

**Consolidated Financial Statements
and Other Financial Information**

Capital Area Community Action Agency, Inc. and Subsidiary

*Years ended September 30, 2020 and 2019
with Report of Independent Auditors*



Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Financial Statements
and Other Financial Information

Years ended September 30, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
Capital Area Community Action Agency, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capital Area Community Action Agency, Inc. and Subsidiary (the Agency) which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Community Action Agency, Inc. and Subsidiary, as of September 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 14 of the consolidated financial statements, the beginning net assets to the consolidated financial statements have been restated to correct certain misstatements related to prior years. Accordingly, the effect on beginning net assets at October 1, 2019 was an increase of \$229,333.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of expenditures of federal awards, 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*, and the schedule of findings and questioned costs relating to federal awards are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and the schedule of findings and questioned costs relating to federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of findings and questioned costs relating to federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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The consolidating schedule of financial position and consolidating schedule of activities and changes in net assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 consolidating schedule of financial position and consolidating schedule of activities and changes in net assets are fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Capital Area Community Action Agency, Inc. and Subsidiary's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2020. In our opinion, the summarized comparative information presented in the statements of activities and changes in net assets and functional expenses as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived, subject to the restatement described in Note 14 to these consolidated financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2021

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Financial Position

	September 30, 2020	2019 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,388,738	\$ 527,630
Accounts receivable	142,440	165,598
Grants receivable	784,738	661,611
Prepaid expenses and other assets	98,150	74,172
Total current assets	<u>2,414,066</u>	<u>1,429,011</u>
Property and equipment, net	711,809	881,187
Construction in progress	139,662	-
Total assets	<u><u>\$ 3,265,537</u></u>	<u><u>\$ 2,310,198</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 332,063	\$ 173,237
Accrued expenses	157,975	154,838
Unearned revenue	549,460	526,509
Current maturities of notes payable	15,282	14,164
Total current liabilities	<u>1,054,780</u>	<u>868,748</u>
Line of credit	26,866	49,455
Micro-enterprise loan	24,369	22,993
Notes payable, less current maturities	496,565	511,688
Refundable advance	711,165	-
Total liabilities	<u>2,313,745</u>	<u>1,452,884</u>
Net assets:		
With donor restrictions		
Restricted for time or purpose	54,783	35,934
Without donor restrictions		
Board designated	33,107	-
Undesignated	863,902	821,380
Total net assets	<u>951,792</u>	<u>857,314</u>
Total liabilities and net assets	<u><u>\$ 3,265,537</u></u>	<u><u>\$ 2,310,198</u></u>

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets

	Years ended September 30,			2019
	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	Total (as restated)
Changes in net assets:				
Revenue and other support:				
Grant revenue	\$ 6,847,933	\$ -	\$ 6,847,933	\$ 7,028,859
Contributions and other support	30,877	50,680	81,557	195,162
In-kind contributions	365,291	-	365,291	443,004
Special events	-	-	-	9,429
Other revenue	36,743	-	36,743	17,752
Net assets released from restrictions	31,831	(31,831)	-	-
Total revenue and other support	7,312,675	18,849	7,331,524	7,694,206
Expenses:				
Program services:				
Head Start	3,563,725	-	3,563,725	3,502,589
Low-Income Home Energy Assistance Program	1,715,078	-	1,715,078	1,708,328
Weatherization Assistance Program	226,566	-	226,566	252,537
Community Services Block Grant	442,830	-	442,830	559,012
Child Care Food Program	196,143	-	196,143	302,722
Voluntary Pre-K Program	135,042	-	135,042	223,002
Other programs	209,799	-	209,799	440,960
Total program services	6,489,183	-	6,489,183	6,989,150
Support services:				
General and administrative	747,863	-	747,863	726,612
Total expenses	7,237,046	-	7,237,046	7,715,762
Change in net assets	75,629	18,849	94,478	(21,556)
Net assets at beginning of year, as restated	821,380	35,934	857,314	878,870
Net assets at end of year, as restated	\$ 897,009	\$ 54,783	\$ 951,792	\$ 857,314

