208,982
Fringe benefits	1,349,895	-	1,349,895
Workers' compensation	63,979	-	63,979
Travel	53,921	-	53,921
Supplies	564,284	-	564,284
Space cost	138,860	-	138,860
Communications	72,719	-	72,719
Contractual	1,030,852	-	1,030,852
Direct assistance	101,616	-	101,616
Depreciation	121,630	-	121,630
Other in-kind	732,100	-	732,100
Other	750,955	-	750,955
	9,102,384	-	9,102,384
Indirect costs	842,091	-	842,091
Total expenses	9,944,475	-	9,944,475
<b>Change in net assets</b>	(421,010)	8,312	(412,698)
<b>Net assets, beginning of year</b>	934,149	412,119	1,346,268
<b>Net assets, end of year</b>	\$ 513,139	\$ 420,431	\$ 933,570

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

## Community Action Opportunities

### Statement of Functional Expenses

Year Ended June 30, 2018

	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	\$ 730,888	\$ 3,069,004	\$ 112,699	\$ 3,912,591	\$ 548,211	\$ 4,460,802
Salaries and wages, in-kind	-	208,982	-	208,982	-	208,982
Fringe benefits	200,439	1,117,635	31,821	1,349,895	154,769	1,504,664
Workers' compensation	30,188	33,552	239	63,979	1,806	65,785
Travel	21,114	29,690	3,117	53,921	2,495	56,416
Supplies	436,445	127,602	237	564,284	2,898	567,182
Space cost	30,728	102,466	5,666	138,860	27,499	166,359
Communications	13,219	57,834	1,665	72,718	18,542	91,260
Contractual	380,888	649,220	744	1,030,852	-	1,030,852
Direct assistance	99,121	2,496	-	101,617	-	101,617
Depreciation	38,023	83,607	-	121,630	1,037	122,667
Other in-kind	-	732,100	-	732,100	-	732,100
Other	144,964	600,859	5,132	750,955	84,834	835,789
	<u>\$ 2,126,017</u>	<u>\$ 6,815,047</u>	<u>\$ 161,320</u>	<u>\$ 9,102,384</u>	<u>\$ 842,091</u>	<u>\$ 9,944,475</u>

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

## Community Action Opportunities

### Statement of Cash Flows

Year Ended June 30, 2018

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#### Cash flows from operating activities:

Change in net assets	\$	(412,698)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		122,667
Loss on disposal of property and equipment		10,897
(Increase) decrease in assets:		
Receivables		(149,246)
Prepaid expenses		6,137
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		58,115
Deferred revenue		122,299
<b>Net cash used by operating activities</b>		<b>(241,829)</b>

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#### Cash flows from investing activities:

Purchases of property and equipment		(4,230)
<b>Net cash used by investing activities</b>		<b>(4,230)</b>

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#### Cash flows from financing activities:

Payments on long-term debt		(57,752)
<b>Net cash used by financing activities</b>		<b>(57,752)</b>

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**Net decrease in cash** (303,811)

**Cash, beginning of year** 1,063,334

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**Cash, end of year** \$ 759,523

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#### Supplemental disclosure of cash flow information:

Cash paid for interest \$ 4,018

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

## Community Action Opportunities

Notes to Financial Statements

June 30, 2018

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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 stipulation.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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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.

#### **Grant revenue**

Reimbursement grant revenue is recognized when program expenses are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods. Management believes that any adjustment will be immaterial and, accordingly, no allowance for contractual adjustment has been recorded.

#### **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, 2018, 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

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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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.

#### **Deferred revenue**

Deferred revenue represents grant funds received in advance of the future award period. These amounts will be recognized as revenue in the year ending June 30, 2019 when grant stipulations are met.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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

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#### **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, 2018, 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.

#### **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 2017. Currently, the statute of limitations remains open subsequent to and including tax year 2014; 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.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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

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#### 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 January 3, 2019, the date the financial statements were available to be issued.

