

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
MARION, VA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2017

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.

ANNUAL FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
<u>AUDITOR’S REPORTS:</u>	
Independent Auditor’s Report	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	6
<u>FINANCIAL STATEMENTS:</u>	
Statement of Financial Position	8
Statement of Activities	9
Statement of Cash Flows	10
Statement of Functional Expenses	11
Notes to Financial Statements	12
<u>SUPPLEMENTARY INFORMATION:</u>	
Schedule of Expenditures of Federal Awards	20
Statement of Activities and Changes in Net Assets – Head Start	21
Statement of Activities and Changes in Net Assets – Child Care Food Program (USDA)	22
Statement of Activities and Changes in Net Assets – Virginia Department of Social Services	23
Statement of Activities and Changes in Net Assets – Virginia Department of Housing Weatherization Program	24
Statement of Activities and Changes in Net Assets – Virginia Department of Housing Low Income Home Energy Assistance Program (LIHEAP)	25
Statement of Activities and Changes in Net Assets – Project Discovery	26
Statement of Activities and Changes in Net Assets – Other Funds	27
Schedule of Findings and Questioned Costs	28



Thomas M. Hicok, CPA, CVA, MAFF^{I,IV*}
James H. Fern, CPA, CVA^{III*}
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Rodney P. Jackson, CPA^{II}

Hicok, Fern
& COMPANY CPAs

TRUST. LEGACY. VALUES. IT ALL ADDS UP.

155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123 Fax: (276) 676-3000
e-mail: hicokfern&co@firmcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain Community Action Program, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mountain Community Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

INDEPENDENT AUDITOR'S REPORT

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Community Action Program, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

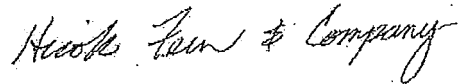
The additional supplementary information (Schedules 2-8) is presented for purposes of additional analysis and is not a required part of the financial statements. We did not audit or apply limited procedures to such information, and accordingly we do not express an opinion or provide and assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of Mountain Community Action Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

INDEPENDENT AUDITOR'S REPORT

the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Mountain Community Action Program, Inc.'s internal control over financial reporting and compliance.



Hicok, Fern & Company
Certified Public Accountants

November 29, 2017



Thomas M. Hicok, CPA, CVA, MAFF^{I,IV*}
James H. Fern, CPA, CVA^{III*}
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Rodney P. Jackson, CPA^{II}

Hicok, Fern
& COMPANY CPAs

TRUST. LEGACY. VALUES. IT ALL ADDS UP.

155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123 Fax: (276) 676-3000
e-mail: hicokfern&co@firmcpa.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Mountain Community Action Program, Inc.

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 the financial position, activities, and cash flows of Mountain Community Action Program, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Mountain Community Action Program, Inc.'s basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mountain Community Action Program, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain Community Action Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain Community Action Program Inc.'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.

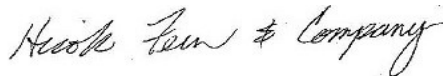
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Compliance and Other Matters

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

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.



Hicok, Fern & Company
Certified Public Accountants

November 29, 2017



Thomas M. Hicok, CPA, CVA, MAFF^{I,IV*}
James H. Fern, CPA, CVA^{III*}
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Rodney P. Jackson, CPA^{II}

Hicok, Fern
& COMPANY CPAs

TRUST. LEGACY. VALUES. IT ALL ADDS UP.

155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123 Fax: (276) 676-3000
e-mail: hicokfern&co@firmcpa.com

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Mountain Community Action Program, Inc.

Report on Compliance for Each Major Federal Program

We have audited Mountain Community Action Program, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mountain Community Action Program, Inc.'s major federal programs for the year ended June 30, 2017. Mountain Community Action Program, Inc.'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mountain Community Action Program, Inc.'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 Mountain Community Action Program, Inc.'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 Mountain Community Action Program, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Mountain Community Action Program, Inc.'s, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Mountain Community Action Program, Inc.'s 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 Mountain Community Action Program, Inc.'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 Mountain Community Action Program, Inc.'s internal control over compliance.

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

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

The 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.