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

	Years ended September 30,							2019	
	2020							Total	Summarized Total (as restated)
	Head Start	Home Energy Assistance Program	Weatherization Assistance Program	Community Services Block Grant	Child Care Food Program	Voluntary Pre-K Program	Other Programs	General and Administrative	Total
Expense	\$ 1,793,734	\$ 288,604	\$ 80,885	\$ 207,337	\$ 55,186	\$ 81,201	\$ -	\$ 224,727	\$ 2,731,674
Salaries and wages	180,563	1,252,537	88,876	38,487	124,964	30,309	141,824	-	1,857,560
Direct program services	520,430	84,179	23,440	60,540	15,993	23,532	11,033	65,633	804,780
Employee benefits	160,249	6,283	2,048	5,378	-	-	-	18,098	192,056
Repairs and maintenance	175,215	14,272	1,311	16,185	-	-	48,441	209,218	464,642
Professional fees	255,605	30,116	4,247	32,395	-	-	68	46,670	369,101
Occupancy	89,683	5,023	1,604	5,477	-	-	-	7,607	109,394
Supplies	85,697	3,583	1,508	3,786	-	-	-	4,044	98,618
Utilities	48,651	11,134	3,316	16,573	-	-	-	5,727	77,236
Telephone	42,166	280	2,072	1,241	-	-	2,492	2,141	50,392
Training and technical assistance	69,270	750	635	10,169	-	-	373	6,575	87,772
Miscellaneous	24,668	63	3,269	17,027	-	-	-	168	45,195
Vehicles	21,133	6,376	7,579	5,743	-	-	-	8,953	49,784
Insurance	-	-	-	-	-	-	-	65,127	65,127
Depreciation	-	-	-	-	-	-	-	49,997	49,997
Loss on sale of equipment	-	-	-	-	-	-	-	1,952	1,952
Printing	8,181	2,805	444	1,223	-	-	-	21,546	25,339
Interest	-	-	-	-	-	-	-	35	35
Travel	1,544	241	2,118	4,921	-	-	400	4,339	17,971
Technology	55,479	3,499	-	7,432	-	-	-	5,168	70,749
Equipment	29,307	4,682	3,048	8,641	-	-	-	3,711	54,557
Special events	630	-	-	-	-	-	-	630	630
Postage and shipping	943	651	166	275	-	-	-	486	2,521
Board and advisory council	577	-	-	-	-	-	-	1,109	2,025
Total expenses	\$ 3,563,725	\$ 1,715,078	\$ 226,566	\$ 442,830	\$ 196,143	\$ 135,042	\$ 209,799	\$ 747,863	\$ 7,237,046
									\$ 7,715,762

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Years ended September 30,	
	2020	2019
		(as restated)
Operating activities		
Change in net assets	\$ 94,478	\$ (21,556)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	65,127	80,740
Loss on sale of property and equipment	49,997	7,579
Changes in operating assets and liabilities:		
Accounts receivable	23,158	(27,220)
Grants and contract receivable	(123,127)	52,999
Prepaid expenses	(23,978)	(69,073)
Accounts payable	158,826	(15,102)
Accrued expenses	3,137	(1,992)
Unearned revenue	22,951	(9,178)
Net cash provided by (used in) operating activities	270,569	(2,803)
Investing activities		
Purchases of property and equipment	(85,408)	(37,019)
Net cash used in investing activities	(85,408)	(37,019)
Financing activities		
Borrowings on micro-enterprise loan	1,376	-
Payments on line of credit	(22,589)	(23,835)
Payments on note payable	(14,005)	(13,575)
Refundable advance	711,165	-
Net cash provided by (used in) financing activities	675,947	(37,410)
Increase (decrease) in cash and cash equivalents	861,108	(77,232)
Cash and cash equivalents at beginning of year	527,630	604,862
Cash and cash equivalents at end of year	\$ 1,388,738	\$ 527,630
Supplemental disclosure of cash flow:		
Cash paid for interest	\$ 21,546	\$ 25,013

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years ended September 30, 2020 and 2019

1. Summary of Significant Accounting Policies

Capital Area Community Action Agency, Inc. is a non-profit organization engaged in the administration of federal, state, and local grants intended to aid in the reduction of the effects of poverty on the economically disadvantaged. Capital Area Community Action Agency Holdings, Inc. (Holdings) is a wholly-owned subsidiary organized in July 2017 for the purpose of holding real estate. The consolidated financial statements include this wholly owned subsidiary, Holdings, and present the consolidated financial position, activities, and changes in net assets of Capital Area Community Action Agency, Inc. and its subsidiary (collectively, the Agency).

Basis of Accounting

The Agency uses the accrual basis of accounting. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Principles of Consolidation

The consolidated financial statements include the accounts of Capital Area Community Action Agency, Inc. and its subsidiary as noted above. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with financial institutions and deposits in highly liquid money market funds. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). The Agency's financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents. Deposits with financial institutions are insured by either the FDIC or the SIPC up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Agency has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable balances consist of amounts receivable from outside parties. The Agency provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account. All receivables are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consist primarily of amounts due from grant agencies and local organizations. All receivables are considered by management to be fully collectible. Accordingly, no allowance for doubtful account has been recorded.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	<u>Useful Lives</u>
Building and improvements	39-40 years
Furniture and equipment	5-10 years
Vehicles	5 years
Mobile homes	5 years

Revenue Recognition

Operating revenues

Operating revenues consist principally of proceeds from cost reimbursement federal grants and fee for service state contracts. Revenues from these sources are recognized during the year in which the terms of the grant or contract are satisfied and the related services are provided. See Note 12 regarding concentrations of revenue.

Contributions

Contributions and grants are recorded as with donor restrictions or without donor restrictions when received, depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions and grants of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use and duration of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

If a restriction expires within the same year in which the restricted contributions are received, these contributions are reported as increases in net assets without donor restrictions.

In-kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. Volunteers also provided tutoring and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function and contains certain categories of expenses that are attributable to the program or supporting functions of the Agency. These expenses, such as occupancy, are allocated based on percentage of usage. The department expenses, such as personnel, are allocated based on estimates of time and effort by individual. Other expenses, such as printing and copying, are allocated on a direct method for expenses directly related to the program.

