

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION
JUNE 30, 2023 AND 2022

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MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
DIRECTORY OF BOARD MEMBERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2023

BOARD MEMBERS

Mr. Ray Render*, Chairman
Ms. Marilyn Bryant, Vice-Chairman
Mr. Tony Sharpe*, Treasurer
Ms. Erin Begley
Ms. Julie Brockman
Ms. Terri Follis
Dr. Danielle Frazier
Dr. Adrienne Golden
Mr. Jaleel Hendricks
Ms. Rachel Jones
Ms. Candice O'Brien Beasley
Ms. Arianna Rubi
Mr. Braden Stover

*denotes member of Finance Committee

MANAGEMENT

Mr. Jason Stewart, Executive Director
Mr. Michael Wiggins, Finance Director
Ms. Katie Lee, Community Services Director
Ms. Carisa Moody, Head Start Director



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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 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 schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial

statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, 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 solely 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 the Agency's 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 15, 2023

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>Restated 2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents		
Unrestricted	\$ 655,958	\$ 439,286
Restricted	88,774	173,155
Accounts receivable	2,097	-
Federal grants receivable	1,369,661	2,311,113
Inventory	308,147	162,308
Investments	31,576	31,576
Prepaid expense	40,330	91,918
Total current assets	<u>2,496,543</u>	<u>3,209,356</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building	1,892,323	1,702,468
Furniture and equipment	782,318	551,138
Vehicles	198,359	198,359
Total property and equipment	<u>2,873,000</u>	<u>2,451,965</u>
Less: Accumulated depreciation	<u>527,571</u>	<u>307,841</u>
Net property and equipment	<u>2,345,429</u>	<u>2,144,124</u>
<u>OTHER ASSETS</u>		
Operating lease right-of-use asset	<u>736,873</u>	<u>980,652</u>
Total assets	<u>\$ 5,578,845</u>	<u>\$ 6,334,132</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 1,196,156	\$ 2,026,329
Accrued expenses	237,065	231,252
Unearned revenue - federal grants	396,921	335,457
Current portion of operating lease liabilities	257,490	231,866
Total current liabilities	<u>2,087,632</u>	<u>2,824,904</u>
<u>LONG-TERM LIABILITIES</u>		
Operating lease liabilities, net of current portion	<u>544,325</u>	<u>788,005</u>
Total liabilities	<u>2,631,957</u>	<u>3,612,909</u>
<u>NET ASSETS</u>		
With donor restrictions - grant contracts	3,388,348	4,066,288
Without donor restrictions - undesignated	<u>(441,460)</u>	<u>(1,345,065)</u>
Total net assets	<u>2,946,888</u>	<u>2,721,223</u>
Total liabilities and net assets	<u>\$ 5,578,845</u>	<u>\$ 6,334,132</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, 2023 AND 2022

	2023	Restated 2022
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Revenue:		
Contributed nonfinancial assets	\$ 136,208	\$ 15,872
Investment income	2,469	94
Total unrestricted support	138,677	15,966
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	19,535,664	15,450,639
Total unrestricted support and reclassifications	19,674,341	15,466,605
Expenses:		
Program services	17,715,003	15,172,490
Supporting services	1,055,733	850,184
Total expenses	18,770,736	16,022,674
Change in net assets without donor restrictions	903,605	(556,069)
<u>NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Federal and state grants	18,725,467	16,123,966
Local grants, contributions and other revenue	132,257	1,675
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	(19,535,664)	(15,450,639)
Change in net assets with donor restrictions	(677,940)	675,002
Change in net assets	225,665	118,933
<u>NET ASSETS - BEGINNING OF YEAR</u>	2,721,223	2,602,290
<u>NET ASSETS - END OF YEAR</u>	\$ 2,946,888	\$ 2,721,223