### Note C – Fringe benefits:

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Fringe benefits allocated to the various programs for the year ended June 30, 2018 are as follows:

Vision insurance	\$ 1,204
Social security	330,366
Retirement benefits	206,331
Employee assistance programs	3,288
Health insurance	889,067
Dental insurance	2,314
Unemployment insurance	3,669
Life insurance	12,713
Long-term care insurance	30,729
Disability	24,983
	<hr/>
	1,504,664
Included in indirect costs (see Note D)	154,769
	<hr/>
	\$ 1,349,895

### 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 16.05% of direct salaries and fringe benefits was approved February 15, 2018. However, the actual calculated rate of 15.82% 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, 2018

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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, 2018 are as follows:

Salaries and wages	\$	548,211
Employer's share of fringe benefits		154,769
Workers' compensation		1,806
Travel		2,495
Supplies		2,898
Professional and career development		7,151
Space cost		27,499
Communications		18,542
Depreciation		1,037
Professional services		31,730
Membership dues and subscriptions		4,417
Liability insurance		34,856
Board expense		3,364
Service charges		2,262
Other		1,054
	\$	842,091
		(A)
Direct personnel costs	\$	5,322,882
		(B)

(A) ÷ (B) =  $\frac{\$ 842,091}{\$ 5,322,882} = 15.82\%$  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, 2018, the Organization's matching contribution amounted to \$206,331. (See Note C).

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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### Note F – Receivables:

Receivables as of June 30, 2018 consist of the following:

Grants	\$	558,447
Sales tax		24,887
	\$	583,334

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### Note G – Property and equipment:

Property and equipment as of June 30, 2018 consist of the following:

	Grantor	Agency	Total
Automotive equipment	\$ 535,059	\$ -	\$ 535,059
Office equipment and furniture	423,412	317,692	741,104
Land	-	134,000	134,000
Buildings and improvements	1,461,130	1,240,822	2,701,952
	2,419,601	1,692,514	4,112,115
Less: accumulated depreciation	2,297,883	1,417,331	3,715,214
	\$ 121,718	\$ 275,183	\$ 396,901

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Assets purchased with program funds are represented in the grantor column. Grantor assets in the amount of \$121,718 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, 2018 consist of the following:

Trade payables	\$	44,966
Accrued salaries		59,798
Accrued leave		105,395
Medical claims liability		323,027
Other		41,745
	\$	574,931

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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, 2018

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### Note I – Note payable:

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Note payable consists of the following as of June 30, 2018:

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 \$275,182 as of June 30, 2018.

\$ 129,419

Less current installments

54,754

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\$ 74,665

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Maturities of note payable are as follows:

Fiscal year ending June 30:

2019 \$ 54,754

2020 54,754

2021 19,911

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\$ 129,419

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## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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### Note J – Net assets:

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As of June 30, 2018, temporarily restricted net assets consist of the following:

Investment in property and equipment	\$	121,719
Unexpended grant balance:		
Quality Enhancement		5,474
Helping Home Funds		291,424
Donor restricted assets:		
Area classroom donations		1,814
<hr/>		
Total temporarily restricted net assets	\$	420,431

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Unrestricted net assets in the amount of \$701,679 have been designated by management for health care benefits under the self-funded health care plan.

### Note K – 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, 2018 consists of incurred but not reported (IBNR) actual claims, incurred prior to June 30, 2018 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, 2018.

The Organization funds the self-insurance program through premiums charged to grants at an actuarially determined rate. The current year increase of \$204,322 to the medical claims reserve is included in other expenses on the statement of activities.

## Community Action Opportunities

Notes to Financial Statements – continued

June 30, 2018

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### **Note L – 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, 2018 was \$30,000.

### **Note M – 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, 2018, the Organization’s deposits had a carrying amount of \$759,523 and a bank balance of \$795,285. Of the bank balance, \$250,000 was covered by federal depository insurance and \$545,285 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 7299 (DOE)

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

Year Ended June 30, 2018

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 260,155	\$ 179,441	\$ (80,714)
Receivable from funding source	-	71,343	71,343
Total grant revenue	260,155	250,784	(9,371)
Other revenue:			
Program support	-	-	-
Total other revenue	-	-	-
Total revenue	260,155	250,784	(9,371)
<b>Expenses:</b>			
Training and technical assistance:			
Salaries and wages	21,136	14,336	6,800
Travel	10,906	5,446	5,460
Career development	11,597	19,699	(8,102)
Other	8,577	12,817	(4,240)
Total training and technical assistance	52,216	52,298	(82)
Health and safety	29,200	27,209	1,991
Program operations:			
Salaries and wages	78,806	68,902	9,904
Fringe benefits	23,424	18,848	4,576
Workers' compensation	4,288	4,424	(136)
Materials	24,620	33,170	(8,550)
Contractual	18,500	18,971	(471)
Transportation	2,000	2,830	(830)
Rent	-	3,038	(3,038)
Other	6,613	6,607	6
Total program operations	158,251	156,790	1,461
Administration:			
Indirect costs	20,488	14,487	6,001
Total administration	20,488	14,487	6,001
Total expenses	260,155	250,784	9,371
Revenue over (under) expenses	\$ -	\$ -	\$ -