Other Program Expenses

Other program expenses on the consolidated statements of activities and changes in net assets represent various smaller grants and contracts, including but not limited to United Way and United Way Neighboring Counties, Community Human Service Partnership, Project Share, Duke Energy Neighbor Fund, and Talquin Assistance Program.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

Income Taxes

Capital Area Community Action Agency, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an other-than-private foundation. Holdings is a not-for-profit organization that is exempt from income taxes under Section 509(a)(2) of the Internal Revenue Code. With few exceptions, the Agency is no longer subject to examinations by major tax jurisdictions for years ended September 30, 2016 and prior.

Subsequent Events

The Agency has evaluated subsequent events through June 28, 2021, the date the financial statements were available to be issued. During the period from September 30, 2020 to June 28, 2021, the Agency did not have any material recognizable subsequent events.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Available Resources and Liquidity

The Agency receives contributions, grants and other income and considers these revenue streams to be without donor restrictions (if unspecified) and available to meet cash needs for general expenditures. The Agency manages its liquidity to meet 180 days of operating expenses. The table below presents financial assets available for general expenditures within one year at September 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,388,738	\$ 527,630
Accounts receivable	142,440	165,598
Grants receivable	<u>784,738</u>	<u>661,611</u>
Total financial assets	2,315,916	1,354,839
Net assets with donor restrictions	<u>(54,783)</u>	<u>(35,934)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 2,261,133</u>	<u>\$ 1,318,905</u>

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

3. Grants Receivable

Grants receivable consists of the following:

	September 30,	
	2020	2019
Low-Income Home Energy Assistance Program	\$ 441,188	\$ 377,400
Weatherization Assistance Program	37,564	93,850
Community Services Block Grant	131,333	87,133
Child Care Food Program	20,247	66,931
Voluntary Pre-K Program	36	26,464
Head Start Community Human Service Partnership	13,929	5,724
Direct Emergency Assistance Program	-	4,109
Head Start COVID-19	140,441	-
	<u>\$ 784,738</u>	<u>\$ 661,611</u>

4. Unearned Revenue

Unearned revenue at September 30, consists of the following:

	2020	2019
Low-Income Home Energy Assistance Program	\$ 62,479	\$ 151,753
Fire Disaster Relief	47,631	81,114
Weatherization Assistance Program	77,559	70,915
SunTrust Foundation	67,947	70,532
Community Services Block Grant	81,158	69,728
Family Support Services	39,849	34,593
Other	25,854	14,111
Western Union Settlement	2,702	8,852
Talquin Assistance Program	17,919	8,612
United Way	35,164	8,366
Head Start	1,856	5,392
Voluntary Pre-K Program	56,543	1,750
Project Share	5,849	751
Chase Financial Literacy Grant	-	40
Hancock Bank COVID-19 Assistance	26,950	-
	<u>\$ 549,460</u>	<u>\$ 526,509</u>

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

5. Property and Equipment

Property and equipment consists of the following:

	September 30,	
	2020	2019
Buildings	\$ 650,486	\$ 650,486
Furniture, equipment, and vehicles	288,840	302,608
Land	125,690	125,690
Mobile homes	<u>69,195</u>	<u>227,355</u>
	1,134,211	1,306,139
Less accumulated depreciation	<u>422,402</u>	<u>424,952</u>
	<u>\$ 711,809</u>	<u>\$ 881,187</u>

Depreciation expense for the years ended September 30, 2020 and 2019 was \$65,127 and \$80,740, respectively.

The U.S. Department of Health and Human Services has reversionary interests in assets purchased with its funds, which have a cost of \$5,000 or more and an estimated useful life of two years or more. The cost and net book value of assets with reversionary interests was \$327,795 and \$208,506, respectively, at September 30, 2020 and \$485,555 and \$349,437, respectively, at September 30, 2019.

6. Operating Leases

The Agency leases office space and office equipment under operating leases. Rent expense for the years ended September 30, 2020 and 2019 was \$305,507 and \$164,604, respectively.

Future minimum rental payments under leases with remaining noncancelable terms in excess of one year are as follows:

Year ended September 30,	
2021	\$ 189,107
2022	<u>52,629</u>
	<u>\$ 241,736</u>

7. Notes Payable

The Agency has a revolving line of credit agreement with a certain bank in which it may borrow up to \$200,000. Borrowings under the line of credit agreement incur interest at the prime rate (3.25% and 5% at September 30, 2020 and 2019, respectively) plus 2.00%, a total of 5.25% and 7% at September 30, 2020 and 2019, respectively. Outstanding borrowings on the line of credit were \$26,866 and \$49,455 at September 30, 2020 and 2019, respectively. The maturity date of the line of credit is August 4, 2022.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

7. Notes Payable (continued)

Notes payable at September 30, consists of the following:

	<u>2020</u>	<u>2019</u>
Note payable to financial institution, interest at 4.99% per annum, payable in monthly installments of \$2,786 including principal and interest and a balloon payment of remaining balance due at maturity in August 2027, collateralized by real estate.	\$ 378,858	\$ 392,693
Note payable to Department of Economic Opportunity as a result of embezzlement by a former employee of the Agency. Former employee is required to make restitution payments to the Agency when the employee has available funds. No specified due date.	<u>135,933</u>	<u>136,103</u>
	514,791	528,796
Unamortized debt issuance costs	2,944	2,944
Notes payable, current portion	<u>15,282</u>	<u>14,164</u>
Notes payable, non-current portion	<u>\$ 496,565</u>	<u>\$ 511,688</u>

Loan issuance costs are deducted from the face value of the note and amortized over the life of the loan.

