

MID-CUMBERLAND COMMUNITY
ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

Introductory Section:

Directory of Board Members and Management (Unaudited).....	1
--	---

Financial Section:

Independent Auditor's Report.....	2
-----------------------------------	---

Statements of Financial Position	4
--	---

Statements of Activities.....	5
-------------------------------	---

Statements of Functional Expenses.....	6
--	---

Statements of Cash Flows.....	10
-------------------------------	----

Notes to Financial Statements.....	11
------------------------------------	----

Other Information:

Schedule of Expenditures of Federal Awards and State Financial Assistance.....	18
--	----

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	20
---	----

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 <i>Government Auditing Standards</i>	21
---	----

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	23
---	----

Schedule of Findings and Questioned Costs.....	26
--	----

Summary Schedule of Prior Federal Award Findings.....	30
---	----

Management's Corrective Action Plan	31
---	----

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
DIRECTORY OF BOARD MEMBERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2019

BOARD MEMBERS

Mr. Jeff Coker*, Chairman
Ms. Marilyn Bryant, Vice-Chairman
Mr. Darryl Eubanks*, Treasurer
Ms. Christie Sprinkles, Secretary
Mr. Sam Bancroft
Mr. Jeff Bennett
Ms. Julie Brockman
Mr. Ben Dean
Ms. Elizabeth Dickerson
Ms. Carla Frizzle
Ms. Linda Hardymon
Mr. James Hubbard
Ms. Misty Keenan
Mr. Cleon McLeod*
Mr. Bill Munson
Mr. Chris Orendorf
Mr. Steve Paxton*
Mr. Robert Springer*
Ms. Joannie Summers
Mr. Mike Weber
Ms. Katie Wilson

*denotes member of Finance Committee

MANAGEMENT

Ms. Debra Holmes, Executive Director
Ms. Michelle Burroughs, Finance Director
Ms. Joyce Caldwell, Community Services Block Grant Director
Ms. Janet Ogles, Head Start Director
Ms. Andrea Scott, Low Income Home Energy Assistance Program Director



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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2019 and 2018, 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, 2019 and 2018, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The directory of board members and management has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2020, 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
February 17, 2020

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents		
Restricted	\$ 99,912	\$ 19,382
Unrestricted	156,921	93,836
Federal grants receivable	1,395,157	954,016
Prepaid expenses	-	34,584
Inventory	167,792	40,823
Investments	22,596	21,208
Current portion of prepaid rent	67,753	67,753
Total current assets	<u>1,910,131</u>	<u>1,231,602</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building	1,093,199	1,093,199
Furniture and equipment	531,167	531,167
Vehicles	1,657,400	1,657,400
Total property and equipment	<u>3,281,766</u>	<u>3,281,766</u>
Less: Accumulated depreciation	<u>2,711,875</u>	<u>2,535,904</u>
Net property and equipment	<u>569,891</u>	<u>745,862</u>
<u>OTHER ASSETS</u>		
Prepaid rent, less current portion	<u>74,731</u>	<u>142,484</u>
Total assets	<u>\$ 2,554,753</u>	<u>\$ 2,119,948</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 672,543	\$ 321,449
Accrued expenses	241,649	267,928
Unearned revenue - federal grants	254,643	47,145
Advances from grantors	-	48,679
Total current liabilities	<u>1,168,835</u>	<u>685,201</u>
<u>NET ASSETS (DEFICIT)</u>		
With donor restrictions - grant contracts	1,408,218	918,397
Without donor restrictions - undesignated	<u>(22,300)</u>	<u>516,350</u>
Total net assets (deficit)	<u>1,385,918</u>	<u>1,434,747</u>
Total liabilities and net assets	<u>\$ 2,554,753</u>	<u>\$ 2,119,948</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Revenue:		
Gifts in-kind	\$ 278,549	\$ 278,549
Investment income	435	217
Total unrestricted support	<u>278,984</u>	<u>278,766</u>
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>15,934,875</u>	<u>15,754,889</u>
Total unrestricted support and reclassifications	<u>16,213,859</u>	<u>16,033,655</u>
Expenses:		
Program services	16,021,919	15,073,936
Supporting services	731,978	722,213
Total expenses	<u>16,753,897</u>	<u>15,796,149</u>
Change in net assets without donor restrictions	<u>(540,038)</u>	<u>237,506</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Federal and state grants	16,299,810	15,282,133
Local grants, contributions and other revenue	124,886	71,909
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>(15,934,875)</u>	<u>(15,754,889)</u>
Change in net assets with donor restrictions	<u>489,821</u>	<u>(400,847)</u>
<u>OTHER INCOME (EXPENSE)</u>		
Gain on sale of investments	1,388	40
Loss on disposal of property and equipment	-	(3,509)
Total other income (expense)	<u>1,388</u>	<u>(3,469)</u>
Change in net assets	(48,829)	(166,810)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,434,747</u>	<u>1,601,557</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,385,918</u>	<u>\$ 1,434,747</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, 2019