## Community Action Opportunities

Weatherization Assistance Program for Low Income Persons – Contract Number 7299 (LIHEAP)

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

Year Ended June 30, 2018

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 683,470	\$ 678,505	\$ (4,965)
Total grant revenue	683,470	678,505	(4,965)
Other revenue:			
Miscellaneous	-	61,839	61,839
Total other revenue	-	61,839	61,839
Total revenue	683,470	740,344	56,874
<b>Expenses:</b>			
Program operations:			
Salaries and wages	252,056	270,748	(18,692)
Fringe benefits	67,055	74,664	(7,609)
Workers' compensation	18,402	19,390	(988)
Contractual	49,500	50,217	(717)
Supplies	101,423	94,105	7,318
Travel	11,924	22,741	(10,817)
Space costs	23,927	24,041	(114)
Other program operations	14,269	17,662	(3,393)
Total program operations	538,556	573,568	(35,012)
Health and safety	113,069	109,104	3,965
Administration:			
Indirect costs	31,845	57,672	(25,827)
Total administration	31,845	57,672	(25,827)
Total expenses	683,470	740,344	(56,874)
Revenue over (under) expenses	\$ -	\$ -	\$ -



## Community Action Opportunities

Community Services Block Grant – Grantee Number 35394

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

Year Ended June 30, 2018

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 625,148	\$ 494,353	\$ (130,795)
Receivable from funding source	-	125,288	125,288
Total grant revenue	625,148	619,641	(5,507)
Other revenue:			
Miscellaneous	-	50	50
Total other revenue	-	50	50
Total revenue	625,148	619,691	(5,457)
<b>Expenses:</b>			
Direct costs:			
Salaries and wages	316,651	319,223	(2,572)
Fringe benefits	92,747	86,029	6,718
Workers' compensation	4,591	5,083	(492)
Supplies and materials	4,767	4,377	390
Contractual	7,954	7,954	-
Communication	8,100	8,498	(398)
Travel	19,156	19,007	149
Space costs	7,515	7,603	(88)
Direct assistance	93,107	92,408	699
Other	4,405	4,694	(289)
Total direct costs	558,993	554,876	4,117
Indirect costs	66,155	64,815	1,340
Total expenses	625,148	619,691	5,457
Revenue over (under) expenses	\$ -	\$ -	\$ -

## Community Action Opportunities

Heating Appliance Repair and Replacement Program – Contract Number 7299

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

Year Ended June 30, 2018

	Budget	Actual	Variance
<b>Revenue:</b>			
Grant revenue:			
Received	\$ 521,904	\$ 521,903	\$ (1)
Refundable advance	-	(1,236)	(1,236)
Total revenue	521,904	520,667	(1,237)
Other revenue:			
Interest	-	1	1
Total other revenue	-	1	1
Total revenue	521,904	520,668	(1,236)
<b>Expenses:</b>			
Program operations:			
Salaries and wages	51,234	47,870	3,364
Fringe benefits	14,494	13,468	1,026
Workers' compensation	256	268	(12)
Contract labor	212,760	221,550	(8,790)
Other program operations	7,418	9,943	(2,525)
Total program operations	286,162	293,099	(6,937)
Materials	225,151	217,833	7,318
Administration:			
Indirect costs	10,591	9,736	855
Total expenses	521,904	520,668	1,236
Revenue over (under) expenses	\$ -	\$ -	\$ -

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/04 (2018)