Future maturities on notes payable are as follows:

<u>Year ended</u> <u>September 30,</u>	
2021	\$ 15,282
2022	15,647
2023	16,446
2024	17,286
2025	18,168
Thereafter	<u>296,029</u>
	<u>\$ 378,858</u>

Interest expense for the years ended September 30, 2020 and 2019 was \$21,546 and \$25,013, respectively.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

8. Retirement Plan

The Agency has a 401(k) plan which covers substantially all employees. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation. The Agency matches employee contributions, dollar-for-dollar, not to exceed 3% of employee gross wages. The Agency's contributions to the plan for the years ended September 30, 2020 and 2019 were \$46,716 and \$41,988, respectively.

9. Commitments and Contingencies

The Agency derives the majority of its support from the U.S. Department of Health and Human Services (HHS) and the Florida Department of Economic Opportunity (DEO). All grants are renewable on an annual basis, and the Agency is dependent on these grants for continued activity.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to periodic programmatic and compliance audits. Such audits could result in claims against the Agency for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Agency assesses potential liabilities in connection with lawsuits and threatened lawsuits under FASB ASC 450. The filing of a suit or formal assertion of a claim or assessment does not automatically indicate that accrual of a loss is appropriate. An accrual would be inappropriate, but disclosure would be required, if an unfavorable outcome is determined to be reasonably possible but not probable or if the amount of loss cannot be reasonably estimated. If an unfavorable outcome is assessed as probable, an accrual would be appropriate if the amount of loss can be reasonably estimated, and disclosure would be required. The Agency is currently a party to arbitrations in the normal course of operations; however, an accrual is not appropriate based on the unknown outcome of the arbitrations.

10. Donated Services and Facilities

Significant services, materials and facilities are donated to the Agency by various individuals and organizations. Donated material and facilities were recorded at fair market value at the date of donation and have been included in revenue and expenses for the year.

In-kind contributions are as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Head Start	\$ 365,291	\$ 443,004

Management estimates the value of contributed volunteer services not recognized as revenue was \$2,595 and \$63,512 for the years ended September 30, 2020 and 2019, respectively.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are summarized as follows:

	September 30,	
	2020	2019
Family Support Services	\$ 16,761	\$ 16,761
Talquin Assistance Program	19,369	10,063
Duke Energy Neighbor Fund	370	2,534
Weatherization Assistance	2,740	2,740
Head Start	13,386	1,679
School Readiness Program	2,157	2,157
	<u>\$ 54,783</u>	<u>\$ 35,934</u>

12. Concentrations of Revenue

The Agency received approximately 50% and 45% of its revenue directly from the Federal government during the years ended September 30, 2020 and 2019, respectively. An additional 38% and 39% of the Agency's revenue was received from the Federal government as a pass-through from the state of Florida during the years ended September 30, 2020 and 2019, respectively.

13. Paycheck Protection Program Loan

On May 5, 2020, the Agency received loan proceeds in the amount of \$711,165 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times average monthly payroll expenses for qualifying organizations. As of the date of our report, the Agency has not received forgiveness related to this loan, therefore, it is included in the statement of net assets as a refundable advance.

14. Prior Period Adjustment

The Agency purchased 24 mobile homes in August 2018 for \$237,240 using grant proceeds from the U.S. Department of Health and Human Services Community Service Block Grant passed through the Florida Department of Economic Opportunity. The Agency recorded these in line with grantor's guidelines by recognizing an expense during the period of purchase, with all related sales recognized as an offset to those expenses, irrespective of the year it is sold. As the purchase price of each mobile home exceeds the capitalization threshold, these mobile homes should have been capitalized in accordance with accounting principles generally accepted in the United States of America. Therefore, a prior period adjustment has been recorded to reflect the appropriate treatment of the purchase and related sales of the mobile homes. The net effects of the prior period adjustment on the beginning net assets as of October 1, 2019 was an increase of \$229,333.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

14. Prior Period Adjustment (continued)

Additionally, property and equipment, net increased by \$174,306, depreciation expense increased by \$47,448, and loss on the sale of property and equipment was recorded for \$7,579 to account for the capitalization of the mobile homes, the associated depreciation expense for the time period the Agency had ownership over the mobile homes and the related loss on the sale of the mobile homes for those sold during the year ended September 30, 2019.