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, 2023

	Program Services						
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	DHS Community Enhancement
Salaries/wages	\$ 603,079	\$ 458,676	\$ 86,781	\$ 49,952	\$ 4,527,379	\$ 927,905	\$ -
Employee benefits	189,288	194,876	29,097	22,397	1,629,638	387,740	-
Total personnel	<u>792,367</u>	<u>653,552</u>	<u>115,878</u>	<u>72,349</u>	<u>6,157,017</u>	<u>1,315,645</u>	<u>-</u>
Client assistance	314,004	4,373,804	109,735	358,628	-	-	-
Communications	28,492	23,993	4,178	3,188	58,698	13,991	-
Contracted services	33,104	14,408	1,129	17,355	311,902	11,692	-
Insurance	10,161	15,199	2,155	326	153,894	30,772	-
Maintenance	3,904	1,938	530	426	6,139	104,606	-
Occupancy	90,912	55,415	11,902	10,263	447,677	99,074	-
Other	8,321	159	33	38	52,713	8,248	-
Professional services	10,731	13,880	3,179	2,566	32,621	13,377	-
Supplies	44,961	23,325	3,321	26,558	554,293	235,233	901
Training and seminars	28,834	1,480	265	233	137,610	35,588	-
Travel	18,963	9,088	1,668	5,446	72,352	15,104	-
	<u>1,384,754</u>	<u>5,186,241</u>	<u>253,973</u>	<u>497,376</u>	<u>7,984,916</u>	<u>1,883,330</u>	<u>901</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total functional expenses	<u>\$ 1,384,754</u>	<u>\$ 5,186,241</u>	<u>\$ 253,973</u>	<u>\$ 497,376</u>	<u>\$ 7,984,916</u>	<u>\$ 1,883,330</u>	<u>\$ 901</u>

(Continued)

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)
YEAR ENDED JUNE 30, 2023

	Program Services				Total Program Services	Supporting Services	Total Expenses
	Emergency Food and Shelter	Child and Adult Food Care	Special State Grant	Private and Local Assistance			
Salaries/wages	\$ -	\$ 34,945	\$ -	\$ 1,117	\$ 6,689,834	\$ 519,008	\$ 7,208,842
Employee benefits	-	18,319	-	-	2,471,355	139,490	2,610,845
Total personnel	-	53,264	-	1,117	9,161,189	658,498	9,819,687
Client assistance	27,062	267,743	-	56,602	5,507,578	-	5,507,578
Communications	-	200	-	-	132,740	10,874	143,614
Contracted services	-	-	-	-	389,590	43,424	433,014
Insurance	-	4,078	49,776	-	266,361	8,323	274,684
Maintenance	-	-	-	10,718	128,261	685	128,946
Occupancy	-	-	-	-	715,243	41,152	756,395
Other	-	-	48	2,571	72,131	2,529	74,660
Professional services	-	1,593	-	738	78,685	15,276	93,961
Supplies	5,300	23,719	1,008	10,067	928,686	44,625	973,311
Training and seminars	-	-	-	1,510	205,520	4,227	209,747
Travel	-	-	-	6,398	129,019	6,390	135,409
	32,362	350,597	50,832	89,721	17,715,003	836,003	18,551,006
Depreciation	-	-	-	-	-	219,730	219,730
Total functional expenses	<u>\$ 32,362</u>	<u>\$ 350,597</u>	<u>\$ 50,832</u>	<u>\$ 89,721</u>	<u>\$ 17,715,003</u>	<u>\$ 1,055,733</u>	<u>\$ 18,770,736</u>

