

Consolidated Financial Statements
and Other Financial Information

Capital Area Community Action Agency, Inc. and Subsidiary

*Years ended September 30, 2022 and 2021
with Report of Independent Auditors*



Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Financial Statements
and Other Financial Information

Years ended September 30, 2022 and 2021

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Report of Independent Auditors

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Agency has made a correction of a prior period error. As a result of this error, the September 30, 2021 consolidated financial statements have been restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Capital Area Community Action Agency, Inc. and Subsidiary's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2022. In our opinion, the summarized restated comparative information presented herein as of and for the year ended September 30, 2021, as restated, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The consolidating information, 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 consolidated financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 information, 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 consolidated financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, 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 Agency's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 27, 2024

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Financial Position

	September 30,	
	2022	2021
		<i>(restated)</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,990,701	\$ 1,094,691
Accounts receivable	139,693	141,732
Grants receivable	737,603	1,366,655
Prepaid expenses and other assets	477	5,406
Total current assets	<u>2,868,474</u>	<u>2,608,484</u>
Property and equipment, net	878,721	840,169
Construction in progress	67,368	129,912
Total assets	<u><u>\$ 3,814,563</u></u>	<u><u>\$ 3,578,565</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 448,021	\$ 324,362
Accrued expenses	413,720	160,440
Unearned revenue	841,449	1,032,451
Current maturities of notes payable	16,454	15,655
Total current liabilities	<u>1,719,644</u>	<u>1,532,908</u>
Line of credit	-	1,786
Notes payable, less current maturities	463,851	480,525
Total liabilities	<u>2,183,495</u>	<u>2,015,219</u>
Net assets:		
With donor restrictions		
Restricted for time or purpose	354,185	406,615
Without donor restrictions		
Undesignated	1,276,883	1,156,731
Total net assets	<u>1,631,068</u>	<u>1,563,346</u>
Total liabilities and net assets	<u><u>\$ 3,814,563</u></u>	<u><u>\$ 3,578,565</u></u>

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets

	Years ended September 30,			2021
	2022			<i>(restated)</i>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Changes in net assets:				
Revenue and other support:				
Grant revenue	\$ 11,232,511	\$ -	\$ 11,232,511	\$ 10,451,697
Contribution revenue	3,097	217,663	220,760	229,950
In-kind contributions	390,403	-	390,403	418,042
Other revenue	6,788	-	6,788	751,518
Net assets released from restrictions	270,093	(270,093)	-	-
Total revenue and other support	<u>11,902,892</u>	<u>(52,430)</u>	<u>11,850,462</u>	<u>11,851,207</u>
Expenses:				
Program services:				
Head Start	3,952,677	-	3,952,677	3,662,908
Low-Income Home Energy Assistance Program	3,282,269	-	3,282,269	3,093,818
Weatherization Assistance Program	254,093	-	254,093	304,157
Community Services Block Grant	3,012,676	-	3,012,676	2,690,389
Child Care Food Program	241,322	-	241,322	159,406
Voluntary Pre-K Program	149,901	-	149,901	786
Other programs	98,214	-	98,214	188,591
Total program services	<u>10,991,152</u>	<u>-</u>	<u>10,991,152</u>	<u>10,100,055</u>
Support services:				
General and administrative	791,588	-	791,588	781,615
Total expenses	<u>11,782,740</u>	<u>-</u>	<u>11,782,740</u>	<u>10,881,670</u>
Change in net assets	<u>120,152</u>	<u>(52,430)</u>	<u>67,722</u>	<u>969,537</u>
Net assets at beginning of year	1,156,731	406,615	1,563,346	1,200,466
Prior period adjustment - correction of an error	-	-	-	(606,657)
Net assets at beginning of year, as restated	-	-	-	593,809
Net assets at end of year, as restated	<u>\$ 1,276,883</u>	<u>\$ 354,185</u>	<u>\$ 1,631,068</u>	<u>\$ 1,563,346</u>

See accompanying notes.

