

MID-CUMBERLAND COMMUNITY  
ACTION AGENCY, INC.  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
JUNE 30, 2013 AND 2012

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mid-Cumberland Community Action Agency, Inc.  
Lebanon, Tennessee

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

We have audited the accompanying financial statements of Mid-Cumberland Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

### ***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 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 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 on the previous page present fairly, in all material respects, the financial position of the Agency as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years 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 accompanying schedule of expenditures of federal awards and state financial assistance, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

***Stone Rudolph & Henry, PLC***

Clarksville, Tennessee  
December 27, 2013

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents		
Restricted	\$ 96,991	\$ 4,611
Unrestricted	90,332	78,098
Certificate of deposit	120,018	118,329
Federal grants receivable	464,546	490,930
Accounts receivable	4,605	26,447
Inventory	106,884	45,127
Investments	13,000	10,306
Current portion of prepaid rent	67,753	67,753
Prepaid expenses	40,677	92,787
Total current assets	<u>1,004,806</u>	<u>934,388</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building	1,093,199	1,093,199
Furniture and equipment	313,488	313,488
Vehicles	1,160,961	1,666,206
Total property and equipment	<u>2,567,648</u>	<u>3,072,893</u>
Less: Accumulated depreciation	1,865,711	2,193,860
Net property and equipment	<u>701,937</u>	<u>879,033</u>
<u>OTHER ASSETS</u>		
Prepaid rent, less current portion	481,248	549,001
Total assets	<u>\$ 2,187,991</u>	<u>\$ 2,362,422</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 302,320	\$ 395,935
Accrued expenses	106,157	130,432
Unearned revenue - federal grants	112,271	49,738
Advances from grantors	65,923	65,923
Total current liabilities	<u>586,671</u>	<u>642,028</u>
<u>NET ASSETS</u>		
Temporarily restricted	846,615	656,329
Unrestricted	754,705	1,064,065
Total net assets	<u>1,601,320</u>	<u>1,720,394</u>
Total liabilities and net assets	<u>\$ 2,187,991</u>	<u>\$ 2,362,422</u>

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenue:		
Gifts in-kind	\$ 717,537	\$ 451,134
Day care:		
Broker fees	36,319	199,281
Parent fees	52,655	163,916
Investment income	5,996	2,475
Total unrestricted support	<u>812,507</u>	<u>816,806</u>
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>12,332,677</u>	<u>14,101,561</u>
Total unrestricted support and reclassifications	<u>13,145,184</u>	<u>14,918,367</u>
Expenses:		
Program services	12,942,714	14,531,246
Supporting services	469,592	572,029
Total expenses	<u>13,412,306</u>	<u>15,103,275</u>
Loss on disposal of property and equipment	<u>(42,238)</u>	<u>-</u>
Change in unrestricted net assets	<u>(309,360)</u>	<u>(184,908)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Federal and state grants	12,351,865	13,911,848
Local grants, contributions and other revenue	171,098	116,858
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>(12,332,677)</u>	<u>(14,101,561)</u>
Change in temporarily restricted net assets	<u>190,286</u>	<u>(72,855)</u>
Change in net assets	(119,074)	(257,763)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,720,394</u>	<u>1,978,157</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,601,320</u>	<u>\$ 1,720,394</u>

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	Community Services Block Grant	Program Services							Mid-Cumberland Day Care	Child and Adult Care Food
		Low-Income Home Energy Assistance	Weatherization Assistance	VITA	Emergency Food Assistance	Head Start	Early Head Start	Cumberland Day Care		
Salaries/wages	\$ 323,510	\$ 108,195	\$ 26,370	\$ -	\$ 9,514	\$ 3,636,962	\$ 532,457	\$ 11,304	\$ 63,721	
Employee benefits	111,716	35,560	4,914	-	1,066	1,411,766	185,085	33,165	27,105	
Total personnel	435,226	143,755	31,284	-	10,580	5,048,728	717,542	44,469	90,826	
Client assistance	334,947	2,963,129	52,774	-	215,813	-	-	-	109,733	
Communications	29,142	6,627	811	250	9,448	102,598	3,569	-	-	
Contracted services	-	-	-	-	30,820	398,936	4,848	-	24,870	
In-kind	-	-	-	-	-	646,684	70,853	-	-	
Insurance	3,568	15,214	531	-	322	58,985	5,866	5,707	-	
Maintenance	5,635	9,593	1,813	-	151	92,999	8,974	1,319	-	
Occupancy	68,686	12,432	3,202	-	8,322	281,420	13,941	12,127	-	
Other	626	244	-	-	-	40,438	2,582	602	47	
Professional services	1,356	5,700	969	-	325	16,063	1,404	874	672	
Supplies	12,152	6,680	770	5,545	9,261	260,538	26,766	4,241	93,979	
Training and seminars	21,575	1,199	2,073	-	-	61,112	22,012	212	-	
Travel	-	-	-	205	808	76,727	4,124	1,244	-	
	912,913	3,164,573	94,227	6,000	285,850	7,085,228	882,481	70,795	320,127	
Depreciation	-	-	-	-	-	-	-	-	-	
Total functional expenses	\$ 912,913	\$ 3,164,573	\$ 94,227	\$ 6,000	\$ 285,850	\$ 7,085,228	\$ 882,481	\$ 70,795	\$ 320,127	