Hicok, Fern & Company
Certified Public Accountants

November 29, 2017

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
MARION, VA
STATEMENT OF FINANCIAL POSITION
FOR JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash in bank	\$ 6,098
Grants receivable	188,729
Inventory	<u>9,351</u>
Total Current Assets	<u>204,178</u>

PROPERTY AND EQUIPMENT

Fixed assets	1,048,520
Less: accumulated depreciation	<u>(971,726)</u>
Net Property and Equipment	<u>76,794</u>

TOTAL ASSETS	<u>\$ 280,972</u>
--------------	-------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 93,849
Accrued salaries	23,760
Deferred revenue	<u>1,689</u>
Total Current Liabilities	<u>119,298</u>

LONG-TERM LIABILITIES

Accrued annual leave	<u>26,591</u>
----------------------	---------------

TOTAL LIABILITIES	<u>145,889</u>
-------------------	----------------

NET ASSETS

Unrestricted	58,289
Temporarily restricted	<u>76,794</u>
Total Net assets	<u>135,083</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 280,972</u>
----------------------------------	-------------------

See accompanying notes to financial statements

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
MARION, VA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL AGENCY</u>
SUPPORT AND REVENUE			
Grant funds	\$ -	\$ 2,263,276	\$ 2,263,276
Interest income	5	-	5
Contributions	991	18,193	19,184
In-kind revenue	-	546,471	546,471
Net assets released from restrictions	2,779,389	(2,779,389)	-
	<u>2,780,385</u>	<u>48,551</u>	<u>2,828,936</u>
EXPENDITURES			
Personnel	1,181,451	-	1,181,451
Fringe benefites	401,902	-	401,902
Contractual	10,506	-	10,506
Travel	32,866	-	32,866
Repairs & maintenance	43,535	-	43,535
Telephone & Utilities	81,831	-	81,831
Vehicle maintenance	64,208	-	64,208
Insurance	52,591	-	52,591
Supplies	64,668	-	64,668
Cost of materials	42,364	-	42,364
Food cost	106,887	-	106,887
Rental, lease, or purchase of equipment	13,865	-	13,865
Client assistance	86,548	-	86,548
Other direct cost	87,067	-	87,067
Depreciation expense	29,930	-	29,930
In-kind expense	546,471	-	546,471
	<u>2,846,690</u>	<u>-</u>	<u>2,846,690</u>
Changes in Net Assets	(66,305)	48,551	(17,754)
Net Assets At Beginning of Year	<u>124,594</u>	<u>28,243</u>	<u>152,837</u>
Net Assets At End of Year	<u>\$ 58,289</u>	<u>\$ 76,794</u>	<u>\$ 135,083</u>

See accompanying notes to financial statements

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
MARION, VA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING ACTIVITIES:	<u>TOTAL</u>
Change in net assets	\$ (17,754)
Adjustment to reconcile Net Income (Loss) to net cash provided by operating activities	
Depreciation	29,930
Decrease (Increase) in Assets:	
Grants receivable	(82,844)
Inventory	3,521
Prepaid expenses	2,800
Increase (Decrease) in Liabilities:	
Accounts and wages payable	66,873
Deferred revenue	(2,871)
Accrued annual leave	453
Total Adjustments	<u>17,862</u>
Net Cash Provided By (Used In) Operating Activities	<u>108</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(11,245)</u>
Net Cash Provided (Used In) Investing Activities	<u>(11,245)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(11,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,235</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 6,098</u></u>

Supplemental Cash Flow Information

Mt. CAP, Inc. paid no interest during the year ended June 30, 2017

For purposes of the Statement of Cash Flows, Mt. CAP, Inc. considers all cash on hand, checking, savings and certificate of deposit accounts to be cash or cash equivalents.