Other Financial Information

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2020

	Agency	Holdings	Consolidating and Eliminating Entries	Consolidated Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,348,591	\$ 40,147	\$ -	\$ 1,388,738
Accounts receivable	142,440	-	-	142,440
Grant receivable	784,738	-	-	784,738
Prepaid expenses	98,150	-	-	98,150
Intercompany receivables	62,461	-	(62,461)	-
Total current assets	2,436,380	40,147	(62,461)	2,414,066
Construction in progress	139,662	-	-	139,662
Property and equipment, net	217,907	493,902	-	711,809
Total assets	\$ 2,793,949	\$ 534,049	\$ (62,461)	\$ 3,265,537
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 331,938	\$ 125	\$ -	\$ 332,063
Accrued expenses	158,773	(798)	-	157,975
Unearned revenue	549,460	-	-	549,460
Current maturities of debt	-	15,282	-	15,282
Intercompany payables	-	62,461	(62,461)	-
Total current liabilities	1,040,171	77,070	(62,461)	1,054,780
Line of credit	26,866	-	-	26,866
Micro-enterprise loan	24,369	-	-	24,369
Notes payable	135,933	360,632	-	496,565
Refundable advance	711,165	-	-	711,165
Total liabilities	1,938,504	437,702	(62,461)	2,313,745
Net assets:				
With donor restrictions				
Restricted for purpose or time	54,783	-	-	54,783
Without donor restrictions				
Board designated	33,107	-	-	33,107
Undesignated net assets	767,555	96,347	-	863,902
Total net assets	855,445	96,347	-	951,792
Total liabilities and net assets	\$ 2,793,949	\$ 534,049	\$ (62,461)	\$ 3,265,537

See report of independent auditors.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidating Schedule of Activities and Changes in Net Assets

Year ended December 31, 2020

	Agency	Holdings	Consolidating and Eliminating Entries	Consolidated Totals
Changes in net assets:				
Revenues and other support:				
Grant revenue	\$ 6,847,933	\$ -	\$ -	\$ 6,847,933
Contributions and other support	48,450	33,107	-	81,557
In-kind contributions	365,291	-	-	365,291
Other revenue	29,770	109,369	(102,396)	36,743
Total revenues and other support	<u>7,291,444</u>	<u>142,476</u>	<u>(102,396)</u>	<u>7,331,524</u>
Expenses:				
Program services	6,591,579	-	(102,396)	6,489,183
Support services	669,750	78,113	-	747,863
Total expenses	<u>7,261,329</u>	<u>78,113</u>	<u>(102,396)</u>	<u>7,237,046</u>
Change in net assets	30,115	64,363	-	94,478
Net assets at beginning of year	<u>651,024</u>	<u>31,984</u>	<u>-</u>	<u>683,008</u>
Prior period adjustment (Note 14)	174,306	-	-	174,306
Net assets at beginning of year, as restated	<u>825,330</u>	<u>31,984</u>	<u>-</u>	<u>857,314</u>
Net assets at end of year	<u>\$ 855,445</u>	<u>\$ 96,347</u>	<u>\$ -</u>	<u>\$ 951,792</u>

See report of independent auditors.

Other Reports

**Report of Independent Auditors 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
Capital Area Community Action Agency, Inc. and Subsidiary

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 Capital Area Community Action Agency, Inc. and Subsidiary (the Agency), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2021

**Report of Independent Auditors on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors
Capital Area Community Action Agency, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Capital Area Community Action Agency, Inc. and Subsidiary'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 September 30, 2020. 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.

Page Two

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 September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. 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 above. 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.

Page Three

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2021

Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

<u>Grantor and Program Title</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
<u>Direct Federal Awards</u>		
United States Department of Health and Human Services Head Start	93.600	\$ 3,786,590
Total Expenditures of Direct Federal Awards		<u>3,786,590</u>
<u>Indirect Federal Awards</u>		
United States Department of Agriculture Passed Through: State of Florida, Department of Health Child and Adult Care Food Program	10.558	209,070
United States Department of Health and Human Services Passed Through: State of Florida, Department of Economic Opportunity Low-Income Home Energy Assistance Program	93.568	1,979,527
United States Department of Health and Human Services Passed Through: State of Florida, Department of Economic Opportunity Community Services Block Grant Program	93.569	459,245
United States Department of Energy Passed Through: State of Florida, Department of Economic Opportunity Weatherization Assistance Program	81.042	58,901
United States Department of Homeland Security Passed Through: Federal Emergency Management Agency Emergency Food and Shelter Program	97.024	14,742
Total Expenditures of Indirect Federal Awards		<u>2,721,485</u>
Total Expenditures of Federal Awards		<u>\$ 6,508,075</u>

Note 1 - This Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the Capital Area Community Action Agency, Inc. and Subsidiary for the year ended September 30, 2020, and is presented on the accrual basis of accounting. The information in this 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*.

Note 2 - Amounts included on this Schedule include only the expenditure of Federal Awards received from an awarding agency. The amounts on the accompanying statements of activities and changes in net assets include additional expenditures associated with other resources committed by the Association for purposes of fulfilling the grant programs.

Note 3 - The Organization has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

See report of independent auditors.

Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Relating to Federal Awards

Year ended September 30, 2020

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Programs

Type of auditor's report issued on compliance for major federal programs? Unmodified

Internal control over Federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Head Start
93.568	Low-Income Home Energy Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: Federal \$750,000

Auditee qualified as low-risk auditee? No

Section II -- Financial Statement Findings

We noted no matters involving internal control over financial reporting and its operation that we considered to be material weaknesses and/or significant deficiencies required to be reported in accordance with *Government Auditing Standards*.

Section III -- Federal Award Findings and Questioned Costs

2020-001 Payment Calculation Inconsistencies - Low-Income Home Energy Assistance Program - CFDA 93.568 - Grant Period Year Ended September 30, 2020

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.568, LIHEAP crisis payments are to be used only for the past due portion of the applicant's utility bill and should not be used for the current portion of the applicant's utility bill.

