

Consolidated Financial Statements
and Other Financial Information

Capital Area Community Action Agency, Inc. and Subsidiary

*Years ended September 30, 2021 and 2020
with Report of Independent Auditors*



Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Financial Statements
and Other Financial Information

Years ended September 30, 2021 and 2020

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Other Financial Information	
Consolidating Schedule of Financial Position	19
Consolidating Schedule of Activities and Changes in Net Assets	20
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 <i>Government Auditing Standards</i>	21
Report of Independent Auditors for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	24
Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs Relating to Federal Awards	28
Management's Response to Findings	31
Summary Schedule of Prior Audit Findings - Federal Awards	33

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, 2021 and 2020, 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.

Page Two

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, 2021 and 2020, 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 1 and Note 14 to the consolidated financial statements, the Agency adopted new accounting guidance, ASU No. 2014-09, *Revenues from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

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.

Page Three

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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2021. In our opinion, the summarized comparative information presented in the statement of activities and changes in net assets and statement of functional expenses as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022 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, 2022

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Financial Position

	September 30,	
	2021	2020
		<i>(restated)</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,094,691	\$ 1,388,738
Accounts receivable	141,732	142,440
Grants receivable	1,366,655	784,738
Prepaid expenses and other assets	5,406	98,150
Total current assets	<u>2,608,484</u>	<u>2,414,066</u>
Property and equipment, net	840,169	711,809
Construction in progress	129,912	139,662
Total assets	<u>\$ 3,578,565</u>	<u>\$ 3,265,537</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 324,362	\$ 332,063
Accrued expenses	160,440	157,975
Unearned revenue	477,828	300,786
Current maturities of notes payable	15,655	15,282
Total current liabilities	<u>978,285</u>	<u>806,106</u>
Line of credit	1,786	26,866
Micro-enterprise loan	-	24,369
Notes payable, less current maturities	480,525	496,565
Refundable advance	-	711,165
Total liabilities	<u>1,460,596</u>	<u>2,065,071</u>
Net assets:		
With donor restrictions		
Restricted for time or purpose	406,615	303,457
Without donor restrictions		
Board designated	-	33,107
Undesignated	1,711,354	863,902
Total net assets	<u>2,117,969</u>	<u>1,200,466</u>
Total liabilities and net assets	<u>\$ 3,578,565</u>	<u>\$ 3,265,537</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, 2021			2020 <i>(restated)</i>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Changes in net assets:				
Revenue and other support:				
Grant revenue	\$ 10,358,469	\$ 96,560	\$ 10,455,029	\$ 6,847,933
Contributions and other support	3,773	169,142	172,915	73,716
In-kind contributions	418,042	-	418,042	365,291
Other revenue	753,187	-	753,187	76,823
Net assets released from restrictions	162,544	(162,544)	-	-
Total revenue and other support	<u>11,696,015</u>	<u>103,158</u>	<u>11,799,173</u>	<u>7,363,763</u>
Expenses:				
Program services:				
Head Start	3,662,908	-	3,662,908	3,563,725
Low-Income Home Energy Assistance Program	3,124,036	-	3,124,036	1,715,078
Weatherization Assistance Program	304,157	-	304,157	226,566
Community Services Block Grant	2,690,389	-	2,690,389	442,830
Child Care Food Program	159,406	-	159,406	196,143
Voluntary Pre-K Program	786	-	786	135,042
Other programs	158,373	-	158,373	209,799
Total program services	<u>10,100,055</u>	<u>-</u>	<u>10,100,055</u>	<u>6,489,183</u>
Support services:				
General and administrative	781,615	-	781,615	747,863
Total expenses	<u>10,881,670</u>	<u>-</u>	<u>10,881,670</u>	<u>7,237,046</u>
Change in net assets	<u>814,345</u>	<u>103,158</u>	<u>917,503</u>	<u>126,717</u>
Net assets at beginning of year	897,009	303,457	1,200,466	857,314
Implementation adjustment - change in accounting principle	-	-	-	216,435
Net assets at beginning of year, as restated	<u>897,009</u>	<u>303,457</u>	<u>1,200,466</u>	<u>1,073,749</u>
Net assets at end of year, as restated	<u>\$ 1,711,354</u>	<u>\$ 406,615</u>	<u>\$ 2,117,969</u>	<u>\$ 1,200,466</u>

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Years ended September 30,
2021