(Continued)

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES (CONTD)  
YEAR ENDED JUNE 30, 2013

	Program Services						Total Expenses
	RSVP	Emergency Food and Shelter	Emergency Shelter Grant	Special State Grant	Private and Local Assistance	Total Program Services	
Salaries/wages	\$ 30,361	\$ -	\$ -	\$ -	\$ 909	\$ 4,743,303	\$ 4,942,379
Employee benefits	12,762	-	-	-	70	1,823,209	1,878,217
Total personnel	43,123	-	-	-	979	6,566,512	6,820,596
Client assistance	-	8,854	443	-	35,823	3,721,516	3,721,516
Communications	462	-	-	-	-	152,907	156,876
Contracted services	-	-	-	13,867	-	473,341	486,383
In-kind	-	-	-	-	-	717,537	717,537
Insurance	577	-	-	-	-	90,770	90,967
Maintenance	890	-	-	-	-	121,374	125,859
Occupancy	1,691	-	-	1,856	-	403,677	439,223
Other	473	-	-	2,445	2,420	49,877	53,580
Professional services	92	-	-	-	942	28,397	28,397
Supplies	456	-	-	3,144	23	423,555	431,594
Training and seminars	125	-	-	500	-	108,808	116,450
Travel	1,097	-	-	238	-	84,443	88,470
	48,986	8,854	443	22,050	40,187	12,942,714	13,277,448
Depreciation	-	-	-	-	-	-	134,858
Total functional expenses	\$ 48,986	\$ 8,854	\$ 443	\$ 22,050	\$ 40,187	\$ 12,942,714	\$ 13,412,306

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



MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2012

	Program Services									
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance ARRA	Weatherization Assistance ARRA	VITA	Emergency Food Assistance	Head Start	Early Head Start	Early Head Start ARRA	Head Start Expansion
Salaries/Wages	\$ 322,630	\$ 86,880	\$ 36,223	\$ 13,867	\$ 8,525	\$ 4,576	\$ 3,616,516	\$ 464,964	\$ 13,272	\$ 288,878
Employee benefits	107,462	33,917	5,290	2,768	700	497	1,279,358	170,459	-	97,242
Total personnel	430,092	120,797	41,513	16,635	9,225	5,073	4,895,874	635,423	13,272	386,120
Client assistance	221,704	3,114,567	228,325	229,194	-	205,068	-	-	-	-
Communications	40,016	12,465	6,021	1,863	-	458	147,148	4,379	-	4,113
Contracted services	-	-	4,500	25,700	-	27,763	457,467	6,211	-	11,477
In-kind	-	-	-	-	-	-	451,134	-	-	-
Insurance	3,647	12,271	1,532	4,024	-	297	63,062	6,389	-	2,143
Maintenance	5,783	4,831	1,394	188	3,558	-	146,233	14,318	-	27,609
Occupancy	68,423	9,597	4,981	1,612	-	9,902	281,655	14,145	-	7,711
Other	1,676	192	-	-	-	-	39,369	2,310	-	3,740
Professional services	1,287	4,448	4,012	-	-	350	9,221	900	-	-
Supplies	12,945	8,531	3,413	131	3,550	8,424	269,233	195,691	2,822	159,223
Training and seminars	5,719	1,902	156	797	-	-	55,176	1,909	79,083	43,353
Travel	-	-	-	-	233	1,363	75,434	429	572	16,242
	791,292	3,289,601	295,847	280,144	16,566	258,698	6,891,006	882,104	95,749	661,731
Depreciation	-	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 791,292	\$ 3,289,601	\$ 295,847	\$ 280,144	\$ 16,566	\$ 258,698	\$ 6,891,006	\$ 882,104	\$ 95,749	\$ 661,731

(Continued)

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)  
YEAR ENDED JUNE 30, 2012