See accompanying notes to financial statements

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
MARION, VA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

EXPENDITURES	Management and General	Program Services	Total Expenditures
Personnel	\$ 198,000	\$ 983,451	\$ 1,181,451
Fringe benefits	66,075	335,827	401,902
Contractual	-	10,506	10,506
Travel	733	32,133	32,866
Repairs & maintenance	5,577	37,958	43,535
Telephone & utilities	6,894	74,937	81,831
Vehicle maintenance	-	64,208	64,208
Insurance	3,277	49,314	52,591
Supplies	8,839	55,829	64,668
Cost of materials	-	42,364	42,364
Food cost	-	106,887	106,887
Rental, lease or purchase of equipment	225	13,640	13,865
Client assistance	-	86,548	86,548
Other direct costs	11,096	75,971	87,067
Depreciation expense	-	29,930	29,930
In-kind expense	-	546,471	546,471
TOTAL EXPENDITURES	\$ 300,716	\$ 2,545,974	\$ 2,846,690

See accompanying notes to financial statements

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mountain Community Action Program, Inc. (Mt. CAP, Inc.) is a non-profit corporation organized to carry out community action programs which are generally funded by revenue from agency programs and grants from local, state and federal agencies. Such grants usually requires compliance with prescribed grant conditions and other special requirements, including the furnishing of certain amounts of cash or noncash contributions.

Income Tax

Mt. CAP, Inc. is a non-profit corporation exempt from federal income tax under the provisions of section 501 (c) 3 of the Internal Revenue Code: it had no unrelated business income subject to federal income tax under section 511 of the Internal Revenue Code.

Basis of Accounting

Mt. CAP, Inc. uses the accrual method of accounting for financial reporting. Under this method, revenues and expenses are reflected in the accounts in the period in which they are considered to have been earned or incurred

Financial Statement Presentation

Mt. CAP, Inc.'s financial statements are presented in accordance with Financial Accounting Standard Board Codification 958-205 & 958-605. Net assets of the organizations are reported based on the existence of donor or grantor imposed restrictions. The following classifications are used to report the net assets of Mt. CAP, Inc.

Temporarily Restricted - The part of the net assets of the organization resulting (a) from inflows of assets whose use by the organization is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Unrestricted - The part of net assets of the organization that is not restricted by donor or grantor imposed stipulations.

The organization reports grants of cash and other assets as restricted support if they are received with grantor stipulations that limit the use of the grant asset. When the grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as released from restrictions.

Transfers Between Funds

Transfers are made between the cost allocation plan and various grants administered by Mt. CAP, Inc. for payroll and administrative expenses.

Inventory

Inventory is valued at the lower of cost or market.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund.

Recording of Grant Revenue

Mt. CAP, Inc. recognizes support from its cost reimbursement grants as costs are incurred.

Fixed Assets

Fixed assets purchased with grant funds are recorded as expense at the time of purchase as required for reporting to the funding agencies. These assets are then set in the fixed asset fund and are depreciated over their estimated useful lives. Fixed assets are recorded at cost, if purchased, and fair market value at date of receipt, if donated.

In-kind Contributions and Expenditures

Donated services are valued at rates consistent with those regular rates paid for similar work within the agency. Donated contractual services are valued at the contractors' normal rates. Donated materials are valued at their estimated fair market value at the date of receipt. Donated space is valued at the fair rental value of comparable space in the area.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net assets released from restrictions

Net assets released from restrictions is the mechanism used to decrease temporarily restricted net assets, when restrictions are met, and increase unrestricted net assets. For report purposes, all grant revenue received with restrictions are shown as temporarily restricted regardless if the restrictions are met. If the restrictions are met during the audit period, net assets released from restrictions is decreased for temporarily restricted net assets and unrestricted net assets is increased. This is a truer picture as to the flow of temporarily restricted net assets from restricted to unrestricted.

NOTE 2 – PROTECTION OF DEPOSITS

At year-end, all of the agency's bank deposits were with banks with federal depository insurance. Additionally, Mountain Community Action Program, Inc. falls within the regulations set forth by the State of Virginia regarding Public Funds.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consists of the following:

Head Start	\$ 68,131
CSBG Federal	37,778
CSBG TANF	3,818
Project Discovery	932
LIHEAP	69,532
IRS VITA	3,333
Wythe Band Foundation	<u>5,205</u>
Total	<u>\$ 188,729</u>

NOTE 4 - FIXED ASSETS

All property and equipment with a cost of \$500 or more and a useful life of more than one year are capitalized and depreciated over their useful lives for all programs except for the Head Start Program. Head Start guidelines for non-expendable property is \$5,000 per unit with a useful life of more than one year.