Condition: The intake workers who recommend LIHEAP payments are not required to attend training regularly to go over what items are allowed and disallowed. Additionally, the supervisors approving LIHEAP payments are also not required to attend training regularly. Documentation maintained for support of the payments does not clearly identify the criteria applied.

Questioned Costs: \$9

See report of independent auditors.

Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Relating to Federal Awards
(Continued)

Year ended September 30, 2020

Section III -- Federal Award Findings and Questioned Costs (Continued)

2020-001 Payment Calculation Inconsistencies - Low-Income Home Energy Assistance Program - CFDA 93.568 - Grant Period Year Ended September 30, 2020 (Continued)

Effect: A recipient was approved for a crisis payment in the amount of the current portion of the energy bill due instead of the past due amount. However, during the audit process, it was determined that the recipient was eligible for a home energy payment in addition to the crisis payment, which would have resulted in a payment of \$9 less. Therefore, the questioned cost is the difference of \$9.

Cause: The Agency's internal controls did not identify or prevent the recipient from receiving a payment that included the current portion of the utility bill as a crisis payment.

Management's Response: Crisis Intake Staff participate in monthly division meetings and training as needed when promoted by program updates from the Florida Department of Economic Opportunity. Client files are processed by Intake Workers and reviewed by the Program Manager. If the Manager identifies an opportunity to offer more support or clarify eligibility, the file is returned to the Intake Worker for correction. Given the volume of cases processed and reviewed, there may be times when the file review does not catch an issue such as the one raised. Capital Area Community action will reimburse the LIHEAP program \$9 from unrestricted funds.

Section IV -- Other Matters

No other matters.

See report of independent auditors.

To the Board of Directors
Capital Area Community Action Agency, Inc. and Subsidiary

We are pleased to present this report related to our audit of the financial statements of Capital Area Community Action Agency, INC and Subsidiary (the Agency) as of and for the year ended September 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated April 23, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We discussed with members of the Board of Directors and the Agency's management various matters about which generally accepted auditing standards require communication. These include matters concerning two-way communication, our independence, the audit planning process, the concept of materiality in planning and executing the audit, our approach to internal control relevant to the audit, and the timing of the audit.

Area	Comments
Accounting Policies and Practices	<p>Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. The Agency did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>
Management's Judgments and Accounting Estimates	<p>Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the useful life of fixed assets and the functional allocation of expenses.</p> <p>The Board of Directors may wish to monitor throughout the year the process used to determine and record these accounting estimates.</p>
Audit Adjustments	<p>Audit adjustments proposed by us and recorded by the Agency are shown on the attached Exhibit A.</p>
Uncorrected Misstatements	<p>There were no uncorrected misstatements that management determined to be immaterial.</p>

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Area	Comments
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter(s) Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting	We identified certain matters requiring communication to the Board of Directors during our audit of the financial statements. We have issued an internal control letter dated June 28, 2021 that is provided as Exhibit B .
Significant Written Communications Between Management and Our Firm	See Exhibit C for a copy of the representation letter provided to us by the Agency's management.

This report is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this letter. We appreciate the opportunity to continue to be of service to Capital Area Action Agency, Inc. and Subsidiary.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2021

Capital Area Community Action Agency, Inc. and Subsidiary

Year End: September 30, 2020

Journal Entries: Adjusting

Date: 10/1/2019 To 9/30/2020

8010

Prepared by	In-Chrg Review	Manager Review
AJH 6/15/2021	EQCR Review	CB 6/13/2021
Partner Review	Other Review	

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss) Amount Chg	Recurrence	Misstatement
Net Income (Loss) Before Adjustments									
(16,677.00)									
AJE #1	9/30/2020	Unrestricted Net Assets	THF 3000 0	8921. 1	6,950.00				
AJE #1	9/30/2020	Unrestricted Net Assets	WAP - WE, 3000-3514 0	8921. 1	27,160.00				
AJE #1	9/30/2020	Unrestricted Net Assets	3000-9013 1	8921. 1	6,973.00				
AJE #1	9/30/2020	Balloon Payment - Restricted Assets	3020-9012 1	8921. 1	5,219.00				
AJE #1	9/30/2020	Major Repair - Restricted Assets	3030-9013 1	8921. 1	27,888.00				
AJE #1	9/30/2020	Other Revenue	4995-3963 0	8921. 1		6,950.00			
AJE #1	9/30/2020	Other revenue - WAP	4995-3514 0	8921. 1		27,160.00			
AJE #1	9/30/2020	Other Revenue	4995-9013 1	8921. 1		33,107.00			
AJE #1	9/30/2020	Other Revenue	4995-9013 1	8921. 1		6,973.00			
To correct beginning net assets for Agency and Holdings.									
AJE #2	9/30/2020	Prepaid Other Fringe Pool	1310-7500 0	6101	74,190.00	74,150.00	57,513.00		Factual
AJE #2	9/30/2020	Accounts Payable Fringe Pool	2000-7500 0	6101	48,045.00	48,045.00			
To remove prepaid expenses out of accounts payable.									
AJE #3	9/30/2020	CIP	1699-1065 0	5401					
AJE #3	9/30/2020	Equipment (\$5,000 or more) COVID 7310-1065 0		5401	139,662.00	139,662.00			
The COVID sanitizing cabinets were purchased in FY19/20 but not delivered and placed in service until FY20/21, so these will be classified as a prepaid asset until FY20/21 when it will become part of fixed assets as of 10/1/2020.									
AJE #4	9/30/2020	Equipment Indirect Cost Pool	1650-9000 0	5501. 1	139,662.00	139,662.00	197,175.00		
AJE #4	9/30/2020	Equipment General Fund	1650-9990 0	5501. 1	23,363.00	23,363.00			
AJE #4	9/30/2020	Accumulated Depreciation - Building	1700-9000 0	5501. 1	16,862.00				
AJE #4	9/30/2020	Accumulated Depreciation - Building	1700-9990 0	5501. 1		16,862.00			
AJE #4	9/30/2020	Accumulated Depreciation - Building	1700-9990 0	5501. 1	13,119.00				
AJE #4	9/30/2020	Accumulated Depreciation - Equipment	1750-9000 0	5501. 1	68,532.00				
AJE #4	9/30/2020	Accumulated Depreciation - Equipment	1750-9990 0	5501. 1		68,532.00			