	Program Services										Total Program Services	Supporting Services	Total Expenses
	Mid- Cumberland Day Care	Child and Adult Care Food	RSVP	Emergency Food and Shelter	Emergency Shelter Grant	Special State Grant	Private and Local Assistance						
Salaries/Wages	\$ 269,038	\$ 76,292	\$ 30,511	\$ -	\$ -	\$ -	\$ -				\$ 5,232,172	\$ 274,546	\$ 5,506,718
Employee benefits	114,702	24,551	12,076	-	-	423	-				1,849,445	70,445	1,919,890
Total personnel	383,740	100,843	42,587	-	-	423	-				7,081,617	344,991	7,426,608
Client assistance	-	255,927	-	13,107	5,000	-	34,306				4,307,198	-	4,307,198
Communications	1	-	2,245	-	-	-	-				218,709	5,187	223,896
Contracted services	12,938	12,312	-	-	-	23,598	17,864				599,830	47,032	646,862
In-kind	-	-	-	-	-	-	-				451,134	-	451,134
Insurance	7,159	-	574	-	-	-	-				101,098	519	101,617
Maintenance	69,069	-	514	-	-	-	-				273,497	620	274,117
Occupancy	13,201	-	2,755	-	-	6	-				413,988	34,771	448,759
Other	2,835	228	1,348	-	-	-	463				52,161	2,741	54,902
Professional services	6,882	352	64	-	-	-	369				27,885	-	27,885
Supplies	26,625	21,979	284	-	-	3,938	-				716,789	9,578	726,367
Training and seminars	1,043	-	125	-	-	-	-				189,263	4,582	193,845
Travel	367	-	3,437	-	-	-	-				98,077	2,421	100,498
	523,860	391,641	53,933	13,107	5,000	27,965	53,002				14,531,246	452,442	14,983,688
Depreciation	-	-	-	-	-	-	-				-	119,587	119,587
Total functional expenses	\$ 523,860	\$ 391,641	\$ 53,933	\$ 13,107	\$ 5,000	\$ 27,965	\$ 53,002				\$ 14,531,246	\$ 572,029	\$ 15,103,275

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (119,074)	\$ (257,763)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	134,858	119,587
Loss on disposal of property and equipment	42,238	-
Unrealized gain on investments	(2,694)	-
Changes in:		
Accounts receivable	21,842	15,068
Federal grants receivable	26,384	(32,376)
Inventory	(61,757)	20,635
Prepaid rent	67,753	67,753
Prepaid expenses	52,110	(62,875)
Accounts payable	(93,615)	96,824
Accrued expenses	(24,275)	13,350
Deferred revenue - federal grants	62,533	(51,911)
Advances from grantors	-	(14,249)
Net cash provided by (used in) operating activities	106,303	(85,957)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	-	(158,740)
Purchase of certificate of deposit	(1,689)	-
Net cash used in investing activities	(1,689)	(158,740)
 <u>CHANGE IN CASH AND CASH EQUIVALENTS</u>	104,614	(244,697)
 <u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	82,709	327,406
 <u>CASH AND CASH EQUIVALENTS - ENDING</u>	\$ 187,323	\$ 82,709

During the years ended June 30, 2013 and 2012, the Agency received non-cash assistance recorded as gifts in-kind and program services totaling \$717,537 and \$451,134, respectively.

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Mid-Cumberland Community Action Agency, Inc. (the Agency) is a private, not-for-profit corporation located in Lebanon, Tennessee. The Agency was chartered in 1971 and is a quasi-governmental entity that provides health and educational assistance to low-income households. A board of directors (the Board) governs the Agency and its programs are carried out by staff members under the supervision of the Executive Director, who is appointed by the Board. The Agency operates community action and other human resource programs primarily aimed at the lower income population of selected counties in the middle Tennessee area. The main source of funding is federal government grants received either directly or through a similar department of the State of Tennessee.

The Agency is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It has not been determined to be a private foundation and is considered by the Internal Revenue Service (IRS) to be a public charity. Accordingly, no provision for income taxes has been made. However, the Agency does file informational returns required by the IRS. The Agency is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2010.

Use of Estimates

The Agency's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Agency utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease unrestricted net assets.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental not-for-profit organizations such as the Agency. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Agency to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted

Unrestricted net assets are free of grant-imposed or donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by grants or donors are included in this classification. All expenditures are reported in the unrestricted class of net assets since the use of restricted contributions in accordance with the grants' or donors' stipulations results in the release of the restriction.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting (Cont'd)

Temporarily Restricted

Temporarily restricted net assets are limited as to use by grant-imposed or donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Agency's temporarily restricted net assets consisted of funds received from grantor agencies in excess of actual expenditures at June 30, 2013 and 2012.

Permanently Restricted

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets at June 30, 2013 and 2012.