	Program Services						
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	Early Head Start Child Care Partnership
Salaries/wages	\$ 427,614	\$ 361,152	\$ 55,578	\$ 32,950	\$ 4,642,788	\$ 663,853	\$ 579,089
Employee benefits	150,372	125,954	19,654	10,045	1,656,997	245,498	220,473
Total personnel	577,986	487,106	75,232	42,995	6,299,785	909,351	799,562
Client assistance	254,301	2,726,813	100,490	363,094	-	-	-
Communications	44,286	19,560	1,302	1,200	99,206	8,620	6,148
Contracted services	16,907	5,295	21,638	69,293	425,184	6,891	172,279
In-kind	-	-	-	-	278,549	-	-
Insurance	5,472	17,002	3,266	-	81,229	7,102	4,159
Maintenance	918	447	2,909	41	269,069	13,018	4,463
Occupancy	91,199	51,361	7,537	7,725	291,136	22,322	12,031
Other	50,777	966	-	-	-	1,456	668
Professional services	4,096	7,758	1,041	474	22,403	2,301	3,857
Supplies	43,556	57,109	2,318	4,148	345,420	30,180	11,782
Training and seminars	2,896	1,364	300	-	102,546	11,384	17,971
Travel	12,328	10,238	4,195	1,913	89,800	1,714	3,703
	1,104,722	3,385,019	220,228	490,883	8,304,327	1,014,339	1,036,623
Depreciation	-	-	-	-	-	-	-
Total functional expenses	\$ 1,104,722	\$ 3,385,019	\$ 220,228	\$ 490,883	\$ 8,304,327	\$ 1,014,339	\$ 1,036,623

(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, 2019

	Program Services					Total Expenses	
	Child and Adult Care Food	Emergency Food and Shelter	Special State Grant	Private and Local Assistance	Program Services		
Salaries/wages	\$ 149,709	\$ -	\$ -	\$ 3,640	\$ 6,916,373	\$ 367,731	\$ 7,284,104
Employee benefits	68,620	-	-	-	2,497,613	94,341	2,591,954
Total personnel	218,329	-	-	3,640	9,413,986	462,072	9,876,058
Client assistance	206,853	2,573	-	17,565	3,671,689	-	3,671,689
Communications	585	-	-	774	181,681	3,896	185,577
Contracted services	-	-	-	322	717,809	22,892	740,701
In-kind	-	-	-	-	278,549	-	278,549
Insurance	1,830	-	-	-	120,060	1,428	121,488
Maintenance	-	-	-	-	290,865	1,540	292,405
Occupancy	384	-	-	272	483,967	40,656	524,623
Other	7	93	-	804	54,771	-	54,771
Professional services	1,136	-	69	396	43,531	551	44,082
Supplies	3,821	-	5,531	739	504,604	12,776	517,380
Training and seminars	-	-	-	-	136,461	2,897	139,358
Travel	-	-	-	55	123,946	7,299	131,245
	432,945	2,666	5,600	24,567	16,021,919	556,007	16,577,926
Depreciation	-	-	-	-	-	175,971	175,971
Total functional expenses	\$ 432,945	\$ 2,666	\$ 5,600	\$ 24,567	\$ 16,021,919	\$ 731,978	\$ 16,753,897

