

MID-CUMBERLAND COMMUNITY
ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2016 AND 2015

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	17
---	----

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	19
--	----

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>	20
---	----

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	22
---	----

Schedule of Findings and Questioned Costs.....	24
--	----

Summary Schedule of Prior Federal Award Findings	26
--	----

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
DIRECTORY OF BOARD MEMBERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2016

BOARD MEMBERS

Mr. Darryl Eubanks
Ms. Christie Glover
Mr. John Grant
Ms. Linda Hardymon
Mr. Franklin Harper
Mr. James Hubbard
Mr. Mike Kurtz
Mr. Bob O'Brien
Mr. Daryl Phillips
Mr. Michael Snider
Mr. Mike Weber
Mr. Chris Whitney
Ms. Katie Wilson

MANAGEMENT

Mr. Kevin Davenport, Executive Director
Ms. Michelle Burroughs, Finance Director
Ms. Janet Ogles, Head Start Director
Ms. Andrea Stanley, Low Income Home Energy Assistance Program Director
Ms. Joyce Caldwell, Community Services Block Grant Director

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, 2016 and 2015, 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, 2016 and 2015, 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* (CFR) 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 December 29, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
December 29, 2016

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents		
Restricted	\$ 92,380	\$ 49,228
Unrestricted	85,596	-
Federal grants receivable	913,030	977,497
Prepaid expenses	5,368	-
Inventory	58,073	23,085
Investments	15,927	16,756
Current portion of prepaid rent	67,753	67,753
Total current assets	<u>1,238,127</u>	<u>1,134,319</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building	1,093,199	1,093,199
Furniture and equipment	362,770	313,488
Vehicles	1,504,629	1,363,566
Total property and equipment	<u>2,960,598</u>	<u>2,770,253</u>
Less: Accumulated depreciation	2,275,834	2,140,133
Net property and equipment	<u>684,764</u>	<u>630,120</u>
<u>OTHER ASSETS</u>		
Prepaid rent, less current portion	<u>277,990</u>	<u>345,742</u>
Total assets	<u>\$ 2,200,881</u>	<u>\$ 2,110,181</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 361,387	\$ 393,832
Accrued expenses	277,577	211,875
Unearned revenue - federal grants	62,684	28,310
Advances from grantors	30,098	21,117
Total current liabilities	<u>731,746</u>	<u>655,134</u>
<u>NET ASSETS</u>		
Temporarily restricted	970,701	1,000,383
Unrestricted	498,434	454,664
Total net assets	<u>1,469,135</u>	<u>1,455,047</u>
Total liabilities and net assets	<u>\$ 2,200,881</u>	<u>\$ 2,110,181</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenue:		
Gifts in-kind	\$ 275,953	\$ 223,905
Investment income	173	696
Total unrestricted support	<u>276,126</u>	<u>224,601</u>
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>13,855,714</u>	<u>12,538,329</u>
Total unrestricted support and reclassifications	<u>14,131,840</u>	<u>12,762,930</u>
Expenses:		
Program services	13,461,815	12,577,145
Supporting services	626,255	619,580
Total expenses	<u>14,088,070</u>	<u>13,196,725</u>
Change in unrestricted net assets	<u>43,770</u>	<u>(433,795)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Federal and state grants	13,685,372	12,888,100
Local grants, contributions and other revenue	140,660	130,177
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>(13,855,714)</u>	<u>(12,538,329)</u>
Change in temporarily restricted net assets	<u>(29,682)</u>	<u>479,948</u>
Change in net assets	14,088	46,153
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,455,047</u>	<u>1,408,894</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,469,135</u>	<u>\$ 1,455,047</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, 2016

	Community Services Block Grant	Program Services						Early Head Start Child Care Partnership
		Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	Early Head Start	
Salaries/wages	\$ 333,956	\$ 146,518	\$ 88,681	\$ 41,203	\$ 3,782,160	\$ 490,119	\$ 707,067	
Employee benefits	103,848	57,360	32,628	9,056	1,390,117	190,688	234,692	
Total personnel	437,804	203,878	121,309	50,259	5,172,277	680,807	941,759	
Client assistance	271,042	1,712,411	114,692	371,708	-	-	-	
Communications	36,947	9,986	1,282	4,950	86,097	4,185	-	
Contracted services	7,034	3,599	-	39,442	415,507	5,655	151,054	
In-kind	-	-	-	-	275,953	-	-	
Insurance	3,787	14,914	1,600	497	83,639	11,897	4,799	
Maintenance	1,236	6,240	875	-	201,399	16,889	21,370	
Occupancy	74,438	12,845	7,420	6,202	279,831	20,847	-	
Other	1,857	5,643	-	-	41,793	5,332	253	
Professional services	2,090	5,612	274	250	17,061	2,011	305	
Supplies	42,785	37,694	2,534	8,452	248,994	50,285	335,398	
Training and seminars	10,650	4,803	900	-	93,181	28,584	44,708	
Travel	7,000	3,956	-	1,577	40,981	2,933	3,433	
	896,670	2,021,581	250,886	483,337	6,956,713	829,425	1,503,079	
Depreciation	-	-	-	-	-	-	-	
Total functional expenses	\$ 896,670	\$ 2,021,581	\$ 250,886	\$ 483,337	\$ 6,956,713	\$ 829,425	\$ 1,503,079	