2020

Expenses	Years ended September 30, 2021							2020		
	Head Start	Low-Income 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	Summarized Total
Salaries and wages	\$ 1,751,199	\$ 314,620	\$ 70,944	\$ 462,158	\$ 33,296	\$ -	\$ 11,067	\$ 234,690	\$ 2,877,974	\$ 2,731,674
Direct program services	250,941	2,622,751	183,713	1,842,045	116,367	760	118,657	11,372	5,146,606	1,857,560
Employee benefits	508,757	91,073	20,560	134,619	9,743	-	3,219	82,495	850,466	804,780
Repairs and maintenance	188,202	6,931	1,908	10,526	-	-	-	19,415	226,982	192,056
Professional fees	233,323	16,000	1,480	13,281	-	-	23,324	261,484	548,892	464,642
Occupancy	289,030	26,337	50	77,293	-	-	-	919	393,629	369,101
Supplies	32,614	2,380	694	19,610	-	26	-	3,348	58,672	109,394
Utilities	87,861	4,098	1,191	11,671	-	-	-	2,942	107,763	98,618
Telephone	52,604	12,508	3,045	26,544	-	-	-	6,982	101,683	85,401
Training and technical assistance	69,079	-	3,480	7,484	-	-	583	6,705	87,331	50,392
Miscellaneous	99,282	2,543	866	23,719	-	-	43	11,896	138,349	87,772
Vehicles	19,756	98	4,232	7,385	-	-	2	-	31,473	45,195
Insurance	19,166	5,670	7,061	6,716	-	-	-	15,495	54,108	49,784
Depreciation	-	-	-	-	-	-	-	91,342	91,342	65,127
Loss on sale of equipment	-	-	-	-	-	-	-	-	-	49,997
Printing	13,470	4,527	639	8,755	-	-	-	5,312	32,703	14,605
Interest	-	-	-	-	-	-	-	19,614	19,614	21,546
Travel	2,299	240	1,213	10,462	-	-	-	-	14,214	9,259
Technology	12,868	2,632	186	7,683	-	-	-	5,033	28,402	70,749
Equipment	28,310	11,010	2,666	18,985	-	-	1,478	-	62,449	54,557
Special events	2,384	-	-	-	-	-	-	-	2,384	630
Postage and shipping	1,763	618	229	1,453	-	-	-	864	4,927	2,521
Board and advisory council	-	-	-	-	-	-	-	1,707	1,707	1,686
Total expenses	\$ 3,662,908	\$ 3,124,036	\$ 304,157	\$ 2,690,389	\$ 159,406	\$ 786	\$ 158,373	\$ 781,615	\$ 10,881,670	\$ 7,237,046

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Years ended September 30,	
	2021	2020
Operating activities		
Change in net assets	\$ 917,503	\$ 126,717
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	91,342	65,127
(Gain) loss on sale of property and equipment	(2,111)	49,997
PPP refundable advance recognized	(711,165)	-
Changes in operating assets and liabilities:		
Accounts receivable	708	23,158
Grants and contract receivable	(581,917)	(123,127)
Prepaid expenses and other assets	92,744	(23,978)
Accounts payable	(7,701)	158,826
Accrued expenses	2,465	3,137
Unearned revenue	177,042	(9,288)
Net cash (used in) provided by operating activities	<u>(21,090)</u>	<u>270,569</u>
Investing activities		
Purchases of property and equipment	(219,341)	(85,408)
Proceeds from sale of property and equipment	11,500	-
Net cash used in investing activities	<u>(207,841)</u>	<u>(85,408)</u>
Financing activities		
Borrowings on micro-enterprise loan	-	1,376
Payments on micro-enterprise loan	(24,369)	-
Payments on line of credit	(25,080)	(22,589)
Payments on note payable	(15,667)	(14,005)
PPP refundable advance	-	711,165
Net cash (used in) provided by financing activities	<u>(65,116)</u>	<u>675,947</u>
(Decrease) increase in cash and cash equivalents	(294,047)	861,108
Cash and cash equivalents at beginning of year	1,388,738	527,630
Cash and cash equivalents at end of year	<u>\$ 1,094,691</u>	<u>\$ 1,388,738</u>
Supplemental disclosure of cash flow:		
Cash paid for interest	\$ 19,614	\$ 21,546
Reduction in PPP loan based on ASC 958-605 model	\$ 711,165	\$ -

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years ended September 30, 2021 and 2020

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.