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services						
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	Early Child Care Partnership
Salaries/Wages	\$ 487,046	\$ 248,802	\$ 66,326	\$ 21,383	\$ 4,519,899	\$ 513,093	\$ 604,299
Employee benefits	203,422	80,456	24,284	8,384	1,589,066	177,439	261,154
Total personnel	690,468	329,258	90,610	29,767	6,108,965	690,532	865,453
Client assistance	277,777	1,942,776	179,352	347,009	-	-	-
Communications	40,901	5,238	1,115	1,949	99,810	5,022	2,173
Contracted services	13,001	2,764	1,198	36,975	382,233	4,484	177,002
In-kind	-	-	-	-	278,549	-	-
Insurance	3,395	9,978	1,791	353	71,294	6,122	4,258
Maintenance	4,842	2,737	302	-	319,978	15,303	6,632
Occupancy	81,846	40,349	9,864	9,362	276,680	20,956	-
Other	3,501	9,902	-	-	25,996	1,264	83
Professional services	3,436	6,396	1,029	280	19,716	2,160	3,621
Supplies	73,342	48,455	2,249	6,465	585,331	38,064	44,338
Training and seminars	11,217	684	1,624	-	94,775	14,182	60,677
Travel	27,182	7,205	5,711	4,086	49,166	3,046	7,545
	1,230,908	2,405,742	294,845	436,246	8,312,493	801,135	1,171,782
Depreciation	-	-	-	-	-	-	-
Total functional expenses	\$ 1,230,908	\$ 2,405,742	\$ 294,845	\$ 436,246	\$ 8,312,493	\$ 801,135	\$ 1,171,782

(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, 2018

	Program Services						Total Expenses
	Child and Adult Care Food	Emergency Food and Shelter	Special State Grant	Private and Local Assistance	Program Services	Supporting Services	
Salaries/Wages	\$ 68,533	\$ -	\$ -	\$ 42,301	\$ 6,571,682	\$ 324,942	\$ 6,896,624
Employee benefits	10,946	-	916	59,015	2,415,082	95,267	2,510,349
Total personnel	79,479	-	916	101,316	8,986,764	420,209	9,406,973
Client assistance	174,017	2,948	-	29,941	2,953,820	-	2,953,820
Communications	-	-	6,015	330	162,553	3,934	166,487
Contracted services	3,284	-	-	53	620,994	21,572	642,566
In-kind	-	-	-	-	278,549	-	278,549
Insurance	1,584	-	3,383	33	102,191	1,071	103,262
Maintenance	80	-	5,700	-	355,574	4,033	359,607
Occupancy	-	-	-	94	439,151	35,442	474,593
Other	-	-	-	-	40,746	7,002	47,748
Professional services	1,066	-	65	372	38,141	1,400	39,541
Supplies	1,089	-	7,071	961	807,365	25,687	833,052
Training and seminars	950	-	-	-	184,109	17,146	201,255
Travel	-	-	-	38	103,979	15,744	119,723
	261,549	2,948	23,150	133,138	15,073,936	553,240	15,627,176
Depreciation	-	-	-	-	-	168,973	168,973
Total functional expenses	\$ 261,549	\$ 2,948	\$ 23,150	\$ 133,138	\$ 15,073,936	\$ 722,213	\$ 15,796,149

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (48,829)	\$ (166,810)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	175,971	168,973
Unrealized gain on investments	(1,388)	(2,254)
Loss on disposal of property and equipment	-	3,509
Changes in:		
Federal grants receivable	(441,141)	318,093
Prepaid expenses	34,584	(12,005)
Inventory	(126,969)	13,489
Prepaid rent	67,753	67,753
Accounts payable	351,094	(270,886)
Accrued expenses	(26,279)	41,751
Unearned revenue - federal grants	207,498	(11,778)
Advances from grantors	(48,679)	3,434
Net cash provided by operating activities	<u>143,615</u>	<u>153,269</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	-	(152,297)
Net cash used in investing activities	<u>-</u>	<u>(152,297)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	143,615	972
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>113,218</u>	<u>112,246</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 256,833</u>	<u>\$ 113,218</u>

During the years ended June 30, 2019 and 2018, the Agency received non-cash assistance recorded as gifts in-kind and program services totaling \$278,949 and \$278,949, respectively.