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

Year Ended June 30, 2018

	Budget	Actual	Variance
<b>Revenue:</b>			
Federal funds:			
Grant received	\$ 4,829,643	\$ 2,390,758	\$ (2,438,885)
Receivable from funding source	-	54,544	54,544
Total grant revenue	4,829,643	2,445,302	(2,384,341)
Child care food program reimbursements:			
Received	340,000	199,357	(140,643)
Total reimbursement	340,000	199,357	(140,643)
Grantee's contribution:			
In-kind: non-cash	821,494	366,050	(455,444)
In-kind: cash	983,960	529,352	(454,608)
Total in-kind	1,805,454	895,402	(910,052)
Total revenue	6,975,097	3,540,061	(3,435,036)
<b>Expenses:</b>			
Federal share:			
Head Start training and technical assistance (PA 20):			
Direct costs:			
Travel	4,648	5,194	(546)
Professional and career development	52,590	26,338	26,252
	57,238	31,532	25,706

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/04 (2018)

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

Year Ended June 30, 2018

	Budget	Actual	Variance
<b>Head Start (PA 22):</b>			
Direct costs:			
Salaries and wages	\$ 1,726,133	\$ 954,721	\$ 771,412
Fringe benefits	647,847	301,837	346,010
Workers' compensation	19,201	8,198	11,003
Travel and transportation	46,000	19,283	26,717
Supplies	76,884	21,438	55,446
Contractual	280,178	139,074	141,104
Other	246,512	132,003	114,509
Child care food program expenses	511,654	326,499	185,155
	3,554,409	1,903,053	1,651,356
Indirect costs	394,875	194,459	200,416
	3,949,284	2,097,512	1,851,772
<b>Grantee's share:</b>			
Head Start full year/part day (PA 22):			
Grantee – other	821,494	366,050	455,444
Total grantee's share	821,494	366,050	455,444
Total federal and grantee's share	4,828,016	2,495,094	2,332,922
Revenue over (under) expenses	2,147,081	1,044,967	(1,102,114)
<b>Transfers:</b>			
Transfer to NC Pre-K - Madison	(315,898)	(174,311)	141,587
Transfer to NC Pre-K - Buncombe	(1,831,183)	(850,524)	980,659
Transfer to Buncombe County Schools	-	(20,132)	(20,132)
Total transfers	(2,147,081)	(1,044,967)	1,102,114
Revenue over (under) expenses and transfers	\$ -	\$ -	\$ -

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/03 (2017)

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

Year Ended June 30, 2018

	Budget	Actual		Total	Variance
		Prior Year	Current Year		
<b>Revenue:</b>					
Federal funds:					
Grant received	\$ 4,700,115	\$ 2,515,406	\$ 2,184,709	\$ 4,700,115	\$ -
Total grant revenue	4,700,115	2,515,406	2,184,709	4,700,115	-
Child care food program reimbursements:					
Received	402,999	234,080	168,986	403,066	67
Total reimbursement	402,999	234,080	168,986	403,066	67
Grantee's contribution:					
In-kind: non-cash	1,044,515	366,050	366,050	732,100	(312,415)
In-kind: cash	812,696	423,005	489,320	912,325	99,629
Total in-kind	1,857,211	789,055	855,370	1,644,425	(212,786)
Miscellaneous	45	15	45	60	15
Total revenue	6,960,370	3,538,556	3,209,110	6,747,666	(212,704)
<b>Expenses:</b>					
Federal share:					
Head Start training and technical assistance (PA 20):					
Direct costs:					
Travel and transportation	9,648	9,116	640	9,756	(108)
Professional and career development	39,000	22,351	16,576	38,927	73
	48,648	31,467	17,216	48,683	(35)
Head Start (PA 22):					
Direct costs:					
Salaries and wages	1,888,802	1,018,070	891,959	1,910,029	(21,227)
Fringe benefits	685,900	362,174	314,649	676,823	9,077
Workers' compensation	25,640	15,812	10,009	25,821	(181)
Travel and transportation	35,700	20,037	15,725	35,762	(62)
Supplies	60,950	22,607	40,238	62,845	(1,895)
Contractual	282,578	153,368	124,181	277,549	5,029
Other	223,023	129,358	100,177	229,535	(6,512)
Child care food program expenses	548,371	304,797	240,328	545,125	3,246
Total direct costs	3,750,964	2,026,223	1,737,266	3,763,489	(12,525)
Indirect costs	424,361	224,788	197,759	422,547	1,814
	4,175,325	2,251,011	1,935,025	4,186,036	(10,711)

## Community Action Opportunities

Head Start Program – Grant Number 04CH4780/03 (2017)