Basis of Presentation

Effective October 1, 2020 the Agency has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) as the Financial Accounting Standards Board (FASB) believes the standard improves the usefulness and understandability of the Agency's financial reporting. See Note 14 for a description of the restatement necessary as a result of the retrospective application.

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.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

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.

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 additions over \$5,000 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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

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.

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, 2017 and prior.

Subsequent Events

The Agency has evaluated subsequent events through June 28, 2022, the date the financial statements were available to be issued. During the period from September 30, 2021 to June 28, 2022, the Agency did not have any material recognizable subsequent events.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,094,691	\$ 1,388,738
Accounts receivable	141,732	142,440
Grants receivable	<u>1,366,655</u>	<u>784,738</u>
Total financial assets	2,603,078	2,315,916
Net assets with donor restrictions	<u>(406,615)</u>	<u>(303,457)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 2,196,463</u>	<u>\$ 2,012,459</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,	
	<u>2021</u>	<u>2020</u>
Low-Income Home Energy Assistance Program	\$ 827,402	\$ 441,188
Weatherization Assistance Program	76,112	37,564
Community Services Block Grant	407,169	131,333
Child Care Food Program	32,839	20,247
Voluntary Pre-K Program	1,510	36
Head Start Community Human Service Partnership	21,036	13,929
Head Start COVID-19	-	140,441
School Readiness Program	587	-
	<u>\$ 1,366,655</u>	<u>\$ 784,738</u>

4. Unearned Revenue

Unearned revenue at September 30, consists of the following:

	<u>2021</u>	<u>2020</u>
		<i>(restated)</i>
Low-Income Home Energy Assistance Program	\$ 56,601	\$ 62,479
Weatherization Assistance Program	83,805	77,559
Community Services Block Grant	91,971	81,158
Other	8,059	21,191
Head Start	98,472	1,856
Voluntary Pre-K Program	57,232	56,543
School Readiness Program	19,453	-
USDA/CCFP	58,959	-
Emergency Food & Shelter Program (FEMA)	3,276	-
	<u>\$ 477,828</u>	<u>\$ 300,786</u>

The following table provides significant changes in unearned revenue for the years ended September 30:

	<u>2021</u>	<u>2020</u>
		<i>(restated)</i>
Unearned revenue, beginning of year	\$ 300,786	\$ 310,074
Revenue recognized that was included in unearned revenue at beginning of year	(121,602)	(120,412)
Increases in unearned revenue due to cash received during the year	<u>298,644</u>	<u>111,124</u>
Unearned revenue, end of year	<u>\$ 477,828</u>	<u>\$ 300,786</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,	
	<u>2021</u>	<u>2020</u>
Buildings	\$ 650,486	\$ 650,486
Furniture, equipment, and vehicles	509,332	288,840
Land	125,690	125,690
Mobile homes	<u>59,310</u>	<u>69,195</u>
	1,344,818	1,134,211
Less accumulated depreciation	<u>504,649</u>	<u>422,402</u>
	<u>\$ 840,169</u>	<u>\$ 711,809</u>

Depreciation expense for the years ended September 30, 2021 and 2020 was \$91,342 and \$65,127, 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 \$650,329 and \$301,089, respectively, at September 30, 2021 and \$327,795 and \$208,506, respectively, at September 30, 2020.

6. Operating Leases

The Agency leases office space and office equipment under operating leases. Rent expense for the years ended September 30, 2021 and 2020 was \$355,347 and \$305,507, respectively.

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

<u>Year ended</u>		
<u>September 30,</u>		
2022	\$	98,120
2023		22,404
2024		7,078
2025		5,393
2026		2,800
2027		-
	<u>\$</u>	<u>135,795</u>

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 3.25% at September 30, 2021 and 2020, respectively) plus 2.00%, a total of 5.25% and 5.25% at September 30, 2021 and 2020, respectively. Outstanding borrowings on the line of credit were \$1,786 and \$26,866 at September 30, 2021 and 2020, respectively. The maturity date of the line of credit is August 4, 2022.