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2016.

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:

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

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

Basis of Accounting (Cont'd)

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.

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, 2019 and 2018.

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 98.3% and 98.2% of revenues for the years ended June 30, 2019 and 2018, 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 investment recorded at market value. At June 30, 2019 and 2018, the market value of the mutual fund was \$22,596 and \$21,208, 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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

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

Federal Grants Receivable (Cont'd)

receivable will not be collected. All receivable balances are considered by management to be fully collectible.

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, 2019 and 2018 is \$498,564 and \$672,102, 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. See Note 13 for capitalized assets transferred or disposed of after June 30, 2019.

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 Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency implemented ASU 2016-14 and the presentation in these financial statements has been adjusted accordingly. The

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

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

Change in Accounting Principle (Cont'd)

ASU has been applied retrospectively to all periods presented which changed the headings in the statement of activities for the year ended June 30, 2018.

Date of Management's Review

Subsequent events have been evaluated through February 17, 2020, 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 \$639,942 and \$352,507, at June 30, 2019 and 2018, respectively, of which \$263,061 and \$263,060, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC), and \$376,881 and \$89,447, respectively, was uninsured. Restricted cash represents unearned grant revenue and funds restricted for use in the Head Start program.

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 at June 30, 2019:

Unrestricted cash	\$	156,921
Investments		22,596
Total		<u>\$ 179,517</u>

4. Federal Grants Receivable

Grants receivable consisted of the following amounts:

	<u>2019</u>	<u>2018</u>
Child and Adult Care Food	\$ 6,718	\$ 7,595
Temporary Emergency Food Assistance	41,173	17,129
Federal Emergency Management Agency	-	93
Weatherization Assistance	185,261	155,739
Head Start Program	-	110,298
Early Head Start Child Care Partnership	35,610	-
Low Income Home Energy Assistance	695,893	332,911
Community Services Block Grant	<u>430,502</u>	<u>330,251</u>
Total federal grants receivable	<u>\$ 1,395,157</u>	<u>\$ 954,016</u>

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

5. Unearned Revenue – Grants

Unearned grant revenue consisted of the following amounts:

	<u>2019</u>	<u>2018</u>
Temporary Emergency Food Assistance	\$ 167,792	\$ 40,823
Head Start	61,079	-
Special State Grant	<u>25,772</u>	<u>6,322</u>
Total unearned grant revenue	<u>\$ 254,643</u>	<u>\$ 47,145</u>

6. Advances

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

	<u>2019</u>	<u>2018</u>
Low-Income Home Energy Assistance	\$ -	\$ 21,117
Retired Senior Volunteer Program (RSVP)	-	<u>27,562</u>
Total advances from grantors	<u>\$ -</u>	<u>\$ 48,679</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.

7. 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, 2019 and 2018. The amount of this contribution was \$311,023 and \$299,940, respectively.

8. 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. At June 30, 2019 and 2018, the estimated leave liability was \$44,085 and \$23,605, respectively.

9. In-Kind Support

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

	<u>2019</u>	<u>2018</u>
Rent	\$ 278,549	\$ 278,549

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 which requires matching contributions of twenty percent. The in-kind match support has been valued by the Agency at

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

9. In-Kind Support (Cont'd)

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, 2019 consisted of the following:

	<u>Head Start</u>
Labor	\$ 1,807,622
Rent	1,235,367
Supplies	<u>301,863</u>
	<u>\$ 3,344,852</u>

The in-kind support used for matching purposes during the year ended June 30, 2018 consisted of the following:

	<u>Head Start</u>
Labor	\$ 2,309,737
Rent	1,030,334
Supplies	<u>186,901</u>
	<u>\$ 3,526,972</u>

10. Operating Leases

The Agency leases office space, classrooms, and equipment under operating leases. The total paid for these leases was \$462,398 and \$376,958 for the years ended June 30, 2019 and 2018, respectively. The Agency also leases storage facilities on a month-to-month basis as needed. See Note 13 regarding operating lease activity occurring after June 30, 2019.