(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, 2016

	Program Services						Supporting Services	Total Expenses
	Child and Adult Care Food	Rural Housing Preservation Grant	Special State Grant	Private and Local Assistance	Total Program Services			
Salaries/wages	\$ 83,918	\$ 125	\$ -	\$ 846	\$ 5,674,593	\$ 286,933	\$ 5,961,526	
Employee benefits	42,045	42	-	-	2,060,476	84,619	2,145,095	
Total personnel	125,963	167	-	846	7,735,069	371,552	8,106,621	
Client assistance	251,484	3,982	-	78,482	2,803,801	-	2,803,801	
Communications	-	-	-	46	143,493	5,536	149,029	
Contracted services	16,623	-	-	-	638,914	9,150	648,064	
In-kind	-	-	-	-	275,953	-	275,953	
Insurance	1,806	-	-	2,935	125,874	253	126,127	
Maintenance	-	-	-	979	248,988	3,913	252,901	
Occupancy	-	-	-	611	402,194	38,246	440,440	
Other	-	-	-	234	55,112	13,190	68,302	
Professional services	983	-	-	85	28,671	86	28,757	
Supplies	25,191	-	5,227	919	757,479	22,714	780,193	
Training and seminars	-	-	1,249	4	184,079	9,218	193,297	
Travel	-	-	-	2,308	62,188	16,696	78,884	
	422,050	4,149	6,476	87,449	13,461,815	490,554	13,952,369	
Depreciation	-	-	-	-	-	135,701	135,701	
Total functional expenses	\$ 422,050	\$ 4,149	\$ 6,476	\$ 87,449	\$ 13,461,815	\$ 626,255	\$ 14,088,070	

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Community Services Block Grant	Program Services										Child and Adult Care Food
		Low-Income Home Energy Assistance	Weatherization Assistance	VITA	Emergency Food Assistance	Head Start	Early Head Start	Early Start Partnership	Head Start	Early Head Start Partnership	Child and Adult Care Food	
Salaries/Wages	\$ 319,896	\$ 165,427	\$ 48,591	\$ -	\$ 29,710	\$ 3,957,262	\$ 524,066	\$ 33,293	\$ 78,997			
Employee benefits	98,755	43,697	17,267	-	7,147	1,449,290	194,067	2,418	19,277			
Total personnel	418,651	209,124	65,858	-	36,857	5,406,552	718,133	35,711	98,274			
Client assistance	301,110	2,111,001	34,671	-	426,401	-	-	-	271,346			
Communications	30,598	9,992	788	-	9,323	87,903	3,672	-	-			
Contracted services	-	-	-	-	44,115	381,672	3,296	-	18,765			
In-kind	-	-	-	-	-	223,905	-	-	-			
Insurance	2,767	7,278	440	-	153	55,894	6,645	-	-			
Maintenance	10,593	8,254	249	-	-	112,664	11,559	1,372	-			
Occupancy	76,253	17,305	5,360	-	6,329	291,907	23,851	-	-			
Other	765	-	-	-	-	43,667	3,648	-	-			
Professional services	2,245	8,692	466	-	161	16,434	2,059	-	683			
Supplies	20,778	12,017	5,768	1,441	6,944	398,540	51,650	71,041	24,276			
Training and seminars	15,023	5,885	164	-	-	82,197	16,346	9,599	-			
Travel	-	-	1,455	-	1,158	73,206	5,033	10,340	-			
	878,783	2,389,548	115,219	1,441	531,441	7,174,541	845,892	128,063	413,344			
Depreciation	-	-	-	-	-	-	-	-	-			
Total functional expenses	\$ 878,783	\$ 2,389,548	\$ 115,219	\$ 1,441	\$ 531,441	\$ 7,174,541	\$ 845,892	\$ 128,063	\$ 413,344			