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

	Years ended September 30,						2021			
	2022			2021			2021			
	Low-Income									
	Head Start	Home Energy Assistance Program	Weatherization Assistance Program	Community Services Block Grant	Child Care Food Program	Voluntary Pre-K Program	Other Programs	General and Administrative	Total	Summarized Total
Salaries and wages	\$ 1,909,978	\$ 372,008	\$ 74,015	\$ 428,719	\$ 70,050	\$ 112,901	\$ -	\$ 185,050	\$ 3,152,721	\$ 2,877,974
Direct program services	315,761	2,700,155	125,654	2,256,592	147,013	2,014	88,385	10,500	5,646,074	5,146,606
Employee benefits	523,084	108,721	21,450	125,626	20,300	32,719	70	15,895	847,865	850,466
Repairs and maintenance	172,609	10,831	1,407	15,230	-	900	-	29,440	230,417	226,982
Professional fees	201,574	12,062	1,829	10,536	-	-	-	301,233	527,234	548,892
Occupancy	302,684	25,317	447	53,805	3,300	-	-	68,635	454,188	393,629
Supplies	131,881	5,724	1,139	11,395	-	285	4	5,148	155,576	58,672
Utilities	90,868	6,596	639	10,215	600	156	-	3,613	112,687	107,763
Telephone	64,994	16,228	2,383	28,531	-	835	-	7,647	120,618	101,683
Training and technical assistance	51,200	1,900	2,811	4,040	-	-	9,313	14,646	83,910	87,331
Miscellaneous	79,173	3,109	563	7,014	-	-	324	21,786	111,969	138,349
Vehicles	-	15	7,694	34,101	-	-	-	2,922	44,732	31,473
Insurance	18,499	7,866	5,802	8,372	59	-	-	14,745	55,343	54,108
Depreciation	-	-	-	-	-	-	-	76,917	76,917	91,342
Printing	13,684	6,309	647	5,204	-	91	-	3,387	29,322	32,703
Interest	-	-	-	-	-	-	-	18,089	18,089	19,614
Travel	2,585	417	1,813	5,516	-	-	35	56	10,422	14,214
Technology	61,336	1,720	152	3,073	-	-	-	5,571	71,852	28,402
Equipment	7,354	1,955	5,507	3,225	-	-	83	3,980	22,104	62,449
Special events	3,588	-	-	-	-	-	-	-	3,588	2,384
Postage and shipping	1,825	1,336	141	1,482	-	-	-	934	5,718	4,927
Board and advisory council	-	-	-	-	-	-	-	1,394	1,394	1,707
Total expenses	\$ 3,952,677	\$ 3,282,269	\$ 254,093	\$ 3,012,676	\$ 241,322	\$ 149,901	\$ 98,214	\$ 791,588	\$ 11,782,740	\$ 10,881,670

See accompanying notes.

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Years ended September 30,	
	2022	2021
		<i>(restated)</i>
Operating activities		
Change in net assets	\$ 67,722	\$ 969,537
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	76,917	91,342
Loss (gain) on sale of property and equipment	3,339	(2,111)
PPP refundable advance recognized	-	(711,165)
Changes in operating assets and liabilities:		
Accounts receivable	2,039	708
Grants receivable	629,052	(581,917)
Prepaid expenses and other assets	4,929	92,744
Accounts payable	123,659	(7,701)
Accrued expenses	253,280	2,465
Unearned revenue	(191,002)	125,008
Net cash provided by (used in) operating activities	<u>969,935</u>	<u>(21,090)</u>
Investing activities		
Purchases of property and equipment	(66,764)	(219,341)
Proceeds from sale of property and equipment	10,500	11,500
Net cash used in investing activities	<u>(56,264)</u>	<u>(207,841)</u>
Financing activities		
Payments on micro-enterprise loan	-	(24,369)
Payments on line of credit	(1,786)	(25,080)
Payments on note payable	(15,875)	(15,667)
Net cash used in financing activities	<u>(17,661)</u>	<u>(65,116)</u>
Increase (decrease) in cash and cash equivalents	896,010	(294,047)
Cash and cash equivalents at beginning of year	1,094,691	1,388,738
Cash and cash equivalents at end of year	<u>\$ 1,990,701</u>	<u>\$ 1,094,691</u>
Supplemental disclosure of cash flow:		
Cash paid for interest	\$ 17,790	\$ 19,614
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, 2022 and 2021