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

Year Ended June 30, 2018

	Budget	Actual		Total	Variance
		Prior Year	Current Year		
Grantee's share:					
Head Start full year/ part day (PA 22):					
Grantee - salaries	\$ 241,162	\$ -	\$ -	\$ -	\$ 241,162
Grantee - other	803,353	366,050	366,050	732,100	71,253
Total grantee's share	1,044,515	366,050	366,050	732,100	312,415
Total federal and grantee's share	5,268,488	2,648,528	2,318,291	4,966,819	301,669
Revenue over expenses	1,691,882	890,028	890,819	1,780,847	88,965
<b>Transfers:</b>					
Transfer to NC Pre-K - Madison	(247,780)	(173,241)	(169,988)	(343,229)	(95,449)
Transfer to NC Pre-K - Buncombe	(1,420,609)	(693,294)	(737,123)	(1,430,417)	(9,808)
Transfer to Buncombe County Schools	(23,493)	(23,493)	16,292	(7,201)	16,292
Total transfers	(1,691,882)	(890,028)	(890,819)	(1,780,847)	(88,965)
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, 2018, 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 January 3, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, 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*

January 3, 2019



## 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, 2018. Community Action Opportunities' major federal programs are identified in the summary of auditors' 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, 2018.

### Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

Community Action Opportunities' response to the noncompliance finding 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.

### 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider 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*

January 3, 2019

**Community Action Opportunities**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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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)?                  X      yes              no

**Community Action Opportunities**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2018

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**Identification of major federal programs:**

CFDA #	Name of Federal Program or Cluster
81.042	Weatherization Assistance Program
93.568	Heating Appliance Repair and Replacement Program
93.568	Low Income Home Energy Assistance Program

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, 2018

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### Section II. Financial Statement Findings

#### Significant Deficiency

##### **Finding: 2018-001: Monitoring**

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.

Views of responsible officials and planned corrective action: Management agrees with the recommendation and has taken immediate action to correct the monitoring function of the health benefit claims account. Management has developed and placed into practice additional monitoring processes. These procedures increase the effectiveness of the internal control procedures over health benefit costs the Agency allocates to grants and programs. The independent actuary the Agency uses to provide quarterly reviews of the sufficiency of the health claims account and establish the claims account premiums, has agreed to conduct monthly reviews of the rates and funding sufficiency. Management developed a more secure calculation tool with increased password protection and error alerts that the Payroll Administrator now uses to calculate and post the monthly claims totals to be allocated. Management now reviews this calculation and confirms the accuracy of the subtotals and totals. After confirming the entry, management authorizes the Payroll Administrator to post the totals to the grants and programs. Management will incorporate these changes into the Financial Procedures and Policy Manual.

## **Community Action Opportunities**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2018

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

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

Program Name: Head Start

CFDA #93.600

#### **Significant Deficiency**

#### **Finding: 2018-002: 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.

Questioned cost: \$109,710.

Context: Of the \$654,653 charged to the fringe benefits pool for health benefits during the year ended June 30, 2018, \$109,710 was overcharged due to a formula error in the monthly health benefits worksheet.

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



## **Community Action Opportunities**

Schedule of Findings and Questioned Costs – continued

Year Ended June 30, 2018

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### **Section III. Federal Award Findings and Questioned Costs – continued**

Views of responsible officials and planned corrective action: Management agrees with the recommendation and has taken immediate action to correct the monitoring function of the health benefit claims account. Management has developed and placed into practice additional monitoring processes. These procedures increase the effectiveness of the internal control procedures over health benefit costs the Agency allocates to grants and programs. The independent actuary the Agency uses to provide quarterly reviews of the sufficiency of the health claims account and establish the claims account premiums, has agreed to conduct monthly reviews of the rates and funding sufficiency. Management developed a more secure calculation tool with increased password protection and error alerts that the Payroll Administrator now uses to calculate and post the monthly claims totals to be allocated. Management now reviews this calculation and confirms the accuracy of the subtotals and totals. After confirming the entry, management authorizes the Payroll Administrator to post the totals to the grants and programs. Management will incorporate these changes into the Financial Procedures and Policy Manual.