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 \$142,484 and \$210,237 at June 30, 2019 and 2018, respectively, is classified as prepaid rent on the statements of financial position. Due to the events described in Note 13, the prepayment will be written off during the year ending June 30, 2020.

Future minimum lease payments are as follows, which include the effects of the subsequent event described in Note 13:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 125,491
2021	71,408
2022	70,908
2023	70,908
2024	70,908

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

11. 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.

12. 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.

13. Subsequent Event

Effective October 31, 2019, the Agency relinquished the Head Start and Early Head Start Child Care Partnership grants due to deficiencies identified by Department of Human Services. These deficiencies did not relate to financial statement or internal control matters. Community Development Institute (CDI) assumed Head Start duties as of October 31, 2019. As a result of the relinquishment, the Agency reduced its staff by 178 employees, transferred fixed assets with a book value of \$469,149 to CDI, transferred three Head Start facility leases to CDI, and will be reimbursed by CDI for the remaining seven Head Start operating leases. The Agency also disposed of Head Start vehicles that CDI did not accept for operations which had an approximate book value of \$29,415. The Agency has implemented processes to address the deficiencies identified by the Department of Human Services. The Agency has applied to be reinstated for the Head Start grant for the 2020-2021 grant year.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Grant Number Or Pass-Through Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2018	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2019
<u>U.S. Department of Agriculture</u>						
Passed through State of TN Department of Agriculture						
Child and Adult Care Food (17-18)	55994	10.558	\$ 7,595	\$ 74,345	\$ 66,750	\$ -
Child and Adult Care Food (18-19)	55994	10.558	-	374,060	380,778	6,718
Total Child and Adult Care Food			7,595	448,405	447,528	6,718
Temporary Emergency Food Assistance (17-18)	45910	10.568	17,129	53,501	36,372	-
Temporary Emergency Food Assistance (18-19)	45910	10.568	-	53,999	95,172	41,173
Total Temporary Emergency Food Assistance			17,129	107,500	131,544	41,173
<u>Non-Cash Assistance</u>						
Temporary Emergency Food Assistance		10.569	(40,823)	490,063	363,094	(167,792)
Total U.S. Department of Agriculture			(16,099)	1,045,968	942,166	(119,901)
<u>Federal Emergency Management Agency</u>						
Federal Emergency Management Agency		97.024	93	93	-	-
Total Federal Emergency Management Agency			93	93	-	-
<u>U.S. Department of Energy</u>						
Passed through Tennessee Housing Development Agency						
Weatherization Assistance (17-18)	WAP 17-10	81.042	155,739	155,739	-	-
Weatherization Assistance (18-19)	WAP 18-10	81.042	-	39,184	224,445	185,261
Total U.S. Department of Energy			155,739	194,923	224,445	185,261

(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, 2019

Federal Grantor/Program Title	Grant Number Or Pass-Through Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2018	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2019
<u>U.S. Department of Health and Human Services</u>						
Head Start (17-18)	04CH4771/03-03	93.600	74,841	3,377,607	3,302,766	-
Head Start (18-19)	04CH4771-05-00	93.600	-	6,261,671	6,200,592	(61,079)
Early Head Start Child Care Partnership (17-18)	04HP0024/02-01	93.600	35,457	153,018	117,561	-
Early Head Start Child Care Partnership (18-19)	04HP0024-04-00	93.600	-	931,639	967,249	35,610
Total Head Start			110,298	10,723,935	10,588,168	(25,469)
<u>Passed Through State of TN Department of Human Services</u>						
Community Services Block Grant (17-18)	Z-17-49111	93.569	330,251	623,214	292,963	-
Community Services Block Grant (18-19)	Z-19-49111	93.569	-	349,178	671,364	322,186
Community Services Block Grant (18-19) Special Projects	Z-19-49111 SP	93.569	-	59,332	167,648	108,316
Total Community Services Block Grant			330,251	1,031,724	1,131,975	430,502
<u>Passed Through State of TN Housing Development Agency</u>						
Low Income Home Energy Assistance (17-18)	LWx-17-10	93.568	111,656	117,669	6,013	-
Low Income Home Energy Assistance (17-18)	LIHEAP-17-11	93.568	221,255	1,088,085	866,830	-
Low Income Home Energy Assistance (18-19)	LWx-18-10	93.568	-	21,386	208,178	186,792
Low Income Home Energy Assistance (18-19)	LIHEAP-18-11	93.568	-	1,817,334	2,326,435	509,101
Total Low Income Home Energy Assistance			332,911	3,044,474	3,407,456	695,893
Total U.S. Department of Health and Human Services			773,460	14,800,133	15,127,599	1,100,926
Total Federal Awards			913,193	16,041,117	16,294,210	1,166,286
<u>State Awards</u>						
Special State Grant (10-11)	N/A	N/A	(4,611)	-	-	(4,611)
Special State Grant (17-18)	N/A	N/A	(1,711)	-	-	(1,711)
Special State Grant (18-19)	N/A	N/A	-	25,050	5,600	(19,450)
Total State Awards			(6,322)	25,050	5,600	(25,772)
Total Federal and State Awards			\$ 906,871	\$ 16,066,167	\$ 16,299,810	\$ 1,140,514