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, per FDIC-insured financial institution. 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 individual 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 additions over \$5,000 are recorded at cost less accumulated depreciation. Depreciation is computed using 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
Leasehold improvements	10 years
Furniture and equipment	5-10 years
Vehicles	5-10 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.

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. Contributions restricted by donors are reported 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.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Operating revenues

Operating revenues consist principally of proceeds from cost reimbursement federal grants, and are recognized during the year in which the terms of the grant are satisfied. 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.

Grants, contributions of cash, or other assets are recognized with donor restrictions if they are received with donor stipulations that limit the use or 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 consolidated 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 and are performed by people with those skills, which 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 consolidated 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.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies (continued)

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, 2019 and prior.

Subsequent Events

The Agency has evaluated subsequent events through March 27, 2024, the date the financial statements were available to be issued. Subsequent events identified by the Agency are described in Note 15.

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.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,990,701	\$ 1,094,691
Accounts receivable	139,693	141,732
Grants receivable	<u>737,603</u>	<u>1,366,655</u>
Total financial assets	2,867,997	2,603,078
Net assets with donor restrictions	<u>(354,185)</u>	<u>(406,615)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 2,513,812</u>	<u>\$ 2,196,463</u>

3. Grants Receivable

Grants receivable consists of the following:

	September 30,	
	<u>2022</u>	<u>2021</u>
Low-Income Home Energy Assistance Program	\$ 326,582	\$ 827,402
Weatherization Assistance Program	37,019	76,112
Community Services Block Grant	230,671	407,169
Child Care Food Program	58,357	32,839
Voluntary Pre-K Program	5,811	1,510
Head Start Community Human Service Partnership	11,493	21,036
Head Start	57,588	-
School Readiness Program	<u>10,082</u>	<u>587</u>
	<u>\$ 737,603</u>	<u>\$ 1,366,655</u>

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

4. Unearned Revenue

Unearned revenue at September 30, consists of the following:

	<u>2022</u>	<u>2021</u> <i>(restated)</i>
Low-Income Home Energy Assistance Program	\$ -	\$ 4,567
Weatherization Assistance Program	82,223	83,805
Community Services Block Grant	80,381	91,971
Other	5,881	8,059
Head Start	620,767	705,129
Voluntary Pre-K Program	-	57,232
School Readiness Program	-	19,453
USDA/CCFP	38,997	58,959
Emergency Food & Shelter Program (FEMA)	-	3,276
Early Learning Coalition	13,200	-
	<u>\$ 841,449</u>	<u>\$ 1,032,451</u>

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

	<u>2022</u>	<u>2021</u> <i>(restated)</i>
Unearned revenue, beginning of year	\$ 1,032,451	\$ 907,443
Revenue recognized that was included in unearned revenue at beginning of year	(210,249)	(173,636)
Increases in unearned revenue due to cash received during the year	<u>19,247</u>	<u>298,644</u>
Unearned revenue, end of year	<u>\$ 841,449</u>	<u>\$ 1,032,451</u>

The unearned revenue at end of year represents the amounts received that cannot be recognized until their performance obligations have been satisfied when obligations relating to grants are performed.

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>2022</u>	<u>2021</u>
Buildings	\$ 650,486	\$ 650,486
Furniture, equipment, and vehicles	505,504	509,332
Land	125,690	125,690
Mobile homes	19,770	59,310
Building improvements	<u>121,636</u>	<u>-</u>
	1,423,086	1,344,818
Less accumulated depreciation	<u>544,365</u>	<u>504,649</u>
	<u>\$ 878,721</u>	<u>\$ 840,169</u>

Depreciation expense for the years ended September 30, 2022 and 2021 was \$76,917 and \$91,342, 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 \$698,745 and \$322,047, respectively, at September 30, 2022, and \$650,329 and \$301,089, respectively, at September 30, 2021.