Capital Area Community Action Agency, Inc. and Subsidiary

Year End: September 30, 2020

Journal Entries: Adjusting

Date: 10/1/2019 To 9/30/2020

8010-1

Prepared by	In-Chrg Review	Manager Review
Partner Review	EQCR Review	Other Review
AJH 6/15/2021		CB 6/13/2021

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence	Misstatement
AJE #4	9/30/2020	Miscellaneous Expenses	7520-9000 0	5501. 1		13,119.00				
		To correct the fixed asset accumulated depreciation balance, as well as move the fund to the general fund instead of the indirect cost pool fund.								
AJE #5	9/30/2020	Grants Receivable LIHEAP	1150-3485 0		121,876.00		210,294.00	13,119.00		
AJE #5	9/30/2020	Grants Receivable LIHEAP	1150-3485 0		83,152.00					
AJE #5	9/30/2020	Prepaid Other LIHEAP	1310-3465 0			172,426.00				
AJE #5	9/30/2020	Contract Advances LIHEAP	2100-3485 0		89,274.00					
AJE #5	9/30/2020	Government Contracts - STATE LIH	4010-3485 0							
		To correct LIHEAP revenue, A/R, prepaids, and contract advances.								
AJE #6	9/30/2020	Mobile Homes	1698-3366 0		172,426.00		210,294.00	0.00		Factual
AJE #6	9/30/2020	Mobile Homes - Accumulated Depreciation	1700-3366 0			158,160.00				
AJE #6	9/30/2020	Mobile Homes - Accumulated Depreciation	1700-3366 0		57,983.00	34,488.00				
AJE #6	9/30/2020	Loss on Sale	6980-3366 0		49,997.00					
AJE #6	9/30/2020	Client Assistance Community Service	7210-3366 0		50,500.00					
AJE #6	9/30/2020	Depreciation Indirect Cost Pool	7710-9000 0		34,495.00					
PBC #1	9/30/2020	Deferred Income Talquin Assistance	2400-3773 0		192,658.00		75,299.00	(134,985.00)		
PBC #1	9/30/2020	Contributions- Restricted Talquin	4210-3773 0	8050. 1 8050. 1	10,063.00					
		To adjust TB for entry incorrectly dated								
PPA #1	9/30/2020	Mobile Homes	1698-3366 0		10,063.00		85,362.00	10,063.00		
PPA #1	9/30/2020	Mobile Homes - Accumulated Depreciation	1700-3366 0		227,355.00					
PPA #1	9/30/2020	Mobile Homes - Accumulated Depreciation	1700-3366 0			5,601.00				
PPA #1	9/30/2020	Unrestricted Net Assets Community	3000-3366 0			47,448.00				
		To record the effect of the purchase and sales of mobile homes (CSBG).								
						174,306.00				

6/29/2021

12:50 PM

Capital Area Community Action Agency, Inc. and Subsidiary

Year End: September 30, 2020

Journal Entries: Adjusting

Date: 10/1/2019 To 9/30/2020

8010-2

Prepared By	In-Chrg Review	Manager Review
Partner Review	EQCR Review	Other Review
AJR 6/15/2021		CB 6/13/2021

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence	Misstatement
					227,355.00	227,355.00	85,362.00	0.00		
					986,075.00	986,073.00	86,362.00	102,039.00		

To Management and the Board of Directors
Capital Area Community Action Agency, Inc. and Subsidiary

In planning and performing our audit of the financial statements of Capital Area Community Action Agency, Inc. and Subsidiary (the Agency) as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Following are descriptions of identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Accounting and Financial Reporting

Capital Area Community Action Agency's management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America. Additionally, the Agency has a number of grants funded through federal and state agencies and it must comply with federal and state laws and regulations, provisions of grant agreements, and accounting and reporting requirements associated with such grants. Professional auditing standards confine the functionality of the auditor to the audit of, rather than the preparation or determination of, year-end balances; therefore, the audit process itself should not be relied upon to identify required adjustments to year-end balances.