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2019

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* (Uniform Guidance). 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, 2019, the Agency had food commodities in inventory totaling \$167,792.



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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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2020.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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 instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004.

The Agency's Responses to the 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
February 17, 2020



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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.
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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The Agency's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

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

compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-005, that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

February 17, 2020

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated February 17, 2020, expressed an unmodified opinion on the financial statements of the Agency.
2. One material weakness and one significant deficiency relating to the audit of the financial statements was 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 February 17, 2020.
3. Two 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 February 17, 2020.
4. One instance relating to the audit of the major federal award programs was 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 February 17, 2020.
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 February 17, 2020, for the major federal award programs of the Agency expressed an unmodified opinion on all major federal programs.
6. One audit finding relating to major programs was 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>CFDA 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, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

2019-001 Management Oversight of Financial Reporting

Condition: The Agency lacks management oversight over the financial reporting processes for the preparation of the financial statements and footnote disclosures in conformity with GAAP. Eight adjusting entries and four reclassification entries was required 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 accordance with GAAP.

Effect: Decisions could be made based on incomplete or inaccurate financial statements.

Recommendation: We recommend that management implement procedures to ensure that the financial statements are 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 the 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.

2019-002 Budget Reports

Condition: Budget information contained in the budget-to-actual reports submitted for Board review was inaccurate. Grant contracts were amended but the Agency's budget was not updated.

Criteria: Proper fiduciary responsibility includes providing the Board with accurate budget reports for review.

Effect: Decisions could be made based on incomplete or inaccurate budget-to-actual results.

Recommendation: We recommend that management implement procedures to ensure that the internal budget is updated when a grant contract is amended.

Response: Budget revisions and amendments were submitted to the Board for review; however, due to the changes in program and program year as well as multiple awards for programs within the same fiscal year, the budget-to-actual function of the report was not utilized. However, the Board was provided reports regarding expenses and revenues for each program on a monthly basis.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2019

RELATED TO COMPLIANCE

2019-003 Audit Filing Deadline

Condition: The Agency's annual audit was not completed by December 31, 2019, as required by the State of Tennessee.

Criteria: All State contract audits should be completed and submitted to the State of Tennessee within six months of the fiscal year end.

Cause: The Agency's accounting records were not available for audit.

Effect: The Agency did not meet the state audit deadline.

Recommendation: We recommend that the Agency's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the audit by the required date.

Response: Monthly and year-end procedures have been implemented with deadlines to ensure the state audit deadline of December 31 is met each year including closing the year-end books by August 31.

2019-004 Closing of Accounting Records

Condition: The Agency's accounting records were not closed and available for audit by August 31, 2019, as required by the State of Tennessee.

Criteria: Per Section 9-2-102, *Tennessee Code Annotated*, all nonprofits that have contract audits are required to have accounting records closed and available for audit no later than two months after the close of their fiscal year end.

Cause: The Agency's accounting records were not closed.

Effect: The Agency did not meet the deadline for closing their accounting records.