6. Operating Leases

The Agency leases office space and office equipment under operating leases. Rent expense for the years ended September 30, 2022 and 2021 was \$389,188 and \$393,629, 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>		
2023	\$	434,764
2024		232,065
2025		179,622
2026		183,479
2027		<u>15,252</u>
	\$	<u>1,045,182</u>

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

7. Notes Payable

Notes payable at September 30, consists of the following:

	<u>2022</u>	<u>2021</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.	\$ 347,811	\$ 363,466
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>135,438</u>	<u>135,658</u>
	483,249	499,124
Unamortized debt issuance costs	2,944	2,944
Notes payable, current portion	<u>16,454</u>	<u>15,655</u>
Notes payable, non-current portion	<u>\$ 463,851</u>	<u>\$ 480,525</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>	
2023	\$ 16,446
2024	17,286
2025	18,168
2026	19,096
2027	<u>412,253</u>
	<u>\$ 483,249</u>

Interest expense for the years ended September 30, 2022 and 2021 was \$17,790 and \$19,614, 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, 2022 and 2021 were \$57,158 and \$49,640, 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. As of September 30, 2022, the Agency has an accounts payable of \$65,000 resulting from grantor disallowed costs. See note 15 for details.

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>2022</u>	<u>2021</u>
Head Start	\$ 390,403	\$ 418,042

Management estimates the value of contributed volunteer services not recognized as revenue was \$3,506 and \$14,985 for the years ended September 30, 2022 and 2021, 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,	
	2022	2021
Family Support Services	\$ 187,994	\$ 183,037
Talquin Assistance Program	13,681	61,325
Duke Energy Neighbor Fund	37,356	23,428
Head Start	13,386	-
Truist (formerly SunTrust) Foundation	33,737	55,928
Fire Disaster Relief	9,258	16,701
Hancock Bank Covid-19 Assistance	25,070	26,070
Other	33,703	40,126
	<u>\$ 354,185</u>	<u>\$ 406,615</u>

12. Concentrations of Revenue

The Agency received approximately 35% and 32% of its revenue directly from the Federal government during the years ended September 30, 2022 and 2021, respectively. An additional 59% and 56% 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, 2022 and 2021, respectively.

13. Loan Forgiveness

On May 5, 2020, the Agency received loan proceeds in the amount of \$711,165 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which 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 loan has been recognized in income and is presented as other revenue on the consolidated 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. No PPP loan was received during the year ended September 30, 2022.

14. Correction of an Error

As discussed in Note 13, the Agency recorded revenue of \$711,165 associated with the Paycheck Protection Program (PPP) in the year ended September 30, 2021. In the current year, the Agency became aware that expenses used for PPP forgiveness were also reported to a federal agency as reimbursable expenses in the year ended September 30, 2020 and were reimbursed and recorded as grant revenues in the amount of \$606,657. These reported amounts result in a prior period adjustment as PPP funds cannot be forgiven for costs reimbursed by a separate federal program. In order to correct the error, grant revenues were decreased and deferred revenues were increased by \$606,657 for the year ended September 30, 2020. This error had a corresponding impact to decrease undesignated net assets by \$606,657 as of September 30, 2020.

Capital Area Community Action Agency, Inc. and Subsidiary

Notes to Consolidated Financial Statements

14. Correction of an Error (continued)

As discussed in Note 1 (Revenue Recognition), the Agency records proceeds from cost reimbursement federal grants during the year in which the terms of the grant are satisfied. Any amounts received prior to grant terms being satisfied are recorded as deferred revenues. In the current year the Agency identified that for the year ended September 30, 2021 reported expenses outpaced recorded revenues and that the related deferred revenue balance required adjustment. These reported amounts result in a prior period adjustment to record the related revenue and decrease deferred revenues by \$52,034. This error had a corresponding impact to increase undesignated net assets by \$52,034 as of September 30, 2021.

