

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
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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>\$ 3,265,537</u>	<u>\$ 2,310,198</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>\$ 3,265,537</u>	<u>\$ 2,310,198</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	<u>7,312,675</u>	<u>18,849</u>	<u>7,331,524</u>	<u>7,694,206</u>
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	<u>6,489,183</u>	<u>-</u>	<u>6,489,183</u>	<u>6,989,150</u>
Support services:				
General and administrative	747,863	-	747,863	726,612
Total expenses	<u>7,237,046</u>	<u>-</u>	<u>7,237,046</u>	<u>7,715,762</u>
Change in net assets	<u>75,629</u>	<u>18,849</u>	<u>94,478</u>	<u>(21,556)</u>
Net assets at beginning of year, as restated	821,380	35,934	857,314	878,870
Net assets at end of year, as restated	<u>\$ 897,009</u>	<u>\$ 54,783</u>	<u>\$ 951,792</u>	<u>\$ 857,314</u>

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary
Consolidated Statement of Functional Expenses

Expense	2020										2019
	Head Start	Home Energy Assistance Program	Weatherization Assistance Program	Community Services Block Grant	Food Program	Child Care	Voluntary Pre-K Program	Other Programs	Administrative	General and	Total
Salaries and wages	\$ 1,793,734	\$ 288,604	\$ 80,885	\$ 207,337	\$ 55,186	\$ 81,201	\$ -	\$ -	\$ 224,727	\$ 2,731,674	\$ 2,847,110
Direct program services	180,563	1,252,537	88,876	38,487	124,964	30,309	141,824	-	-	1,857,560	2,305,999
Employee benefits	520,430	84,179	23,440	60,540	15,993	23,532	11,033	-	65,633	804,780	802,687
Repairs and maintenance	160,249	6,283	2,048	5,378	-	-	-	-	18,098	192,056	203,120
Professional Fees	175,215	14,272	1,311	16,185	-	-	48,441	-	209,218	464,642	524,732
Occupancy	255,605	30,116	4,247	32,395	-	-	68	-	46,670	369,101	314,742
Supplies	89,683	5,023	1,604	5,477	-	-	-	-	7,607	109,394	88,674
Utilities	85,697	3,583	1,508	3,786	-	-	-	-	4,044	98,618	103,528
Telephone	48,651	11,134	3,316	16,573	-	-	-	-	5,727	85,401	77,236
Training and technical assistance	42,166	280	2,072	1,241	-	-	2,492	-	2,141	50,392	77,086
Miscellaneous	69,270	750	635	10,169	-	-	373	-	6,575	87,772	59,148
Vehicles	24,668	63	3,269	17,027	-	-	-	-	168	45,195	57,826
Insurance	21,133	6,376	7,579	5,743	-	-	-	-	8,953	49,784	48,088
Depreciation	-	-	-	-	-	-	-	-	65,127	65,127	80,740
Loss on sale of equipment	-	-	-	-	-	-	-	-	49,997	49,997	7,579
Printing	8,181	2,805	444	1,223	-	-	-	-	1,952	14,605	25,339
Interest	-	-	-	-	-	-	-	-	21,546	21,546	25,013
Travel	1,544	241	2,118	4,921	-	-	400	-	35	9,259	17,971
Technology	55,479	3,499	-	7,432	-	-	-	-	4,339	70,749	19,931
Equipment	29,307	4,682	3,048	8,641	-	-	-	-	3,711	54,557	18,865
Special events	630	-	-	-	-	-	-	-	-	630	3,910
Postage and shipping	943	651	166	275	-	-	-	-	486	2,521	2,025
Board and advisory council	577	-	-	-	-	-	-	-	1,109	1,686	4,413
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
	2020	(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	<u>270,569</u>	<u>(2,803)</u>
Investing activities		
Purchases of property and equipment	(85,408)	(37,019)
Net cash used in investing activities	<u>(85,408)</u>	<u>(37,019)</u>
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	<u>675,947</u>	<u>(37,410)</u>
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	<u>\$ 1,388,738</u>	<u>\$ 527,630</u>
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,	
	<u>2020</u>	<u>2019</u>
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:

	<u>2020</u>	<u>2019</u>
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	<u>2,157</u>	<u>2,157</u>
	<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

	<u>Agency</u>	<u>Holdings</u>	<u>Consolidating and Eliminating Entries</u>	<u>Consolidated Totals</u>
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	<u>2,436,380</u>	<u>40,147</u>	<u>(62,461)</u>	<u>2,414,066</u>
Construction in progress	139,662	-	-	139,662
Property and equipment, net	217,907	493,902	-	711,809
Total assets	<u>\$ 2,793,949</u>	<u>\$ 534,049</u>	<u>\$ (62,461)</u>	<u>\$ 3,265,537</u>
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	<u>1,040,171</u>	<u>77,070</u>	<u>(62,461)</u>	<u>1,054,780</u>
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	<u>1,938,504</u>	<u>437,702</u>	<u>(62,461)</u>	<u>2,313,745</u>
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	<u>855,445</u>	<u>96,347</u>	<u>-</u>	<u>951,792</u>
Total liabilities and net assets	<u>\$ 2,793,949</u>	<u>\$ 534,049</u>	<u>\$ (62,461)</u>	<u>\$ 3,265,537</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 December 31, 2020

	<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	\$ 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.

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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.

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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
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Auditee qualified as low-risk auditee?	No
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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.