(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, 2015

	RSVP	Emergency Food and Shelter		Emergency Shelter Grant	Special State Grant	Private and Local Assistance	Total Program Services	Supporting Services	Total Expenses
		Shelter	Grant						
Salaries/Wages	\$ 23,575	\$ -	\$ -	\$ 1,326	\$ 4,847	\$ 5,186,990	\$ 279,470	\$ 5,466,460	
Employee benefits	9,781	-	-	1,687	-	1,843,386	92,295	1,935,681	
Total personnel	33,356	-	-	3,013	4,847	7,030,376	371,765	7,402,141	
Client assistance	-	891	9,312	-	26,519	3,181,251	-	3,181,251	
Communications	328	-	-	-	971	143,575	5,272	148,847	
Contracted services	-	-	-	3,671	339	451,858	18,642	470,500	
In-kind	-	-	-	-	-	223,905	-	223,905	
Insurance	104	-	-	-	46	73,327	527	73,854	
Maintenance	-	-	-	-	-	144,691	1,637	146,328	
Occupancy	2,698	-	-	604	363	424,670	39,456	464,126	
Other	-	-	-	2,294	697	51,071	8,640	59,711	
Professional services	114	-	-	-	407	31,261	-	31,261	
Supplies	958	-	-	3,138	484	597,035	16,546	613,581	
Training and seminars	52	-	-	30	-	129,296	6,992	136,288	
Travel	3,338	-	-	299	-	94,829	11,045	105,874	
	40,948	891	9,312	13,049	34,673	12,577,145	480,522	13,057,667	
Depreciation	-	-	-	-	-	-	139,058	139,058	
Total functional expenses	\$ 40,948	\$ 891	\$ 9,312	\$ 13,049	\$ 34,673	\$ 12,577,145	\$ 619,580	\$ 13,196,725	

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 14,088	\$ 46,153
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	135,701	139,058
Unrealized loss (gain) on investments	829	(223)
Changes in:		
Accounts receivable	-	200
Federal grants receivable	64,467	(474,841)
Prepaid expenses	(5,368)	-
Inventory	(34,988)	39,879
Prepaid rent	67,752	67,753
Accounts payable	(32,445)	108,877
Accrued expenses	65,702	70,060
Deferred revenue - federal grants	34,374	(64,239)
Advances from grantors	8,981	(53,484)
Net cash provided by (used in) operating activities	319,093	(120,807)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from certificate of deposit	-	121,278
Purchases of property and equipment	(190,345)	(202,605)
Net cash used in investing activities	(190,345)	(81,327)
 <u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	128,748	(202,134)
 <u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	49,228	251,362
 <u>CASH AND CASH EQUIVALENTS - ENDING</u>	\$ 177,976	\$ 49,228

During the years ended June 30, 2016 and 2015, the Agency received non-cash assistance recorded as gifts in-kind and program services totaling \$275,953 and \$223,905, respectively.

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2016 AND 2015

9. Operating Leases (Cont'd)

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2017	159,237
2018	159,237
2019	120,844
2020	93,420
2021	80,043
2022	49,089

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.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Grant Number Or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable (Payable) July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2016</u>
<u>U.S. Department of Agriculture</u>			\$ -	\$ -	\$ 4,149	\$ 4,149
Rural Housing Preservation Grant		10.433				
Passed through State of TN Department of Agriculture						
Child and Adult Care Food (14-15)	55994	10.558	29,625	107,349	77,724	-
Child and Adult Care Food (15-16)	55994	10.558	-	279,059	360,023	80,964
Temporary Emergency Food Assistance (14-15)	45910	10.568	30,025	55,236	25,211	-
Temporary Emergency Food Assistance (15-16)	45910	10.568	-	50,126	90,764	40,638
<u>Non-Cash Assistance</u>						
Temporary Emergency Food Assistance		10.569	(23,085)	406,695	371,707	(58,073)
Total U.S. Department of Agriculture			36,565	898,465	929,578	67,678
<u>Federal Emergency Management Agency</u>						
Federal Emergency Management Agency		97.024	(614)	-	614	-
Total Federal Emergency Management Agency			(614)	-	614	-
<u>U.S. Department of Housing and Urban Development</u>						
Passed through City of Murfreesboro						
Emergency Shelter Grant (14-15)	ESG-12-18	14.231	9,312	9,312	-	-
Total U.S. Department of Housing and Urban Development			9,312	9,312	-	-
<u>U.S. Department of Energy</u>						
Passed through Tennessee Housing Development Agency						
Weatherization Assistance (14-15)	WAP-14-09	81.042	107,463	239,386	131,923	-
Weatherization Assistance (15-16)	WAP-15-09	81.042	-	47,228	129,533	82,305
Total U.S. Department of Energy			107,463	286,614	261,456	82,305