## Community Action Opportunities

Corrective Action Plan

Year Ended June 30, 2018

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### Section II. Financial Statement Findings

Finding 2018-001

Monitoring

Name of contact person: Darren Waugh, Finance Director

Corrective action: Views of responsible officials and planned corrective action: Management agrees with the recommendation and has taken immediate action to correct the monitoring function of the health benefit claims account. Management has developed and placed into practice additional monitoring processes. These procedures increase the effectiveness of the internal control procedures over health benefit costs the Agency allocates to grants and programs. The independent actuary the Agency uses to provide quarterly reviews of the sufficiency of the health claims account and establish the claims account premiums, has agreed to conduct monthly reviews of the rates and funding sufficiency. Management developed a more secure calculation tool with increased password protection and error alerts that the Payroll Administrator now uses to calculate and post the monthly claims totals to be allocated. Management now reviews this calculation and confirms the accuracy of the subtotals and totals. After confirming the entry, management authorizes the Payroll Administrator to post the totals to the grants and programs. Management will incorporate these changes into the Financial Procedures and Policy Manual.

Proposed completion date: Immediately

## Community Action Opportunities

Corrective Action Plan – continued

Year Ended June 30, 2018

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

Finding 2018-002

Monitoring, Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Name of contact person: Darren Waugh, Finance Director

Corrective action: Views of responsible officials and planned corrective action: Management agrees with the recommendation and has taken immediate action to correct the monitoring function of the health benefit claims account. Management has developed and placed into practice additional monitoring processes. These procedures increase the effectiveness of the internal control procedures over health benefit costs the Agency allocates to grants and programs. The independent actuary the Agency uses to provide quarterly reviews of the sufficiency of the health claims account and establish the claims account premiums, has agreed to conduct monthly reviews of the rates and funding sufficiency. Management developed a more secure calculation tool with increased password protection and error alerts that the Payroll Administrator now uses to calculate and post the monthly claims totals to be allocated. Management now reviews this calculation and confirms the accuracy of the subtotals and totals. After confirming the entry, management authorizes the Payroll Administrator to post the totals to the grants and programs. Management will incorporate these changes into the Financial Procedures and Policy Manual.

Proposed completion date: Immediately

## **Community Action Opportunities**

### Summary Schedule of Prior Audit Findings

Year Ended June 30, 2018

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Finding: 2017-001: Monitoring

Status: Procedures were reviewed with program directors to ensure transaction approval is obtained. Corrected in 2018.

Finding: 2017-002: Monitoring, Allowable Activities and Allowable Costs/Cost Principles

Status: Procedures were reviewed with program directors to ensure transaction approval is obtained. Corrected in 2018.

Finding: 2016-001: Monitoring

Status: Procedures were reviewed with program directors to ensure transaction approval is obtained. Finding is repeated in 2017.

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

Status: Procedures were reviewed with program directors to ensure transaction approval is obtained. Monitoring finding is repeated in 2017.

## Community Action Opportunities

### Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2018

Federal Grantor/State Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	State Expenditures	Local Expenditures
<b>Federal:</b>					
U.S. Department of Health and Human Services:					
Direct Programs:					
Head Start (2017)	93.600		\$ 2,184,709	\$ -	\$ 855,415
Head Start (2018)	93.600		2,445,302	-	895,402
			4,630,011	-	1,750,817
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	35394	619,641	-	-
			619,641	-	-
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	7299	250,784	-	-
			250,784	-	-
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	7299	520,667	-	-
Low Income Home Energy Assistance Program	93.568	7299	678,505	-	-
			1,199,172	-	-

**Community Action Opportunities**

Schedule of Expenditures of Federal and State Awards – continued

Year Ended June 30, 2018

Federal Grantor/State Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying 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	\$ 199,357	\$ -	-
Child Care Food Program	10.558	7222-501	168,986	-	-
			368,343	-	-
Total federal awards			7,067,951	-	1,750,817
<b>State:</b>					
North Carolina Department of Health and Human Services:					
Passed through Buncombe County Partnership for Children					
Sustaining Facility Quality Incentives		17/18SFQ	-	52,104	-
			-	52,104	-
Total State awards			-	52,104	-
Total federal and State awards			\$ 7,067,951	\$ 52,104	\$ 1,750,817

**Notes to the Schedule of Expenditures and State Awards:**

**Note A - Basis of Presentation:**

The accompanying schedule of expenditures of federal and State awards (SEFA) includes the federal and State award activity of Community Action Opportunities under programs of the federal and State governments for the year ended June 30, 2018. The information in this SEFA 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 SEFA 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 B - Summary of Significant Accounting Policies:**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C - Indirect Cost Rate:**

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