Concentrations of Credit Risk/Funding

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of cash and receivables. The Agency is exposed to credit risk by placing its cash in financial institutions. The Agency has mitigated this risk by placing its cash with federally-insured financial institutions. The Agency receives grants from both the federal and state government and local assistance from the City of Murfreesboro. Funding from these sources constituted 93.9% and 94.5% of revenues for the years ended June 30, 2013 and 2012, respectively. The Agency would have to greatly reduce services provided if assistance was significantly reduced. All outstanding grants receivable are from governmental agencies. The Agency does not obtain collateral for receivables.

Cash and Cash Equivalents

The Agency considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Investments

The Agency's investments consist of one mutual fund investments recorded at market value. At June 30, 2013 and 2012, the market value of the mutual fund was \$13,000 and \$10,306, respectively, with a cost basis of \$10,539.

Federal Grants Receivable

Grants receivable are stated at unpaid balances and consist of balances due from federal and state agencies as summarized in Note 3. Management has elected to use the direct write-off method which is not materially different from the allowance for uncollectible accounts method. It is the Agency's policy to charge off uncollectible receivables when management determines the receivable will not be collected. All receivable balances are considered by management to be fully collectible.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies (Cont'd)

Inventory

Inventory consists of food for the Temporary Emergency Food Assistance Program. Inventory is valued at cost using the first-in, first-out method for financial statement reporting purposes and is included in temporarily restricted net assets.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. Property and equipment acquired with a unit cost greater than \$5,000 and a useful life of more than one year are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expense as incurred. Capitalized assets are depreciated over their estimated useful lives using the straight-line method. Included in property and equipment at June 30, 2013 and 2012 is \$634,327 and \$754,329, respectively, of assets purchased with restricted resources. If the Agency does not continue to use such assets in its Head Start operations, either the title to the assets or the proceeds from the sale of the assets will revert to the federal government.

Revenue Recognition

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restriction. Grant revenues are recognized as the related expenditures are incurred.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs based on the revenue allotted to each of those programs.

Advertising Costs

The Agency expenses advertising costs as incurred.

Change in Presentation

Certain items from the prior year may have been reclassified to conform to current year presentation.

Date of Management's Review

Subsequent events have been evaluated through December 27, 2013, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by deposits in financial institutions totaling \$396,371 and \$345,035, at June 30, 2013 and 2012, respectively, of which \$372,981 and \$345,035, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC) and \$23,390 and \$-0- was uninsured. Restricted cash represents unearned Special State grant revenue and funds restricted for use in the Head Start program. Certificate of deposits are stated at cost or amortized cost, which approximates fair value.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

3. Federal Grants Receivable

Grants receivable consisted of the following amounts:

	<u>2013</u>	<u>2012</u>
Child and Adult Care Food	\$ 5,257	\$ 43,718
Temporary Emergency Food Assistance	9,208	11,625
Emergency Shelter Grant	443	4,369
Weatherization Assistance	22,790	38,916
Head Start Program	195,168	137,950
Low Income Home Energy Assistance	134,890	145,766
Community Services Block Grant	91,800	103,691
Retired Senior Volunteer Program (RSVP)	4,990	4,895
Total federal grants receivable	<u>\$ 464,546</u>	<u>\$ 490,930</u>

4. Unearned Revenue – Grants

Unearned grant revenue consisted of the following amounts:

	<u>2013</u>	<u>2012</u>
Temporary Emergency Food Assistance	\$ 106,884	\$ 45,127
Federal Emergency Management Agency	776	-
Special State Grant	4,611	4,611
Total unearned grant revenue	<u>\$ 112,271</u>	<u>\$ 49,738</u>

5. Advances

The Agency received the following advances from federal and state agencies:

	<u>2013</u>	<u>2012</u>
Low-Income Home Energy Assistance	\$ 6,675	\$ 6,675
Community Services Block Grant	44,806	44,806
Retired Senior Volunteer Program (RSVP)	14,442	14,442
Total advances from grantors	<u>\$ 65,923</u>	<u>\$ 65,923</u>

These advances may be increased or decreased periodically as additional advances are received and partial payments are made. The balances are payable on demand.

6. Profit-Sharing Plan

The Agency has a defined contribution profit-sharing plan that covers full-time employees of the Agency over age 21 and having at least one year of service. Contributions to the plan are discretionary and are determined annually by the board of directors. The Board elected to contribute 5% of eligible compensation to the plan for the years ended June 30, 2013 and 2012. The amount of this contribution was \$232,562 and \$246,853, respectively.