Notes payable at September 30, consists of the following:

	<u>2021</u>	<u>2020</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.	\$ 363,466	\$ 378,858
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>135,658</u>	<u>135,933</u>
	499,124	514,791
Unamortized debt issuance costs	2,944	2,944
Notes payable, current portion	<u>15,655</u>	<u>15,282</u>
Notes payable, non-current portion	<u>\$ 480,525</u>	<u>\$ 496,565</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>	
2022	\$ 15,655
2023	16,446
2024	17,286
2025	18,168
2026	19,096
Thereafter	<u>412,473</u>
	<u>\$ 499,124</u>

Interest expense for the years ended September 30, 2021 and 2020 was \$19,614 and \$21,546, 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, 2021 and 2020 were \$49,640 and \$46,716, 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>2021</u>	<u>2020</u>
Head Start	\$ 418,042	\$ 365,291

Management estimates the value of contributed volunteer services not recognized as revenue was \$14,985 and \$2,595 for the years ended September 30, 2021 and 2020, 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,	
	<u>2021</u>	<u>2020</u>
		<i>(restated)</i>
Family Support Services	\$ 183,037	\$ 91,091
Talquin Assistance Program	61,325	24,788
Duke Energy Neighbor Fund	23,428	18,216
Truist (formerly SunTrust) Foundation	55,928	67,947
Fire Disaster	16,701	47,631
Hancock Bank covid 19 assistance	26,070	26,950
Other	40,126	26,834
	<u>\$ 406,615</u>	<u>\$ 303,457</u>

12. Concentrations of Revenue

The Agency received approximately 32% and 50% of its revenue directly from the Federal government during the years ended September 30, 2021 and 2020, respectively. An additional 56% and 38% 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, 2021 and 2020, 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 for amounts up to 2.5 times average monthly payroll expenses for qualifying organizations. The Agency received confirmation during 2021 that all loan proceeds received have been forgiven. Therefore, the forgiven loans have been recognized in income and are presented as other revenue on the statement of activities and changes in net assets for the year ended September 30, 2021. As with all PPP recipients, the Agency is subject to routine audit provisions related to its PPP loan for a period of seven years.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

14. Implementation Adjustments

Net assets as of October 1, 2019 has been restated to reflect the following adjustments:

During 2021, the Agency adopted ASU 2014-09, *Revenues from Contracts with Customers* (Topic 606). The Agency applied the retrospective transition method and therefore applied the revenue standard to all contracts that were not completed as of October 1, 2019. Based on the Agency's analysis of open contracts as of October 1, 2019, the adoption of this guidance had a material impact on the Agency's financial statements, including its opening financial position at the date of initial application, as the timing of revenue recognition under the new standard is materially different from the Agency's previous revenue recognition policy. Certain contracts that were previously deferred were determined to be contributions with donor restrictions and therefore recognized as restricted revenue in the year it was received.

The net effects of the prior period adjustment on the beginning net assets balance as of October 1, 2019 was an increase in net assets of \$216,435. Additionally, the net effects of the prior period adjustment on the Agency for the year ended September 30, 2020 was an increase in restricted revenue of \$32,239 and a decrease in unearned revenue of \$248,674.

Other Financial Information

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidating Schedule of Financial Position

September 30, 2021

	Agency	Holdings	Consolidating and Eliminating Entries	Consolidated Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,046,859	\$ 47,832	\$ -	\$ 1,094,691
Accounts receivable	141,732	-	-	141,732
Grant receivable	1,366,655	-	-	1,366,655
Prepaid expenses and other current assets	5,406	-	-	5,406
Intercompany receivables	8,224	-	(8,224)	-
Total current assets	<u>2,568,876</u>	<u>47,832</u>	<u>(8,224)</u>	<u>2,608,484</u>
Construction in progress	129,912	-	-	129,912
Property and equipment, net	358,355	481,814	-	840,169
Total assets	<u>\$ 3,057,143</u>	<u>\$ 529,646</u>	<u>\$ (8,224)</u>	<u>\$ 3,578,565</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 315,937	\$ 8,425	\$ -	\$ 324,362
Accrued expenses	160,440	-	-	160,440
Unearned revenue	477,828	-	-	477,828
Current maturities of debt	-	15,655	-	15,655
Intercompany payables	-	8,224	(8,224)	-
Total current liabilities	<u>954,205</u>	<u>32,304</u>	<u>(8,224)</u>	<u>978,285</u>
Line of credit	1,786	-	-	1,786
Notes payable	135,658	344,867	-	480,525
Total liabilities	<u>1,091,649</u>	<u>377,171</u>	<u>(8,224)</u>	<u>1,460,596</u>
Net assets:				
With donor restrictions				
Restricted for purpose or time	406,615	-	-	406,615
Without donor restrictions				
Undesignated net assets	1,558,879	152,475	-	1,711,354
Total net assets	<u>1,965,494</u>	<u>152,475</u>	<u>-</u>	<u>2,117,969</u>
Total liabilities and net assets	<u>\$ 3,057,143</u>	<u>\$ 529,646</u>	<u>\$ (8,224)</u>	<u>\$ 3,578,565</u>