Mt. CAP, Inc. depreciates equipment monthly on a straight line basis. Mt. Cap, Inc. uses 60 months for the estimated useful life for all equipment except vehicles. Vehicles are depreciated for 84 months.

Furniture, Fixtures and Equipment	\$ 1,048,520
Accumulated Depreciation	<u>(971,726)</u>
Total	<u>\$ 76,794</u>

NOTE 5 – RETIREMENT PLAN

The retirement plan is a defined contribution pension plan under Section 403(b) of the Internal Revenue Service Code. Mt. CAP, Inc. contributes 5% of gross salaries paid during the year to all eligible participating employees. All full-time salaried employees with 90 days of service in the plan year are eligible to participate. Eligible employees may contribute to the plan. All allocations to participants become vested and non-forfeitable upon completion of two years of vesting service.

Mt. CAP, Inc.'s contribution on behalf of its employees amounted to \$54,515 for the year ended June 30, 2017. This is reflected under the cost category of fringe benefits.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – LEASE AGREEMENTS

Mt. CAP, Inc. entered into a lease agreement for rental of a Head Start Day Care Center in Bland, Virginia. The monthly payment is \$500 and is payable each month of the school year.

Mt. CAP, Inc. entered into a lease agreement for rental of a building in Marion, Virginia. The monthly payment is \$200.

Mt. CAP, Inc. entered into a lease agreement for rental of a building in Wytheville, Virginia. The monthly payment is \$100.

Mt. CAP, Inc. has also entered into lease agreements for other facility space. The owner of these properties, as a contribution to Mt. CAP, Inc., has waived lease fees for these facilities.

NOTE 7 – NET ASSETS

Net Assets are primarily unexpended funds. Under terms of the grant awards, grantors retain the right to require unexpended funds to be returned to the granting agency, unless prior approval is obtained for subsequent expending by Mt. CAP, Inc.

NOTE 8 – CONTINGENT LIABILITIES

Federal programs in which the agency participates were audited in accordance with provisions of the US Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 9 – RELATED PARTY TRANSACTIONS

Mountain Community Action Program, Inc. and the Bank of Marion are related parties. The nature of the relationship is that Ms. Kristy Dean is on staff of the Bank of Marion and is a member of the Mountain Community Action Program, Inc.'s board of directors. Mountain Community Action Program, Inc. had \$6,098 in deposits with the Bank of Marion at June 30, 2017. Ms. Dean has no personal interest from her relationship with Mountain Community Action Program, Inc.

NOTE 10 – ECONOMIC DEPENDENCY

The agency received over 98% of its support from Federal, State and Local Governments. Should these sources of funding fail to materialize or be discontinued, there would be substantial doubt about the ability of Mt. CAP, Inc. to continue its services.

NOTE 11 – CONCENTRATION RISK OF RECEIVABLES

The agency receives revenue primarily from Federal and State Governments. Due to the above, Mt. CAP, Inc. will have a relatively low level of concentration risk of uncollected receivables.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. The liability for compensated absences at June 30, 2017 was \$26,591.

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. ASU 2013-03 clarified revenue recognition principles to depict the transfer of goods or services in amounts that reflect the consideration the Organization expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update 2015-14 that defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual periods beginning after December 15, 2018. The Organization will implement this update for its year ended June 30, 2020 financial statements; the update is not expected to have a significant impact on the Organization's financial statements.

In August 2014, the FASB issues Accounting Standards Update 2014-15, Going Concern. ASU 2014-15 requires management to assess an entity's ability to continue as a going concern. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The Organization implemented this update for its year ended June 30, 2017 financial statements; the update does not have a significant impact on the Organization's financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, Consolidation. ASU 2015-02 clarifies the requirements to consolidate certain legal entities. ASU 2015-02 is effective for fiscal years beginning after December 15, 2016; the update is not expected to have a significant impact on the Organization's financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11, Inventory. ASU 2015-11 replaces the lower of cost or market test for subsequent measurements of inventory with a lower of cost or net realizable value test; the ASU applies only to inventories accounted for using the FIFO method. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016; the update is not expected to have a significant impact on the Organization's financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 requires certain investments to be measured at fair value and changes the impairment assessment approach for those investments; the ASU is effective for fiscal years beginning after December 15, 2018 and is not expected to have a significant impact on the Organization's financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires recognition of lease assets and lease liabilities. The ASU is effective for years beginning after December 15, 2019 and is not expected to have a significant impact on the Organization's financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures, which eliminates the requirement to retroactively record a change in an