15. Subsequent Events

On March 10, 2023, the Florida Department of Economic Opportunity (DEO) released a monitoring report communicating the results of its routine monitoring of the Agency's administration of the Community Services Block Grant (CSBG), Low-Income Household Energy Assistance Program (LIHEAP), Low-Income Household Water Assistance Program (LIHWAP), and Weatherization Assistance Program (WAP). In this letter, the DEO documented three findings regarding grant administration.

The Agency formally responded to the findings on April 10, 2023 noting the Agency's willingness and ability to resolve all deficiencies identified in the March 10, 2023 letter while disagreeing with the nature and conclusions of the findings presented in the monitoring report. On September 22, 2023 a settlement agreement was entered into for an amount of \$65,000. This agreement settled all reported findings and amounts through January 2023. The Agency paid the full amount owed on October 18, 2023. This amount is recognized as a liability and expense for the year ended September 30, 2022 because the underlying events that resulted in a liability occurred prior to September 30, 2022.

Other Financial Information

Capital Area Community Action Agency, Inc. and Subsidiary

Consolidating Schedule of Financial Position

September 30, 2022

	<u>Agency</u>	<u>Holdings</u>	<u>Consolidating and Eliminating Entries</u>	<u>Consolidated Totals</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,889,211	\$ 101,490	\$ -	\$ 1,990,701
Accounts receivable	208,326	-	(68,633)	139,693
Grant receivable	737,603	-	-	737,603
Prepaid expenses and other current assets	10,422	-	(9,945)	477
Intercompany receivables	16	-	(16)	-
Total current assets	<u>2,845,578</u>	<u>101,490</u>	<u>(78,594)</u>	<u>2,868,474</u>
Property and equipment, net	385,062	493,659	-	878,721
Construction in progress	67,368	-	-	67,368
Total assets	<u>\$ 3,298,008</u>	<u>\$ 595,149</u>	<u>\$ (78,594)</u>	<u>\$ 3,814,563</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 447,874	\$ 68,796	\$ (68,649)	\$ 448,021
Accrued expenses	413,720	-	-	413,720
Unearned revenue	841,449	9,945	(9,945)	841,449
Current maturities of debt	-	16,454	-	16,454
Total current liabilities	<u>1,703,043</u>	<u>95,195</u>	<u>(78,594)</u>	<u>1,719,644</u>
Notes payable	135,438	328,413	-	463,851
Total liabilities	<u>1,838,481</u>	<u>423,608</u>	<u>(78,594)</u>	<u>2,183,495</u>
Net assets:				
With donor restrictions				
Restricted for purpose or time	354,185	-	-	354,185
Without donor restrictions				
Undesignated net assets	1,105,342	171,541	-	1,276,883
Total net assets	<u>1,459,527</u>	<u>171,541</u>	<u>-</u>	<u>1,631,068</u>
Total liabilities and net assets	<u>\$ 3,298,008</u>	<u>\$ 595,149</u>	<u>\$ (78,594)</u>	<u>\$ 3,814,563</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, 2022

	<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	\$ 11,232,511	\$ -	\$ -	\$ 11,232,511
Contributions and other support	220,760	-	-	220,760
In-kind contributions	390,403	-	-	390,403
Other revenue	6,788	140,359	(140,359)	6,788
Total revenues and other support	<u>11,850,462</u>	<u>140,359</u>	<u>(140,359)</u>	<u>11,850,462</u>
Expenses:				
Program services	11,131,511	-	(140,359)	10,991,152
Support services	670,295	121,293	-	791,588
Total expenses	<u>11,801,806</u>	<u>121,293</u>	<u>(140,359)</u>	<u>11,782,740</u>
Change in net assets	<u>48,656</u>	<u>19,066</u>	<u>-</u>	<u>67,722</u>
Net assets at beginning of year, as restated	<u>1,410,871</u>	<u>152,475</u>	<u>-</u>	<u>1,563,346</u>
Net assets at end of year	<u>\$ 1,459,527</u>	<u>\$ 171,541</u>	<u>\$ -</u>	<u>\$ 1,631,068</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 (*Government Auditing Standards*), 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, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2024.