See report of independent auditors.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidating Schedule of Activities and Changes in Net Assets

Year ended September 30, 2021

	<u>Agency</u>	<u>Holdings</u>	<u>Consolidating and Eliminating Entries</u>	<u>Consolidated Totals</u>
Changes in net assets:				
Revenues and other support:				
Grant revenue	\$ 10,455,029	\$ -	\$ -	\$ 10,455,029
Contributions and other support	172,915	-	-	172,915
In-kind contributions	418,042	-	-	418,042
Other revenue	753,187	102,396	(102,396)	753,187
Total revenues and other support	<u>11,799,173</u>	<u>102,396</u>	<u>(102,396)</u>	<u>11,799,173</u>
Expenses:				
Program services	10,202,451	-	(102,396)	10,100,055
Support services	735,347	46,268	-	781,615
Total expenses	<u>10,937,798</u>	<u>46,268</u>	<u>(102,396)</u>	<u>10,881,670</u>
Change in net assets	<u>861,375</u>	<u>56,128</u>	<u>-</u>	<u>917,503</u>
Net assets at beginning of year, as restated	<u>1,104,119</u>	<u>96,347</u>	<u>-</u>	<u>1,200,466</u>
Net assets at end of year	<u>\$ 1,965,494</u>	<u>\$ 152,475</u>	<u>\$ -</u>	<u>\$ 2,117,969</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 consolidated statements of financial position as of September 30, 2021 and 2020, and 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 and have issued our report thereon dated June 28, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as item 2021-001 that we consider to be a significant deficiency.

Page Two

2021-001 Journal Entry Approval

Criteria: The Committee for Sponsoring Organizations (COSO) defines internal controls as “a process effected by an entity’s board, management, and other personnel, designed to provide reasonable assurance of the achievement of objectives relating to operations, reporting, and compliance.”

In addition, accurate accounting, tracking, and reporting of Federal and State funds is imperative to ensure compliance with Federal and State laws, regulations, and provisions of grant agreements.

Condition: The Agency’s procedures for the review and approval of journal entries is not adequately designed to prevent and detect fraud and misstatement in a timely manner. Journal entries are being posted and approved but include errors and year end journal entries are not being reviewed and approved in a timely manner.

Effect: The Agency must reverse and repost various entries throughout the year due to inadequate procedures in performing the review. Year-end journal entries included within the audited trial balance had not been formally approved.

Cause: The process for creating the journal entries and providing back up support includes multiple entries for various transactions that do not inter-relate. This causes the review process to slow and increases the risk of error without approval from an individual with a high degree of understanding and/or skill.

Recommendation: To avoid erroneous or unauthorized journal entries from being recorded, we recommend that the supporting documentation be prepared for journal entries and that an individual with suitable skill and knowledge who is outside of the journal entry initiation process review and approve all journal entries, including supporting documentation, in a timely manner. The documentation of review and approval should be maintained either in hardcopy or electronic format. Additionally, journal entries should be limited to an individual transaction or a set of transactions that are related or similar in nature. This will allow for a more thorough review to occur and reduce the number of errors.

Management’s response

See the Management's Response to Findings section for management’s detailed response to item 2021-001.

Page Three

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*.

Agency's Response to Findings

The Agency's response to the findings identified in our audit is described above. 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 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, 2022

Report of Independent Auditors on Compliance for the 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 program for the year ended September 30, 2021. The Agency's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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.

Page Two

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Basis for Qualified Opinion on CFDA 93.569 Community Service Block Grant Program

As described in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding CFDA 93.569 Community Service Block Grant Program as described in finding number 2021-002 for Special Tests and Provisions for Tri-Partite Board. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 93.569 Community Service Block Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 93.569 Community Service Block Grant Program for the year ended September 30, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004, that we consider to be significant deficiencies.