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
RESTATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services						
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	DHS Community Enhancement
Salaries/Wages	\$ 578,602	\$ 257,952	\$ 29,031	\$ 54,778	\$ 3,945,439	\$ 1,046,206	\$ -
Employee benefits	190,984	64,355	23,976	9,711	1,418,992	365,877	-
Total personnel	<u>769,586</u>	<u>322,307</u>	<u>53,007</u>	<u>64,489</u>	<u>5,364,431</u>	<u>1,412,083</u>	<u>-</u>
Client assistance	642,514	2,733,074	-	910,747	-	-	-
Communications	32,711	9,981	1,080	761	50,627	14,378	-
Contracted services	40,459	16,290	1,712	20,222	321,084	13,746	-
Insurance	3,805	8,793	1,183	195	30,771	6,419	-
Maintenance	19,463	4,775	1,638	479	102,430	74,235	-
Occupancy	108,355	30,569	4,082	4,427	336,220	81,411	-
Other	11,869	304	5	6	16,581	2,654	-
Professional services	26,695	12,483	345	2,924	34,748	6,951	-
Supplies	103,031	11,299	3,189	69,313	452,322	126,432	46,323
Training and seminars	42,847	1,880	6,907	6	116,153	25,392	-
Travel	24,315	3,579	2,788	7,058	50,497	8,176	-
	<u>1,825,650</u>	<u>3,155,334</u>	<u>75,936</u>	<u>1,080,627</u>	<u>6,875,864</u>	<u>1,771,877</u>	<u>46,323</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total functional expenses	<u>\$ 1,825,650</u>	<u>\$ 3,155,334</u>	<u>\$ 75,936</u>	<u>\$ 1,080,627</u>	<u>\$ 6,875,864</u>	<u>\$ 1,771,877</u>	<u>\$ 46,323</u>

(Continued)

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
RESTATED STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)
YEAR ENDED JUNE 30, 2022

	<u>Emergency Food and Shelter</u>	<u>Child and Adult Food Care</u>	<u>Special State Grant</u>	<u>Private and Local Assistance</u>	<u>Total Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Salaries/Wages	\$ -	\$ 37,519	\$ -	\$ -	\$ 5,949,527	\$ 459,296	\$ 6,408,823
Employee benefits	-	16,550	2	-	2,090,447	92,954	2,183,401
Total personnel	-	54,069	2	-	8,039,974	552,250	8,592,224
Client assistance	23,802	207,806	-	25,763	4,543,706	-	4,543,706
Communications	-	483	-	44	110,065	6,948	117,013
Contracted services	-	69	-	-	413,582	52,125	465,707
Insurance	-	2,080	-	-	53,246	1,851	55,097
Maintenance	-	50	-	-	203,070	3,729	206,799
Occupancy	-	1,478	-	4,060	570,602	39,452	610,054
Other	-	-	-	163	31,582	10,580	42,162
Professional services	-	548	-	91	84,785	10,502	95,287
Supplies	-	20,114	-	257	832,280	19,447	851,727
Training and seminars	-	-	-	-	193,185	4,186	197,371
Travel	-	-	-	-	96,413	1,582	97,995
	23,802	286,697	2	30,378	15,172,490	702,652	15,875,142
Depreciation	-	-	-	-	-	147,532	147,532
Total functional expenses	<u>\$ 23,802</u>	<u>\$ 286,697</u>	<u>\$ 2</u>	<u>\$ 30,378</u>	<u>\$ 15,172,490</u>	<u>\$ 850,184</u>	<u>\$ 16,022,674</u>

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	Restated 2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 225,665	\$ 118,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	219,730	147,532
Changes in:		
Accounts receivable	(2,097)	618
Federal grants receivable	941,452	(786,632)
Prepaid expenses	51,588	(91,918)
Inventory	(145,839)	280,995
Operating lease right-of-use assets	243,779	140,002
Accounts payable	(830,173)	1,228,249
Accrued expenses	5,813	28,792
Unearned revenue - federal grants	61,464	(233,911)
Operating lease liabilities	(218,056)	(100,783)
Net cash provided by operating activities	553,326	731,877
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(421,035)	(345,812)
Net cash used in investing activities	(421,035)	(345,812)
 <u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	132,291	386,065
 <u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	612,441	226,376
 <u>CASH AND CASH EQUIVALENTS - ENDING</u>	\$ 744,732	\$ 612,441

During the years ended June 30, 2023 and 2022, the Agency received non-cash assistance recorded as contributed nonfinancial assets and program services totaling \$136,208 and \$15,872, respectively.

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 Mount Juliet, 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, 2020.