7. Compensated Absences

The Agency advances vacation leave to employees at the beginning of each fiscal year on July 1. Unused vacation leave cannot be carried forward past the Agency's fiscal year-end except for the Head Start program. At June 30, 2013 and 2012, the estimated leave liability was \$28,565 and \$17,637, respectively.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

8. In-Kind Support

The fair value of in-kind support is reflected in revenues and included in expenses in the following functional categories:

	2013	2012
Rent	\$ 717,537	\$ 451,134

A substantial number of unpaid volunteers have made significant contributions of their time to support the Agency's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Codification 958-605-50-1 have not been satisfied. However, the Agency does have various grant contracts with the U.S. Department of Health and Human Services that allow these types of in-kind contributions to be used for grant matching purposes. The Agency conducts a Head Start Program and Retired Senior Volunteer Program which require matching contributions of twenty percent for each program. Also, the Agency conducts an Emergency Shelter Program which requires matching contributions of fifty percent. The in-kind match support has been valued by the Agency at approximate minimum wage rate for salaries and at fair value for rent and supplies. The in-kind support used for matching purposes during the year ended June 30, 2013 consisted of the following:

	Head Start	Emergency Shelter	Retired Senior Volunteer Program
Labor	\$ 1,544,068	\$ 10,000	\$ -
Rent	717,537	-	-
Supplies	77,635	-	26,642
	\$ 2,339,240	\$ 10,000	\$ 26,642

The in-kind support used for matching purposes during the year ended June 30, 2012 consisted of the following:

	Head Start	Emergency Shelter	Retired Senior Volunteer Program
Labor	\$ 1,177,420	\$ 5,000	\$ 1,164
Rent	451,134	-	-
Supplies	228,406	-	172,039
	\$ 1,856,960	\$ 5,000	\$ 173,203

9. Operating Leases

The Agency leases office space, classrooms, and equipment under operating leases. The total paid for these leases was \$286,043 and \$262,486 for the years ended June 30, 2013 and 2012, respectively. The Agency also leases storage facilities on a month-to-month basis as needed.

The Agency is a party to 20-year lease agreements for three of its Head Start facilities. The Agency made prepayments at the inception of these leases which are being amortized over the lives of the related leases and are recorded as an offset to the monthly lease payments. The remaining prepayment balance of \$549,001 and \$616,754 at June 30, 2013 and 2012, respectively, is classified as prepaid rent on the statements of financial position.



MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

9. Operating Leases (Cont'd)

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 144,244
2015	116,820
2016	105,120
2017	93,420
2018	93,420
2019-2022	315,972

10. Contingencies

Funding for the Agency's programs is provided by federal, state, and local government agencies. These funds are to be used for designated purposes only. If, based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Agency for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Agency's programs is predicated upon the grantor's satisfaction that the funds are being spent as intended and the grantor's intent to continue its programs.

The Agency is a party to a lawsuit for which the ultimate outcome is not determinable. The Agency's management believes that the outcome of those proceedings will not have a materially adverse effect on the accompanying financial statements.

11. Budget

The Agency prepares annual budgets for each program fund. Prior to the beginning of each budget year, the Agency's annual budget is approved by the Agency's governing body and is submitted to federal and state grantors for approval. Budgetary amendments require approval by the governing body and by federal and state grantors. All budgetary appropriations lapse at the end of each fiscal year.

12. Subsequent Events

The federal government decreased funding by at least five percent (5%) for Head Start, Community Services Block Grant and Low-Income Home Energy Assistance for the 2013-2014 program year. The loss of revenue will result in a corresponding decrease in program services and related expenses.

Effective January 1, 2014, the federal Patient Protection and Affordable Care Act (ACA) requires large employers, as defined, to offer health insurance benefits to full-time employees. Large employers that fail to comply with the ACA will be subject to substantial penalties. The Agency meets the definition of a large employer. Management does not anticipate that complying with the ACA will have a material impact on its operations or financial statements.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Program Title</u>	<u>Grant Number Or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable (Payable) July 1, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2013</u>
<u>U.S. Department of Agriculture</u>						
Passed through State of TN Department of Agriculture						
Child and Adult Care Food (11-12)	55994	10.558	\$ 43,718	\$ 112,072	\$ 68,354	\$ -
Child and Adult Care Food (12-13)	55994	10.558	-	255,529	260,786	5,257
Temporary Emergency Food Assistance (11-12)	21288	10.568	11,625	30,498	18,873	-
Temporary Emergency Food Assistance (12-13)	28265	10.568	-	43,847	53,055	9,208
<u>Non-Cash Assistance</u>						
Temporary Emergency Food Assistance		10.569	(45,127)	277,570	215,813	(106,884)
Total U.S. Department of Agriculture			10,216	719,516	616,881	(92,419)
<u>Federal Emergency Management Agency</u>						
Federal Emergency Management Agency		97.024	-	9,635	8,859	(776)
Total Federal Emergency Management Agency			-	9,635	8,859	(776)
<u>U.S. Department of Housing and Urban Development</u>						
Passed through City of Murfreesboro						
Emergency Shelter Grant (11-12)	ESG-11-31	14.231	4,369	4,369	-	-
Emergency Shelter Grant (12-13)	ESG-12-31	14.231	-	-	443	443
Total U.S. Department of Housing and Urban Development			4,369	4,369	443	443
<u>U.S. Department of Energy</u>						
Passed through State of TN Department of Human Services						
Weatherization Assistance	Z-12-000410	81.042	38,916	38,916	-	-
Passed through Tennessee Housing Development Agency	WAP-12-08	81.042	-	71,850	94,640	22,790
Total U.S. Department of Energy			38,916	110,766	94,640	22,790