Recommendation: We recommend that the Agency's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the audit by the required date.

Response: Monthly and year-end procedures have been implemented with deadlines to ensure the State year-end closing deadline of August 31 is met each year.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2019

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

RELATED TO INTERNAL CONTROL

2019-005 Internal Controls Related to Reporting – CFDA #93.600, Head Start Program, Early Head Start Child Care Partnership, 2018 and 2019

Condition: As reported by the U.S. Department of Human Services in their report dated March 4, 2019, the Agency did not have effective internal controls to ensure the timely filing of form SF-425 for the Head Start program and the Early Head Start Child Care Partnership grants.

Criteria: The Agency's Board should be monitoring the reporting requirements for grants.

Cause: The Agency's Board was not monitoring the reporting requirements for grants.

Effect: The Agency submitted reports after the due dates.

Recommendation: We recommend that the Agency's reporting procedures be updated to ensure reports are timely filed.

Response: Monthly, quarterly and year-end procedures have been implemented with deadlines and reporting requirements reviewed by the Board to ensure completion of required reports.

RELATED TO COMPLIANCE

2019-006 Timeliness of Reporting – CFDA #93.600, Head Start Program, Early Head Start Child Care Partnership, 2018 and 2019

Condition: The Agency did not timely file form SF-425 for the Head Start program and the Early Head Start Child Care Partnership grants. This deficiency was also noted by U.S. Department of Human Services.

Criteria: Per U.S. Department of Human Services requirements, grantees are required to submit quarterly reports with the grant activity.

Cause: The Agency was not timely with their filings.

Effect: The Agency did not meet the deadline for submitting the quarterly reports.

Recommendation: We recommend that the Agency's reporting procedures be updated to ensure reports are timely filed.

Response: Monthly, quarterly and year-end procedures have been implemented with deadlines and reporting requirements reviewed by the Board to ensure completion of required reports.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS
YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

None

RELATED TO COMPLIANCE

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

RELATED TO INTERNAL CONTROL

None

RELATED TO COMPLIANCE

None



MANAGEMENT'S CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact person: Debra Holmes

Corrective action planned: The Agency is completing invoicing and budget reports monthly. The Board and Finance Committee review the status of invoices and financial statements to ensure actions are completed timely. The Agency utilizes the services of a third-party CPA to assist with completion of statements to prevent the need for excessive adjustments and reclassification entries.

Anticipated completion date: August 31, 2020

FINDING 2019-002

Contact person: Debra Holmes

Corrective action planned: Budget revisions and amendments are submitted to the Board for review as they occur. The Board is provided reports regarding expenses and revenue for each program. The Board is provided updates regarding invoices submitted to funders to review actual to budget.

Anticipated completion date: Completed prior to FY19 Audit Report released in February 2020

FINDING 2019-003

Contact person: Debra Holmes

Corrective action planned: Monthly and year-end procedures have been implemented with deadlines to ensure the state audit deadline of December 31st is met including closing the year-end books by August 31st.

Anticipated completion date: August 31, 2020





FINDING 2019-004

Contact person: Debra Holmes

Corrective action planned: Monthly and year-end procedures have been implemented with deadlines to ensure the state year-end closing deadline of August 31st is met.

Anticipated completion date: August 31, 2020

FINDING 2019-005

Contact person: Debra Holmes

Corrective action planned: Monthly, quarterly, and year-end procedures have been implemented with deadlines and reporting requirements reviewed by the Board to ensure completion of required reports.

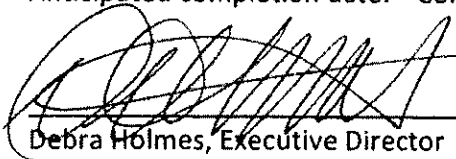
Anticipated completion date: Completed prior to FY19 Audit Report released in February 2020

FINDING 2019-006

Contact person: Debra Holmes

Corrective action planned: Monthly, quarterly, and year-end procedures have been implemented with deadlines and reporting requirements reviewed by the Board to ensure timely completion and submission of required reports.

Anticipated completion date: Completed prior to FY19 Audit Report released in February 2020


Debra Holmes, Executive Director