The Agency's response to the internal control over compliance 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.

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, 2022

Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

<u>Grantor and Program Title</u>	<u>CFDA Number</u>	<u>Passthrough Award No.</u>	<u>Total Expenditures</u>	<u>Transfers to Subrecipients</u>
Direct Federal Awards				
United States Department of Health and Human Services				
Head Start	93.600	N/A	\$ 3,753,886	-
COVID 19- Head Start	93.600	N/A	32,343	-
Total - Head Start			<u>3,786,229</u>	<u>-</u>
Total Expenditures of Direct Federal Awards			<u>3,786,229</u>	<u>-</u>
Indirect Federal Awards				
United States Department of Agriculture				
Passed Through:				
State of Florida, Department of Health				
Child and Adult Care Food Program	10.558	S-731	167,285	-
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	E-1994	1,720,448	-
COVID 19 - Low-Income Home Energy Assistance Program	93.568	E-1994	1,676,404	-
Total - Low-Income Home Energy Assistance Program			<u>3,396,852</u>	<u>-</u>
United States Department of Health and Human Services				
Passed Through:				
State of Florida, Department of Economic Opportunity				
Community Services Block Grant Program	93.569	E-1994	2,093,287	528,500
COVID 19 - Community Services Block Grant Program	93.569	E-1994	800,386	-
Total - Community Services Block Grant Program			<u>2,893,673</u>	<u>528,500</u>
United States Department of Energy				
Passed Through:				
State of Florida, Department of Economic Opportunity				
Weatherization Assistance Program	81.042	E-1994	142,450	-
United States Department of Homeland Security				
Passed Through:				
Federal Emergency Management Agency				
Emergency Food and Shelter Program	97.024	37-1656-00 008	3,847	-
Total Expenditures of Indirect Federal Awards			<u>6,604,107</u>	<u>528,500</u>
Total Expenditures of Federal Awards			<u>\$ 10,390,336</u>	<u>\$ 528,500</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, 2021, 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 Agency 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, 2021

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?	Yes
Noncompliance material to financial statements noted?	No

Federal Programs

Type of auditor's report issued on compliance for major federal programs?	Qualified
Internal control over Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
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)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.569	Community Services Block Grant Program

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

Auditee qualified as low-risk auditee? Yes

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

2021-002 Internal Controls Over Compliance - Special Tests and Provisions (Tri-Partite Board) - Community Service Block Grant Program (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2021

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.569, CSBG and The CSBG Act at 42 USC 9910(a) nonprofit organizations administer CSBG through a board comprising one-third (1/3) of the members be elected representatives in the community or their designee.

Condition: The Agency was unable to meet the 1/3 requirement for public elected/appointed officials during the year ended September 30, 2021.

Questioned Costs: N/A

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, 2021

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

2021-002 Internal Controls Over Compliance - Special Tests and Provisions (Tri-Partite Board) - Community Service Block Grant Program (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2021 (Continued)

Effect: The Agency is out of Compliance with the provision requiring a Tri-Partite Board as defined by The CSBG Act at 42 USC 9910.

Cause: While the Agency's internal controls did identify a lack of participation in this area, they did not include control activities to resolve the non-compliance in a timely manner.

Recommendation: The Agency should implement procedures to mitigate the risk of prolonged non-compliance that are triggered when non-compliance with Tri-Partite Board requirements are identified.

Management's Response: See the Management's Response to Findings section for management's detailed response to item 2021-002.

2021-003 Internal Controls Over Compliance - Sub-recipient Monitoring - Community Service Block Grant Program (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2021

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.569, when a pass-through entity provides a federal award to a subrecipient, the pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward.

Condition: The Agency did not monitor their sub-recipients processes for participant eligibility with CSBG criteria.

Questioned Costs: N/A

Effect: The Agency's risk for approving ineligible funding to their subrecipient for individual assistance is increased.

Cause: The Agency does not historically passthrough CSBG funds to a third party and was required to pass these funds through based on the contract requirements. While they were aware of the requirement to perform subrecipient monitoring, they did not perform those procedures to the subrecipients internal controls over eligibility determination.

Recommendation: The Agency should implement procedures to ensure that subrecipient monitoring procedures are implemented for all compliance requirements and perform these procedures on a routine basis.

Management's Response: See the Management's Response to Findings section for management' s detailed response to item 2021-003.