(Continued)

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTD)  
 YEAR ENDED JUNE 30, 2013

Federal Grantor/Program Title	Grant Number Or Pass-Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2012	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2013
<u>U.S. Department of Health and Human Services</u>						
Head Start (11-12)	04CH4050/41	93.600	137,950	2,642,437	2,504,487	-
Head Start (12-13)	04CH4050/42	93.600	-	4,655,173	4,850,341	195,168
Passed Through State of TN Department of Human Services						
Low Income Home Energy Assistance (11-12)	Z-12-000211	93.568	145,766	145,766	-	-
Low Income Home Energy Assistance (12-13)	Z-13-49211	93.568	-	3,137,448	3,272,338	134,890
Community Services Block Grant (11-12)	Z-12-000111	93.569	103,691	103,691	-	-
Community Services Block Grant (12-13)	Z-13-49111	93.569	-	842,056	933,856	91,800
Total U.S. Department of Health and Human Services			387,407	11,526,571	11,561,022	421,858
<u>Corporation for National and Community Service</u>						
Retired Senior Volunteer Program (11-12)	09SRSTN002	94.002	137	137	-	-
Retired Senior Volunteer Program (12-13)	12SRSTN002	94.002	4,758	40,044	35,286	-
Retired Senior Volunteer Program (13-14)	12SRSTN002	94.002	-	7,694	12,684	4,990
Total Corporation for National and Community Service			4,895	47,875	47,970	4,990
Total Federal Awards			445,803	12,418,732	12,329,815	356,886
<u>State Awards</u>						
Special State Grant (10-11)	N/A	N/A	(4,611)	-	-	(4,611)
Special State Grant (12-13)	N/A	N/A	-	22,050	22,050	-
Total State Awards			(4,611)	22,050	22,050	(4,611)
Total Federal and State Awards			\$ 441,192	\$ 12,440,782	\$ 12,351,865	\$ 352,275

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

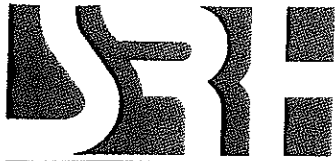
MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2013

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB-Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – Food Distribution

Nonmonetary assistance is reported in the schedule at the per-unit values as determined by the State of Tennessee Department of Agriculture. At June 30, 2013, the Agency had food commodities in inventory totaling \$106,884.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Mid-Cumberland Community Action Agency, Inc.  
Lebanon, Tennessee

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 Mid-Cumberland Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002 and 2013-003 to be material weaknesses.

The Agency did not resolve prior-year finding number 2012-1 related to internal control. The finding recurred in the current year and is reported as finding 2013-0001. The Agency resolved prior-year finding number 2012-2 and all but one element (number 6) of prior-year finding 2012-3 by performing the specific tasks outlined in our report dated May 22, 2013.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The Agency resolved prior-year finding 2012-4 related to compliance by performing the specific tasks outlined in our report dated May 22, 2013.

### **The Agency's Response to Findings**

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee  
December 27, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Mid-Cumberland Community Action Agency, Inc.  
Lebanon, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited Mid-Cumberland Community Action Agency, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2013. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency's 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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 the Agency's 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 the Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Agency's 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 *OMB Circular A-133*, 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 the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-004 and 2013-005 to be material weaknesses.

The Agency resolved all but one element (number 3) of prior-year finding number 2012-5 by performing the specific tasks outlined in our report dated May 22, 2013.