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 estimates in the near term and variances could have a material effect on the 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 two net asset categories follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains and losses that are not restricted by grants or donors are included in this classification. All expenditures are reported in the net assets without donor restrictions class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2023 AND 2022

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

Basis of Accounting (Cont'd)

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor- or grantor-imposed restrictions. Some restrictions expire with the passage of time or may be satisfied by use for the specific purpose. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Agency's net assets with donor restrictions consisted of funds due from grantor agencies at June 30, 2023 and 2022.

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 96.1% and 99.9% of revenues for the years ended June 30, 2023 and 2022, 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 original maturities of 90 days or less to be cash equivalents. Assets restricted on the statements of financial position include cash received with restrictions imposed by grantors but not yet spent for restricted purpose. The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the cash reported in the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 655,958	\$ 439,286
Restricted cash – grant/program expenditures	<u>88,774</u>	<u>173,155</u>
Total	<u>\$ 744,732</u>	<u>\$ 612,441</u>

Investments

The Agency's investments consist of one mutual fund investment recorded at market value. At June 30, 2023 and 2022, the market value of the mutual fund was \$31,576 and \$31,576, respectively, with a cost basis of \$13,452. The investment is unrestricted and can be used for general expenditures.

Federal Grants Receivable

Grants receivable are stated at unpaid balances and consist of balances due from federal and state agencies as summarized in Note 4. 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, 2023 AND 2022

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

Inventory

Inventory consists of food for the Temporary Emergency Food Assistance Program. Inventory is valued at the per-unit value as determined by the State of Tennessee Department of Agriculture 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 net property and equipment at June 30, 2023 and 2022 is \$2,018,687 and \$1,755,169, respectively, of assets purchased with restricted resources.

Revenue Recognition

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, 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 Accounting Principles

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The statement addresses the treatment of leases with terms longer than twelve months by adding a right-of-use asset and related lease liability. The Agency retrospectively implemented FASB 2016-02 (Topic 842) as of June 30, 2021. The effect of implementation included recognizing new operating lease right-of-use assets and lease liabilities as of June 30, 2022 related to an office space and equipment leases. Implementation also created additional disclosures included in Note 9.

Date of Management's Review

Subsequent events have been evaluated through December 15, 2023, which is the date the financial statements were available to be issued.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2023 AND 2022

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by deposits in financial institutions totaling \$1,200,241 and \$927,515, at June 30, 2023 and 2022, respectively, of which \$356,236 and \$476,204, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC), and \$844,005 and \$451,311, respectively, was uninsured. Restricted cash represents unearned grant revenue.

3. Liquidity and Availability

The Agency maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Agency's working capital and cash flows have seasonal variations during the fiscal year attributable to timing of cash receipts for program services. Additionally, the Agency receives support from government agencies through annual grants which are paid on an expense reimbursement basis, typically within 45 days of the request for reimbursement.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date is comprised of the following:

	<u>2023</u>	<u>2022</u>
Unrestricted cash	\$ 655,958	\$ 439,286
Investments	31,576	31,576
Total	<u>\$ 687,534</u>	<u>\$ 470,862</u>

4. Federal Grants Receivable

Grants receivable consisted of the following amounts:

	<u>2023</u>	<u>2022</u>
Child and Adult Care Food Program	\$ 8,754	\$ 45,355
Temporary Emergency Food Assistance	62,470	22,819
Emergency Food and Shelter Program	16,362	-
Weatherization Assistance	122,230	43,758
Head Start	322,606	599,783
Low Income Home Energy Assistance	717,524	942,156
Community Services Block Grant	119,715	657,242
Total federal grants receivable	<u>\$ 1,369,661</u>	<u>\$ 2,311,113</u>

5. Unearned Revenue – Grants

Unearned grant revenue consisted of the following amounts:

	<u>2023</u>	<u>2022</u>
Temporary Emergency Food Assistance	\$ 308,147	\$ 162,308
Head Start	-	32,587
Child Care and Development Block Grant	4,776	5,677
Emergency Food and Shelter Program	7,747	-
Community Services Block Grant	-	33,683
Low Income Home Energy Assistance	51,946	51,113
Special State Grant	24,305	50,089
Total unearned grant revenue	<u>\$ 396,921</u>	<u>\$ 335,457</u>

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2023 AND 2022

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, 2023 and 2022. The amount of this contribution was \$329,058 and \$214,542, respectively. Employee contributions to the plan were \$199,481 and \$176,013 for the years ended June 30, 2023 and 2022, 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 grant year-end of the program the employees work in, i.e., Head Start employees cannot carry forward balances past the program year-end of October 31. Effective September 1, 2020, unused leave cannot be carried forward past June 30 regardless of which program the employee works in; therefore, there is no estimated leave liability at June 30, 2023 and 2022.

8. Contributed Nonfinancial Assets

The fair value of contributed nonfinancial assets is reflected in revenues and included in expenses in the following functional categories:

	2023	2022
Rent	\$ 136,208	\$ 15,872

Fair market value was determined based on estimated rent value of the properties divided by the actual usage by the Agency. The rent recognized as contributed nonfinancial assets was used for the Head Start and Early Head Start programs.

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 contributed services to be used for grant matching purposes. The Agency conducts a Head Start Program which requires matching contributions of twenty percent. The contributed services support has been valued by the Agency at approximate minimum wage rate for salaries and at fair value for rent and supplies. The Agency applied for a waiver of the non-federal match requirement due to COVID-19 for all 2020-2021 Head Start grants. The waiver was automatically approved based on guidance from the Office of Head Start.

The contributed support used for matching purposes during the year ended June 30, 2023 consisted of the following:

	Head Start
Labor	\$ 619,861
Space	29,858
Supplies	106,350
	\$ 756,069

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2023 AND 2022

8. Contributed Nonfinancial Assets (Cont'd)

The contributed support used for matching purposes during the year ended June 30, 2022 consisted of the following:

	<u>Head Start</u>
Labor	\$ 202,384
Space	15,872
Supplies	<u>30,557</u>
	<u>\$ 248,813</u>

9. Leasing Activities

The Organization was the lessee under nine lease agreements involving office space and office equipment, with expiration dates varying from September 2025 to February 2028.

The following summarizes the line items in the balance sheets which include amounts for the operating leases as of June 30:

	<u>2023</u>	<u>2022</u>
Operating Leases		
Operating lease right-of-use assets	\$ <u>736,873</u>	\$ <u>980,652</u>
Current portion of operating lease liabilities	\$ 257,490	\$ 231,866
Operating lease liabilities	<u>544,325</u>	<u>788,005</u>
Total operating lease liabilities	<u>\$ 801,815</u>	<u>\$ 1,019,871</u>

The following summarizes the weighted average remaining lease term and discount rate of the operating lease as of June 30:

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term		
Operating leases	3	4
Weighted Average Discount Rate		
Operating leases	8.50%	8.50%

The maturities of the operating lease liabilities as of June 30, 2023 were as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2024	\$ 315,798
2025	319,235
2026	217,047
2027	55,702
2028	<u>2,267</u>
Total lease payments	910,049
Less: interest	<u>(108,234)</u>
Present value of lease liabilities	<u>\$ 801,815</u>

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2023 AND 2022

9. Leasing Activities (Cont'd)

The following summarizes the line items in the income statements which include the components of lease expense for the year ended June 30:

	2023	2022
Operating lease expense included in occupancy expense	\$ 335,825	\$ 327,652

The following summarizes cash flow information related to leases for the year ended June 30:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 25,724	\$ 39,219
Lease assets obtained in exchange for lease obligations:		
Operating leases	13,810	104,272

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.