Page Two

During the audit, several adjusting entries were required to correct ending balances as well as prior period balances. We recommend implementing a review by the Chief Financial Officer on a regular basis to assist the Finance Director in oversight and review. The review should occur at the very least during year-end close with reconciliations or supporting documentation provided to the reviewer to support account balances.

Salary Approval

We noted during the audit that there was no formal documentation for the Chief Executive Officer's salary adjustments. Discussions were had during board meetings, but the adjustments were not specifically listed in the approved board minutes. Subsequent to the board meetings, the approved adjustments were documented via email. We recommend that the approved board minutes reflect the specific salary adjustments that are discussed at the board meetings. We also recommend that these adjustments be documented in a contract for the Chief Executive Officer signed by the board chair and the Chief Executive Officer.

Review and Oversight

It was noted during testing that there may be accounts that require evaluation by the Board for review and write-off if necessary. During our discussions with management, it came to our attention that certain account balances may be stale. These balances should be evaluated by the Board and written off, if necessary.

Additionally, the Board approves amendments to the budget at or above \$25,000; other amendments made after adoption of the budget but under \$25,000 can be made without being brought to the attention of the Board. The result is that the budget used for internal analysis (budget to actual tracking) does not match the budget originally approved by the Board. Our recommendation is to leave the budget intact after it has been adopted by the Board, and to identify and discuss variances at Board meetings when discussing performance. This should reduce the administrative burden associated with preparing and tracking amendments, and will make the budget to actual analysis process simpler for management.

We also noted that non-governmental grant reporting by management was not agreed to supporting expenditures. We recommend that any grant reporting have supporting documentation and be approved by the Chief Financial Officer prior to submittal.

Also, see *Finding 2020-001* in the accompanying Schedule of Findings and Questioned Costs.

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This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2021

Capital Area Community Action Agency

Exhibit C

June 28, 2021

Thomas Howell Ferguson, P.A.
2615 Centennial Blvd, Suite 200
Tallahassee, Florida, 32308

This representation letter is provided in connection with your audit of the consolidated financial statements of Capital Area Community Action Agency, Inc. and Subsidiary (the Agency) which comprise the consolidated statement of financial position as of September 30, 2020 and 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 23, 2021 for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.



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5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Guarantees, whether written or oral, under which the Agency is contingently liable.
 - b. Agreements to repurchase assets previously sold.
 - c. Security agreements in effect under the Uniform Commercial Code.
 - d. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities recorded on the books.
 - e. All other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - f. All liabilities that are subordinated to any other actual or possible liabilities of the Agency.
 - g. All leases and material amounts of rental obligations under long-term leases.
 - h. Investments in debt and equity securities.
 - i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - j. All recordable contributions, by appropriate net asset class.
 - k. Reclassifications between net asset classes.
 - l. Allocations of functional expenses based on reasonable basis.
 - m. Composition of assets in amounts needed to comply with all donor restrictions.
 - n. Deferred revenue from exchange transactions.
 - o. Refundable advances.
 - p. Board designated unrestricted net assets.
 - q. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
 - r. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer



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to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.

9. With respect to drafting the financial statements and assessing the impact of new accounting standards services performed in the course of the audit:
 - a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
10. We have accepted responsibility for all significant judgments and decisions that were made.
11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

12. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audits;
 - c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud affecting the Agency's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, regulators, or others.

17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.



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18. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.
19. We have disclosed to you the identity of the Agency's related parties and all the related-party relationships and transactions of which we are aware.
20. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize, and report financial data, other than what has been included in the Internal Control letter.
21. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Agency has no significant amounts of idle property and equipment or property or equipment.
 - b. The Agency has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
 - c. Provision has been made to reduce applicable assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
23. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce deferred tax assets to amounts that are more likely than not to be realized.
24. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.



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- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.
- 25. The Agency has satisfactory title to all owned assets.
- 26. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(3) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.
- 27. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
- 28. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

- 29. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 30. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
- 31. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 32. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- 33. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of waste or abuse that could be quantitatively or qualitatively material to the financial statements.



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34. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
35. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
36. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
37. Has a process to track the status of audit findings and recommendations.
38. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
39. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
40. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F 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), we confirm:

41. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
42. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
43. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.
44. Management is responsible for the preparation of the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes has been communicated; and is responsible for any significant assumptions or interpretations



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underlying the measurement or presentation of the schedule of expenditures of federal awards.

45. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
46. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
47. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
48. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was not such noncompliance.
49. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).
50. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
51. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
52. Management has disclosed to the auditor any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
53. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
54. Management is responsible for taking corrective action on audit findings of the compliance audit and has developed a corrective action plan that meets the requirements of the Uniform Guidance.
55. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.



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56. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
57. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.
58. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
59. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
60. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
61. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
62. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC). Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
63. If applicable, management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.
64. Management has charged costs to federal awards in accordance with applicable cost principles.
65. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
66. The reporting package does not contain protected personally identifiable information.



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- 67. Management has accurately completed the appropriate sections of the data collection form.
- 68. If applicable, management has disclosed all contracts or other agreements with service organizations.
- 69. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Capital Area Community Action Agency, Inc. and Subsidiary



Tim Center
Chief Executive Officer

Keith Dean
Chief Financial Officer



Stephanie Sgouros
Finance Director



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To Management and the Board of Directors
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Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2021