The Agency's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee  
December 27, 2013



MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated December 27, 2013, expressed an unqualified opinion on the financial statements of the Agency.
2. Three material weaknesses relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 27, 2013.
3. No instances related to compliance were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 27, 2013.
4. Two material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements for Each Major Program and on Internal Control Over Compliance Required by *OMB Circular A-133* dated December 27, 2013.
5. The Independent Auditor's Report on Compliance with Requirements for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* dated December 27, 2013, for the major federal award programs of the Agency expressed an unqualified opinion on all major federal programs.
6. Audit findings relating to major programs that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133* are reported in this schedule.
7. The programs tested as major programs were:

Program	CFDA No.
Head Start Program	93.600
Low-Income Home Energy Assistance Program	93.568
Community Services Block Grant	93.569

8. The threshold used for distinguishing between Type A and Type B programs was \$370,556.
9. The Agency did not qualify as a low-risk auditee.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

2013-001 (Recurring Finding) Lack of Management Oversight Over Financial Reporting

Condition: The Agency lacks proper management oversight over financial reporting which includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). In addition, seven adjusting entries and two reclassification entries were required to in order for the financial statements to be in conformity with GAAP.

Criteria: Proper management oversight over financial reporting should include the preparation of the financial statements and footnote disclosures in conformity with GAAP.

Effect: The financial statements and footnote disclosures may not be in conformity with GAAP.

Recommendation: We recommend that management implement review procedures to ensure that the financial statements are prepared in conformity with GAAP.

Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with GAAP prior to the independent audit. However, we believe that our knowledge and experience enables us to review the report and understand it fully. We take full responsibility for the financial statements and all adjusting and reclassification journal entries.

2013-002 (Recurring Finding) Control Design Deficiency

Condition: The Agency had control design deficiencies in that federal reports are submitted to the granting agency without a review by another individual.

Criteria: Federal reports should be reviewed for accuracy by someone other than the preparer before submitting the reports.

Effect: Federal reports may contain inaccurate information.

Recommendation: We recommend management implement procedures to ensure that federal reports are reviewed by someone independent of the preparation function.

Response: The federal report was, and is, being reviewed by the Head Start Program Director. She has access and downloads the report. However, we were not getting her signature or initials that she reviewed the report. We have now changed the process to reflect the needed signature or initials.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2013

2013-003 Control Operating Effectiveness Deficiencies

Condition: The Agency had operating effectiveness deficiencies in that two of two Low-Income Home Energy Assistance Program (LIHEAP) reimbursement requests tested and two of two Community Services Block Grant (CSBG) reimbursement requests tested did not have documentation of review.

Criteria: Controls should include procedures and policies to ensure all reimbursement requests have reviews documented.

Effect: Unauthorized or unallowable disbursements could be made.

Recommendation: We recommend management implement procedures to ensure that reviews of reimbursement requests are documented.

Response: The Agency had become aware of these conditions and has already implemented procedural changes to ensure that files are reviewed for proper documentation.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

RELATED TO INTERNAL CONTROL

2013-004 (Recurring Finding) Control Design Deficiency –Head Start (CFDA #93.600, program year 2012-2013)

Condition: The Agency had control design deficiencies in that federal reports for Head Start (CFDA #93.600) are submitted to the granting agency without a review by another individual.

Criteria: Federal reports should be reviewed for accuracy by someone other than the preparer before submitting the reports.

Effect: Federal reports may contain inaccurate information.

Recommendation: We recommend management implement procedures to ensure that federal reports are reviewed by someone independent of the preparation function.

Response: The federal report was, and is, being reviewed by the Head Start Program Director. She has access and downloads the report. However, we were not getting her signature or initials that she reviewed the report. We have now changed the process to reflect the needed signature or initials.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2013

2013-005 Control Operating Effectiveness Deficiencies –LIHEAP (CFDA #93.568, program year 2012-2013) and CSBG (CFDA #93.569, program year 2012-2013)

Condition: The Agency had operating effectiveness deficiencies in that two of two LIHEAP (CFDA #93.568) reimbursement requests tested and two of two CSBG (CFDA #93.569) reimbursement requests tested did not have documentation of review.

Criteria: Controls should include procedures and policies to ensure reviews of reimbursement requests are documented.

Questioned Costs: None.

Effect: Unauthorized or unallowable disbursements could be made.

Recommendation: We recommend management implement procedures to ensure procedures and policies are implemented to ensure reviews of reimbursement requests are documented.

Response: The Agency had become aware of these conditions and has already implemented procedural changes to ensure that files are reviewed for proper documentation.

RELATED TO COMPLIANCE

NO FINDINGS NOTED

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS  
YEAR ENDED JUNE 30, 2012

RELATED TO INTERNAL CONTROL

2012-5      Control Design Deficiencies – Head Start (CFDA #93.600, program years 2010-2012)

Condition: The Agency had the following control design deficiencies: 1) fund drawdowns are made for Head Start (CFDA #93.600) without a review by another individual; 2) the reconciliation of the operating bank account is not reviewed by another individual; and 3) federal reports for Head Start (CFDA #93.600) are submitted to the granting agency without a review by another individual.