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. Sources of Revenue

The following is total revenue disaggregated by type:

	2023	2022
Without donor restrictions:		
Contributed nonfinancial assets - space	\$ 136,208	\$ 15,872
Investment income	2,469	94
Released from restrictions	19,535,664	15,450,639
Total revenues without donor restrictions	\$ 19,674,341	\$ 15,466,605

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2023 AND 2022

12. Sources of Revenue (Cont'd)

	2023	2022
With donor restrictions:		
Federal and state grants:		
Child and Adult Care Food Program	355,090	291,757
Temporary Emergency Food Assistance	503,937	1,086,888
Emergency Food and Shelter Program	32,362	21,402
Weatherization Assistance	260,623	78,918
Head Start	10,806,000	9,522,559
Child Care and Development Block Grant	901	46,323
Community Services Block Grant	1,463,789	1,891,165
Low Income Home Energy Assistance	5,226,533	3,184,954
COVID-19 Rent Relief Program	25,400	-
Special State Grant	50,832	-
Local grants, contributions and other revenue:		
Other local grants	132,257	1,675
Released from restrictions:		
Restrictions satisfied by grant compliance	<u>(19,535,664)</u>	<u>(15,450,639)</u>
Total revenues with donor restrictions	<u>(677,940)</u>	<u>675,002</u>
 Total revenues	 <u>\$ 18,996,401</u>	 <u>\$ 16,141,607</u>

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Program Title</u>	<u>Grant Number Or Pass-Through Grantor's Contract Number</u>	<u>Assistance Listing Number</u>	<u>Accrued Receivable (Payable) July 1, 2022</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2023</u>
<u>U.S. Department of Agriculture</u>						
Passed through State of TN Department of Agriculture						
Child and Adult Care Food (21-22)	00413	10.558	\$ 45,355	\$ 130,677	\$ 85,322	\$ -
Child and Adult Care Food (22-23)	00413	10.558	-	261,014	269,768	8,754
Total Child and Adult Care Food			<u>45,355</u>	<u>391,691</u>	<u>355,090</u>	<u>8,754</u>
Food Distribution Cluster:						
Temporary Emergency Food Assistance (21-22)	84782	10.568	22,819	27,373	4,554	-
Temporary Emergency Food Assistance (22-23)	90061	10.568	-	78,284	140,754	62,470
Total Temporary Emergency Food Assistance			<u>22,819</u>	<u>105,657</u>	<u>145,308</u>	<u>62,470</u>
<u>Non-Cash Assistance</u>						
Temporary Emergency Food Assistance	90061	10.569	(162,308)	504,468	358,629	(308,147)
Total Food Distribution Cluster			<u>(139,489)</u>	<u>610,125</u>	<u>503,937</u>	<u>(245,677)</u>
Passed through United Way						
COVID-19 Emergency Food and Shelter Program - CARES Rutherford	777400-003	97.024	-	7,747	-	(7,747)
Emergency Food and Shelter Program - Rutherford	777400-003	97.024	-	16,000	32,362	16,362
Total Emergency Food and Shelter Program			<u>-</u>	<u>23,747</u>	<u>32,362</u>	<u>8,615</u>
Total U.S. Department of Agriculture			<u>(94,134)</u>	<u>1,025,563</u>	<u>891,389</u>	<u>(228,308)</u>
<u>U.S. Department of Energy</u>						
Passed through Tennessee Housing Development Agency						
Weatherization Assistance (20-22)	WAP-19 (2020)	81.042	43,758	43,758	-	-
Weatherization Assistance (22-23)	WAP 22-08	81.042	-	138,393	260,623	122,230
Total U.S. Department of Energy			<u>43,758</u>	<u>182,151</u>	<u>260,623</u>	<u>122,230</u>

(Continued)