Report on 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 consolidated 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 were not identified. 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 or significant deficiencies may exist that were not identified.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs relating to federal awards as items 2022-001 – 2022-003.

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs relating to federal awards. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 27, 2024

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

Qualified and Unmodified Opinions

We have audited Capital Area Community Action Agency, Inc. and Subsidiary's (the Agency) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

Qualified Opinion on Community Service Block Grant Program-93.569

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Community Service Block Grant Program for the year ended September 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Community Service Block Grant Program-93.569

As described in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding *Assistance Listing No. 93.569 Community Service Block Grant as described in finding numbers 2022-004 for Tri-Partite Board composition.*

Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

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In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other 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 items 2022-001, 2022-002, and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Page Four

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness. 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 - 2022-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other 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
March 27, 2024

Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

Grantor and Program Title	CFDA Number	Passthrough Award No.	Total Expenditures	Transfers to Subrecipients
Direct Federal Awards				
United States Department of Health and Human Services				
Head Start	93.600	N/A	\$ 3,901,716	-
COVID-19 - Head Start	93.600	N/A	149,013	-
Total - Head Start			<u>4,050,729</u>	<u>-</u>
Total Expenditures of Direct Federal Awards			<u>4,050,729</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	259,573	-
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	2,055,874	-
COVID-19 - Low-Income Home Energy Assistance Program	93.568	E-1994	1,462,606	-
Total - Low-Income Home Energy Assistance Program			<u>3,518,480</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	3,146,336	783,209
COVID-19 - Community Services Block Grant Program	93.569	E-1994	591	-
Total - Community Services Block Grant Program			<u>3,146,927</u>	<u>783,209</u>
United States Department of Energy				
Passed Through:				
State of Florida, Department of Economic Opportunity				
Weatherization Assistance Program	81.042	E-1994	154,138	-
United States Department of Homeland Security				
Passed Through:				
Federal Emergency Management Agency				
Emergency Food and Shelter Program	97.024	37-1656-00 008	600	-
Total Expenditures of Indirect Federal Awards			<u>7,079,718</u>	<u>783,209</u>
Total Expenditures of Federal Awards			<u>\$ 11,130,447</u>	<u>\$ 783,209</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, 2022, 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 Agency 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, 2022

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?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

Federal Programs

Type of auditor's report issued on compliance for major federal programs?			
<u>CFDA Number</u>	<u>Name of Federal Program</u>		
93.600	Head Start		Unmodified
93.569	Community Services Block Grant Program		Qualified

Internal control over Federal programs:	
Material weakness(es) identified?	Yes
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)?	Yes
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Identification of major programs:		
<u>CFDA Number</u>	<u>Name of Federal Program</u>	
93.600	Head Start	
93.569	Community Services Block Grant 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

2022-001 Payroll Protection Program Forgiveness

Criteria: White House OMB Memo M20-26 which states, "payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice." 2 CFR 200.403 states that "except where otherwise authorized by statute, costs must meet the following general criteria in order to allowable under Federal awards...(f) not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

Condition: Management used payroll from a federal grant (Head Start) to apply for PPP loan forgiveness. This same payroll was requested for reimbursement. Such payroll amounts cannot be reimbursed by both the PPP program and other federal funding.

Effect: Previous reporting for Headstart grant expenditures was not accurate due to subsequent receipt of PPP funds forgiveness. The Agency is out of compliance with the PPP requirements, standards of White House OMB Memo M20-26 and 2 CFR 200.403.

Cause: Management applied for the PPP loan not knowing if their grant funds were going to continue during the Covid-19 pandemic. The PPP loan was applied for 6 weeks prior to the White House OMB Memo M20-26 being issued, therefore Management's interpretation of the rules at that time did not contemplate the disallowance for costs also covered by a separate federal grant program.