Criteria: Drawdowns of grant funds should be reviewed for accuracy by someone other than the person who initiates the draw. The bank reconciliations should be reviewed for accuracy by someone other than the preparer. Federal reports should be reviewed for accuracy by someone other than the preparer before submitting the reports.

Effect: Drawdowns could be made for inaccurate amounts or for incorrect programs. The bank reconciliation may not be correct. Federal reports may contain inaccurate information.

Recommendation: We recommend that management implement procedures to ensure that drawdowns, bank reconciliations, and federal reports are reviewed by someone independent of the related initiation or preparation functions.

Response: Fund drawdowns made for federal grants will be reviewed by another individual, specifically the bookkeeper and/or the director of the coordinating program. The bank operating account will continue to be reconciled by the Finance Director but will now be reviewed by the bookkeeper for detail and the Executive Director for sign-off that this has been completed and reviewed. Federal reports submitted to the granting agency by the Finance Director will be reviewed by the bookkeeper and the director of the coordinating program.

2012-6      Control Operating Effectiveness Deficiencies – Weatherization – ARRA (CFDA #81.042, program year 2011-2012), LIHEAP (CFDA #93.568, program year 2011-2012) and CSBG (CFDA #93.569, program year 2011-2012)

Condition: The Agency had operating effectiveness deficiencies with regard to the following controls: 1) one of 51 Weatherization program (CFDA #81.042) disbursements tested did not have documentation of review; 2) five of 51 Weatherization program (CFDA #81.042) clients tested had work performed more than 12 months after their income was verified without reverification, with questioned costs of \$14,945; 3) 13 of 51 Weatherization program (CFDA #81.042) clients tested had change orders that were approved after the work was performed, with questioned costs of \$4,995; 4) one of 51 Weatherization program (CFDA #81.042) clients tested had evidence of signature forgery; 5) one of three LIHEAP (CFDA #93.568) reimbursement requests tested and one of three CSBG (CFDA #93.569) reimbursement requests tested did not have documentation of review; 7) three of 60 LIHEAP (CFDA #93.568) applications tested were not signed off on by Agency personnel; and 8) one of 60 LIHEAP program (CFDA #93.568) clients tested received a higher benefit than what they were entitled to, with questioned costs of \$150.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS (CONT'D)  
YEAR ENDED JUNE 30, 2012

Criteria: Controls should include procedures and policies to ensure: 1) all items noted have reviews documented; 2) income is reverified before services are performed if current verification is more than 12 months old; 3) all change orders are approved before the work is performed; 4) appropriate client signatures are obtained; and 5) all pertinent information is utilized in determining eligibility.

Questioned Costs: Total questioned costs consist of \$19,940 related to client assistance in the Weatherization program (CFDA #81.042) and \$150 in the LIHEAP program (CFDA #93.568) as described in the condition on the previous page.

Effect: Unauthorized disbursements could be made and inappropriate work and ineligible benefits could be provided.

Recommendation: We recommend management implement procedures to ensure procedures and policies are implemented to ensure: 1) all items noted have reviews documented; 2) income is reverified before services are performed if current verification is more than 12 months old; 3) all change orders are approved before the work is performed; 4) appropriate client signatures are obtained; and 5) all pertinent information is utilized in determining eligibility.

Response: Within the past 12-18 months, the Agency has become aware of these conditions and has already implemented procedural changes to ensure that files are reviewed for proper documentation, income verification has been completed within 12 months, change orders are approved before work is completed, all appropriate signatures are obtained, and all pertinent information is utilized in determining a client's eligibility.

RELATED TO COMPLIANCE

NO FINDINGS WERE NOTED

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
AUDITEE REPORTING RESPONSIBILITIES  
YEAR ENDED JUNE 30, 2013

Audit findings relative to federal awards are presented in the current year's Schedule of Findings and Questioned Costs.

FINDING 2013-004

Contact person: Kevin Davenport

Corrective action planned: The federal report was, and is, being reviewed by the Head Start Program Director. She has access and downloads the report. However, we were not getting her signature or initials that she reviewed the report. We have now changed the process to reflect the needed signature or initials.

Anticipated completion date: This will begin immediately in January 2014.

FINDING 2013-005

Contact person: Kevin Davenport

Corrective action planned: The Agency had become aware of these conditions and has already implemented procedural changes to ensure that files are reviewed for proper documentation.

Anticipated completion date: New procedures have already been implemented within the last 6 months.