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONT'D)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Program Title	Grant Number Or Pass-Through Grantor's Contract Number	Assistance Listing Number	Accrued Receivable (Payable) July 1, 2022	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2023
<u>U.S. Department of Health and Human Services</u>						
Head Start (21-22)	04CH011764-02-00	93.600	386,662	992,438	605,776	-
Early Head Start (21-22)	04CH011764-02-00	93.600	138,784	382,124	243,340	-
COVID CRRSA Head Start	04CH01176401C3	93.600	(32,587)	138,383	170,970	-
Head Start (22-23)	04CH011764-03-01	93.600	-	7,095,344	7,341,930	246,586
Early Head Start (22-23)	04CH011764-03-01	93.600	-	1,656,087	1,732,107	76,020
Head Start - ARP	04HE000637-01-00	93.600	74,337	786,214	711,877	-
Total Head Start			567,196	11,050,590	10,806,000	322,606
Child Care and Development Block Grant	1614	93.575	(5,677)	-	901	(4,776)
Total Child Care and Development Block Grant			(5,677)	-	901	(4,776)
<u>Passed Through State of TN Department of Human Services</u>						
Community Services Block Grant (19-20)	Z-20-49111	93.569	(33,683)	-	33,683	-
COVID-19 CARES Community Services Block Grant	Z-19-49111 SP	93.569	406,236	712,982	306,746	-
Community Services Block Grant (21-22)	Z22-49111	93.569	251,006	596,709	345,703	-
Community Services Block Grant (22-23)	Z23-49111	93.569	-	657,942	777,657	119,715
Total Community Services Block Grant			623,559	1,967,633	1,463,789	119,715
<u>Passed Through State of TN Housing Development Agency</u>						
Low Income Home Energy Assistance (21-22)	LIHEAP-20-11	93.568	914,942	1,824,225	908,450	(833)
Low Income Home Energy Assistance Weatherization (21-22)	LWx-20-10	93.568	27,214	20,434	-	6,780
COVID-19 CARES Low Income Home Energy Assistance (21)	LIHEAP CARES-11	93.568	(29,411)	-	-	(29,411)
Low Income Home Energy Assistance (22-23)	LIHEAP-20-11	93.568	-	3,183,351	3,611,311	427,960
Low Income Home Energy Assistance Weatherization (22-23)	LWx-22-05	93.568	-	75,208	159,268	84,060
Low Income Home Energy Assistance (21) - Supplemental	SUPPLEMENTAL	93.568	(21,702)	-	-	(21,702)
Low Income Home Energy Assistance Water (22-23)	LIWAP 22-11	93.568	-	348,780	547,504	198,724
COVID-19 Rent Relief Program Housing Stability Services (22-24)	72514 74467	93.568	-	25,400	25,400	-
Total Low Income Home Energy Assistance			891,043	5,477,398	5,251,933	665,578
Total U.S. Department of Health and Human Services			2,076,121	18,495,621	17,522,623	1,103,123
Total Federal Awards			2,025,745	19,703,335	18,674,635	997,045
<u>State Awards</u>						
Special State Grant (20-21)	N/A	N/A	(50,089)	25,048	50,832	(24,305)
Total State Awards			(50,089)	25,048	50,832	(24,305)
Total Federal and State Awards			\$ 1,975,656	\$ 19,728,383	\$ 18,725,467	\$ 972,740

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2023

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the schedule) includes the federal and state grant activity of the Agency and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – 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, 2023, the Agency had food commodities in inventory totaling \$308,147.



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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.
Mount Juliet, 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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2023.

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) as a basis for designing 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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 15, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mid-Cumberland Community Action Agency, Inc.'s (the Agency) compliance with the types of compliance requirements identified as subject to audit in the *OMB 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
December 15, 2023

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated December 15, 2023, expressed an unmodified opinion on the financial statements of the Agency.
2. No instances related 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 15, 2023.
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 15, 2023.
4. No instances related to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance dated December 15, 2023.
5. The Independent Auditor's Report on Compliance with Requirements for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance dated December 15, 2023, for the major federal award programs of the Agency expressed an unmodified opinion on all major federal programs.
6. No audit findings related to major programs were required to be reported in accordance under 2 CFR section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs were:

<u>Program</u>	<u>Assistance Listing No.</u>
Weatherization Assistance Program	81.042
Head Start Program	93.600

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The Agency qualified as a low-risk auditee.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS
YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

None

RELATED TO COMPLIANCE

None