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, 2021

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

2021-004 Internal Controls Over Compliance - Eligibility - Community Service Block Grant Program (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2021

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.569, the official poverty guidelines as revised annually by HHS shall be used to determine eligibility. The CARES Act allows a state to adopt a revised poverty guideline but it may not exceed 200 percent of the HHS-determined poverty guidelines.

Condition: The test of the Agency's controls over compliance with eligibility compliance requirements resulted in two of 40 samples where the controls were not documented and as such could not be determined to be in place. The test of the Agency's controls over compliance with eligibility compliance requirements resulted in one of 40 samples where the controls did not detect errors in the determination of income for eligibility.

Questioned Costs: N/A

Effect: The Agency's risk for approving ineligible funding for individual assistance is increased.

Cause: Pressures from COVID-19 resulted in controls being performed by others during an absence of qualified personnel and other communication issues. These pressures caused certain procedures in the process to be over-looked, improperly documented, or performed by someone without the requisite knowledge or training.

Recommendation: The Agency should implement procedures to ensure that when pressures arise that create additional risk for error and/or non-compliance, additional safeguards are put in place including routine monitoring and cross training.

Management's Response: See the Management's Response to Findings section for management's detailed response to item 2021-004.

Section IV -- Other Matters

No other matters.

See report of independent auditors.

Capital Area Community Action Agency

June 28, 2022

Ms. Allison Harrell, CPA
Shareholder
Thomas Howell Ferguson, P.A. CPAs
2615 Centennial Blvd., Suite 200
Tallahassee, FL 32308

Re: Audit Finding 2021-001, 2021-002, 2021-003, 2021-004

Dear Ms. Harrell:

We have reviewed Findings 202-001, 2021-002, 2021-003, and 2021-004. Response to the findings stated below.

2021-001

Journal entries to be prepared with supporting documentation, and provided to reviewer/approver. Posting of reviewed/approved, similar in nature, journal entries are completed by an individual with suitable skill and knowledge in the fiscal department within a timely manner.

2021-002

The Capital Area Community Action Agency Board membership fluctuates over time. Sometimes there are several public representatives or their designees on the board. Other times there are several private sector representatives. As a tri-partite board, low-income representatives are always on the board. While the numbers are not always equal, the Agency strives to meet the spirit of the law in its recruitment efforts. The Board will work to develop a more robust recruitment method to ensure a balance of representation from the three sectors.

2021-003

The Capital Area Community Action Agency was asked by the Florida Department of Economic Opportunity to act as the quarterback organization in administering the Disaster Recovery Supplemental Funding grant in response to Hurricane Michael. The Agency worked closely with the Tri-County Community Action Agency in setting up the processes to administer the funds. All invoices submitted from Tri-County were reviewed before being approved for processing. Additionally, as questions or issues arose regarding the administration of the funds, Capital Area convened meetings with emergency management consultants and Department officials to ensure that DRSF funds were being spent in compliance with the law. On-site monitoring did not take place during this time. Since then, DEO has contracted with Thomas Howell Ferguson to provide management oversight and on-site monitoring has



309 Office Plaza Drive • Tallahassee, Florida • 32301 • 850.222.2043
www.CapitalAreaCommunityActionAgency.org



occurred. In the future, should the Agency assume a quarterback role, direct onsite monitoring will be planned for and executed accordingly.

2021-004

Capital Area Community Action Agency administers three Community Service Block Grants funded program. The 200% income eligibility criteria applied to all but the Disaster Recovery Supplemental Funds that stayed at 125%. A Florida Department of Economic Opportunity monitoring of the grants during this period did not find any eligibility compliance issues. Given this audit finding, staff will conduct a re-training of all CSBG staff to review income eligibility determinations and documentation necessary for the files.

We ask that you please include this letter as part of your final audit report as our Corrective Action Plan.

Sincerely,



Tim Center, Esq.
Chief Executive Officer

Capital Area Community Action Agency, Inc. and Subsidiary

Summary Schedule of Prior Audit Findings
Federal Awards

Year ended September 30, 2021

Finding Number

Prior Audit Finding

2020-001

United States Department of Health and Human Services
Passed Through: State of Florida, Department of Economic Opportunity
93.568 - Low-Income Home Energy Assistance Program

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.

Auditor Recommendation: None noted.

Current Status: Resolved

See report of independent auditors.