Recommendation: The Agency should seek grantor guidance regarding deferred grant funds.

Management's Response: See the Management's Response to Findings section for management's detailed response to item 2022-001.

Capital Area Community Action Agency, Inc. and Subsidiary

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

Year ended September 30, 2022

Section III -- Federal Award Findings and Questioned Costs

2022-001 Payroll Protection Program Forgiveness - See above in Section II.

2022-002 Internal Controls Over Compliance -Allowable Costs/Cost Principles (Related Party Rental Payments) - Head Start (HS) - CFDA 93.600 - Grant Period Year Ended September 30, 2022

Criteria: Rents paid between the Agency and its subsidiary resulted in amounts charged to the program in amounts greater than the allowable amounts based on 2 CFR 200.465.

Condition: The Agency leases office space from its subsidiary, Capital Area Community Action Agency Holdings, Inc. (Holdings). Rental payments are based on a set monthly rate. However, rental costs under less-than-arm's-length leases are allowable only up to the amount of actual costs incurred to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance. Management calculation of rental costs included unallowable components such as loan principle, future planned repairs and maintenance, and the amortization of a future loan payment. These costs are not allowable under 2 CFR 200.

Questioned Costs: \$20,679

Effect: The Agency is out of compliance with the allowable costs principles concerning related party rental payments.

Cause: Management's interpretation of the allowable costs principles included various other costs such as principal payments, future repairs, and the amortization of future principle payments.

Recommendation: The Agency should review its lease agreement and reconcile payments made to Holdings for allowable expenditures and determine if any amounts are due back to the grantor. The Agency should also amend their lease agreement to include only allowable costs.

Management's Response: See the Management's Response to Findings section for management's detailed response to item 2022-002.

2022-003 Internal Controls Over Compliance -Allowable Costs/Cost Principles (Related Party Rental Payments) - Community Service Block Grant Program (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022

Criteria: Rents paid between the Agency and its subsidiary resulted in amounts charged to the program in amounts greater than the allowable amounts based on 2 CFR 200.465.

Condition: The Agency leases office space from its subsidiary, Capital Area Community Action Agency Holdings, Inc. (Holdings). Rental payments are based on a set monthly rate. However, rental costs under less-than-arm's-length leases are allowable only up to the amount of actual costs incurred to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance. Management calculation of rental costs included unallowable components such as loan principle, future planned repairs and maintenance, and the amortization of a future loan payment. These costs are not allowable under 2 CFR 200.

Questioned Costs: \$13,587. These costs were satisfied with the settlement agreement with the Florida Department of Commerce as described in note 15.

Effect: The Agency is out of compliance with the allowable costs principles concerning related party rental payments.

Cause: Management's interpretation of the allowable costs principles included various other costs such as principal payments, future repairs, and the amortization of future principle payments.

Recommendation: The Agency should review its lease agreement and reconcile payments made to Holdings for allowable expenditures and determine if any amounts are due back to the grantor. The Agency should also amend their lease agreement to include only allowable costs.

Management's Response: See the Management's Response to Findings section for management's detailed response to item 2022-003.

2022-004 Internal Controls Over Compliance - Special Tests and Provisions (Tri-Partite Board) - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.569, CGSB and the CSBG Act at 42 USC 9910(a) nonprofit organizations administer CSBG through a board comprising of one third (1/3) of the members be elected representatives in the community or their designee. Additionally, not fewer than one-third (1/3) of the board members are chosen in a democratic selection process adequate to assure that these members of the board are representative of the low-income individuals and families served.

Capital Area Community Action Agency, Inc. and Subsidiary

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

Year ended September 30, 2022

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

2022-004 Internal Controls Over Compliance - Special Tests and Provisions (Tri-Partite Board) - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022 (Continued)

Condition: The Agency was unable to meet the 1/3 requirement for public elected/appointed officials and/or the 1/3 requirement for low income individuals and families served during the year ended September 30, 2022.

Questioned Costs: N/A

Effect: The Agency is out of compliance with the provisions requiring 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 these areas, 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 2022-004.