(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 (CONTD)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Program Title	Grant Number Or Pass-Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2015	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2016
<u>U.S. Department of Health and Human Services</u>						
Head Start (14-15)	04CH4771/01	93.600	85,510	2,713,853	2,628,343	-
Head Start (15-16)	04CH4771/02	93.600	-	5,098,434	5,275,771	177,337
Early Head Start Child Care Partnership	04HIP0024/01	93.600	30,129	1,518,148	1,558,727	70,708
Passed Through State of TN Department of Human Services						
Community Services Block Grant (14-15)	Z-15-49111	93.569	266,990	267,176	186	-
Community Services Block Grant (15-16)	Z-16-49111	93.569	-	742,418	933,415	190,997
Passed Through State of TN Housing Development Agency						
Low Income Home Energy Assistance (14-15)	LIHEAP-15-11	93.568	418,443	794,046	375,603	-
Low Income Home Energy Assistance (15-16)	LIHEAP-16-11	93.568	-	1,433,697	1,677,619	243,922
Low Income Home Energy Assistance (16-09)	LWx-16-09	93.568	-	-	22,010	22,010
Total U.S. Department of Health and Human Services			801,072	12,567,772	12,471,674	704,974
Total Federal Awards			953,798	13,762,163	13,663,322	854,957
<u>State Awards</u>						
Special State Grant (10-11)	N/A	N/A	(4,611)	-	-	(4,611)
Special State Grant (14-15)	N/A	N/A	-	22,050	22,050	-
Total State Awards			(4,611)	22,050	22,050	(4,611)
Total Federal and State Awards			\$ 949,187	\$ 13,784,213	\$ 13,685,372	\$ 850,346

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

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, 2016, the Agency had food commodities in inventory totaling \$58,073.

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, 2016, 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 29, 2016.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding number 2016-001 that we consider to be a material weakness.

The Agency did not resolve prior-year finding number 2015-001 related to internal control. The finding recurred in the current year and is reported as finding 2016-001. The Agency resolved prior-year finding number 2015-002 by performing the specific tasks outlined in our report dated December 29, 2015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency resolved prior-year finding number 2015-003 related to compliance by performing the specific tasks outlined in our report dated December 29, 2015.

The Agency's Responses to the Finding

The Agency's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2016



STONE
RUDOLPH
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified
Public
Accountants

www.srhcpas.com

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, 2016. 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; 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, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Agency resolved prior-year finding numbers 2015-004 and 2015-005 by performing the specific tasks outlined in our report dated December 29, 2015.

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 29, 2016

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated December 29, 2016, expressed an unqualified opinion on the financial statements of the Agency.
2. One material weakness 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 December 29, 2016.
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 29, 2016.
4. No instances relating 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 29, 2016.
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 29, 2016, for the major federal award programs of the Agency expressed an unqualified opinion on all major federal programs.
6. No audit findings relating 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:

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

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The Agency did not qualify as a low-risk auditee.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

2016-001 (Recurring Finding) Lack of Management Oversight Over Financial Reporting

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

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

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

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

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

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, 2015

RELATED TO INTERNAL CONTROL

2015-004 Spending of Restricted Funds – Head Start (CFDA #93.600, program year 2014-2015)

Condition: The Agency used restricted funds designated for grant programs for unrestricted purposes.

Criteria: Funds received from granting agencies should be spent in accordance with the programs and purposes specified in the grant agreement.

Effect: The Agency could owe the granting agencies for funds not spent for the appropriate purpose.

Recommendation: We recommend that management hold restricted cash in a separate bank account to ensure the restricted funds are not spent for unrestricted purposes.

Response: The Agency unintentionally spent restricted cash to meet normal operating cash flows needs during June 2015 due to not receiving grant reimbursements in a timely manner from the State of Tennessee. During July 2015, the grant reimbursements were received and the restricted cash balance was fully restored.

RELATED TO COMPLIANCE

2015-005 Spending of Restricted Funds – Head Start (CFDA #93.600, program year 2014-2015)

Condition: The Agency used restricted funds designated for grant programs for unrestricted purposes.

Criteria: Funds received from granting agencies should be spent in accordance with the programs and purposes specified in the grant agreement.

Effect: The Agency could owe the granting agencies for funds not spent for the appropriate purpose.

Recommendation: We recommend that management hold restricted cash in a separate bank account to ensure the restricted funds are not spent for unrestricted purposes.

Response: The Agency unintentionally spent restricted cash to meet normal operating cash flows needs during June 2015 due to not receiving grant reimbursements in a timely manner from the State of Tennessee. During July 2015, the grant reimbursements were received and the restricted cash balance was fully restored.