2022-005 Internal Controls Over Compliance - Monitoring - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.569, when a pass-through entity provides federal awards 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 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 third parties and was required to pass these funds through based on the contract requirements. While they were aware of the requirements to perform subrecipient monitoring, they did not perform those procedures on 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 2022-005.

2022-006 Internal Controls Over Compliance - Eligibility - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022

Criteria: In accordance with the requirements of the Program outlined in CFDA 93.569, the official guidelines as revised annually by HHS shall be used to determine eligibility.

Capital Area Community Action Agency, Inc. and Subsidiary

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

Year ended September 30, 2022

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

2022-006 Internal Controls Over Compliance - Eligibility - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022 (Continued)

Condition: The test of the Agency's controls over compliance with eligibility compliance requirements resulted in four of 25 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 two of 25 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 2022-006.

Section IV -- Other Matters

No other matters.

See report of independent auditors.

Capital Area Community Action Agency

December 15, 2023

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

Re: Audit Finding 2022-001, 2022-002, 2022-03, 2022-04, 2022-05, 2022-06

Dear Ms. Harrell,

We have review Finding 2022-001, 2022-002, 2022-03, 2022-04, 2022-05, and 2022-06. Response to the findings stated below.

2022-001

Capital Area Community Action Agency's use of the Payroll Protection Program loan forgiveness resulted in unearned revenue from grantor. Capital Area Community Action Agency will pursue working with the Office of Head Start regarding use of those funds within the project period.

2022-002

Capital Area Community Action Agency has removed the unallowable costs from the rental calculation for related party transactions with Capital Area Community Action Agency, Holdings. Capital Area Community Action Agency will pursue working with the Office of Head Start regarding use of those questioned costs within the project period.

2022-003

Capital Area Community Action Agency has removed the unallowable costs from the rental calculation for related party transactions. Capital Area Community Action Agency satisfied the questioned costs as part of the settlement agreement with grantor; see Note 15 of Consolidated Financial Statements.

2022-004

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



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Capital Area Community Action Agency

efforts.

Board will work to develop a more robust recruitment method to ensure a balance of representation from the three sectors.

2022-005

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. DEO contracted with Thomas Howell Ferguson to provide management oversight and on-site monitoring. In the future, should the Agency assume a quarterback role, direct onsite monitoring will be planned for and executed accordingly.

2022-006

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 audit final report as our Corrective Action Plan.

Sincerely,

Tim Center

Tim Center, Esq.
Chief Executive Office



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Capital Area Community Action Agency, Inc. and Subsidiary

Summary Schedule of Prior Audit Findings
Federal Awards

Year ended September 30, 2022

Finding Number **Prior Audit Finding**

2021-002	<p>United States Department of Health and Human Services Passed Through: State of Florida, Department of Economic Opportunity 93.569 Community Service Block Grant Program (CSBG)</p> <p><i>Condition:</i> The Agency was unable to meet the 1/3 requirement for public elected/appointed officials during the year ended September 30, 2021.</p> <p><i>Auditor Recommendation:</i> 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.</p> <p><i>Current Status:</i> Unresolved. See current year finding number 2022-004.</p>
2021-003	<p>United States Department of Health and Human Services Passed Through: State of Florida, Department of Economic Opportunity 93.569 Community Service Block Grant Program (CSBG)</p> <p><i>Condition:</i> The Agency did not monitor their sub-recipients processes for participant eligibility with CSBG criteria.</p> <p><i>Auditor Recommendation:</i> 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.</p> <p><i>Current Status:</i> Unresolved. See current year finding number 2022-005.</p>
2021-004	<p>United States Department of Health and Human Services Passed Through: State of Florida, Department of Economic Opportunity 93.569 Community Service Block Grant Program (CSBG)</p> <p><i>Condition:</i> 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.</p> <p><i>Auditor Recommendation:</i> 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.</p> <p><i>Current Status:</i> Unresolved. See current year finding number 2022-006.</p>

See report of independent auditors.