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

investment to equity method accounting. The ASU is effective for years beginning after December 15, 2016 and is not expected to have a significant impact on the Organization's financial statements. In August 2016, the FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities. The ASU requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows: Restricted Cash, which changes the presentation of cash, cash equivalents, and restricted cash on the statement of cash flows. The amendments in this update are effective for the Organization's year ending June 30, 2020. The Organization is currently evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows, which requires a change in the presentation of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 will be effective for annual periods beginning after December 15, 2017 and is not expected to have a significant impact on the Organization's financial statements.

In January 2017, the FASB issued Accounting Standards Update 2017-02, Not-for-Profit Entities Consolidation, which clarifies when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity. ASU 2017-02 will be effective for annual periods beginning after December 15, 2016 and is not expected to have a significant impact on the Organization's financial statements.

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments under FASB Codification 825-10, *Disclosures About Fair Value of Financial Instruments*, as amended by FASB Codification 820-10, are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision. The following methods and assumptions are used to estimate the fair value of each class of financial instrument.

The carrying amounts of cash, receivables, accrued liabilities, and payables on the statement of financial position approximate fair value due to the short-term nature of these items.

FASB Codification 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Codification 820-10 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly through corroboration with observable market data. Level 2 inputs include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs used to measure fair value to the extent that observable inputs are not available and that are supported by little or no market activity for the asset or liability at the measurement date.

NOTE 15 – IN-KIND

The Head Start program is required to contribute 20% of the cost of the program through non-federal cash or in-kind contributions. The Organization had in-kind in the amount of \$546,471.

NOTE 16– SUBSEQUENT EVENTS

In preparing these financial statements, management of Mt. CAP, Inc. has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued.

SUPPLEMENTARY DATA

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 1

FEDERAL GRANT/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)		
Head Start	93.600 # \$	1,486,246
DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	15,354
Passed Through the Virginia Department of Housing & Community Development		
Weatherization Assistance for Low-Income Persons	81.042	65,261
Low Income Home Energy Assistance Program (LIHEAP)	93.568	258,749
OTHER FEDERAL ASSISTANCE		
Passed Through the Virginia Department of Social Services		
Community Services Block Grant	93.569	172,011
Temporary Assistance for Needy Families (TANF)	93.558	76,075
Passed Through the Virginia Department of Health		
USDA Reimbursement (Child Care Food Program)	10.558	<u>125,080</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 2,198,776</u>

Denotes Major Program

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mountain Community Action Program, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Mountain Community Action Program, Inc., it is not and does not present financial position, changes in net assets, or cash flows of Mountain Community Action Program, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
 FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 HEAD START
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 2

	PART DAY/ DISABLED	TRAINING	TOTAL (MEMO ONLY)
SUPPORT AND REVENUE			
Grant funds	\$ 1,462,052	\$ 24,194	\$ 1,486,246
Contributions	25	-	25
In-kind revenue	<u>416,323</u>	<u>-</u>	<u>416,323</u>
Total support and revenue	<u>1,878,400</u>	<u>24,194</u>	<u>1,902,594</u>
EXPENDITURES			
Personnel	860,852	-	860,852
Fringe benefits	297,842	-	297,842
Contractual	6,500	-	6,500
Travel	12,204	-	12,204
Repairs & Maintenance	33,346	-	33,346
Telephone & Utilities	62,801	-	62,801
Vehicle maintenance	57,019	-	57,019
Insurance	34,973	-	34,973
Supplies	43,081	-	43,081
Food cost	498	-	498
Rental, lease, or purchase of equipment	4,500	-	4,500
Other direct cost	48,461	24,194	72,655
In-kind expense	<u>416,323</u>	<u>-</u>	<u>416,323</u>
Total expenditures	<u>1,878,400</u>	<u>24,194</u>	<u>1,902,594</u>
Changes in net assets	-	-	-
Net assets, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC. SCHEDULE 3
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 CHILD CARE FOOD PROGRAM (USDA)
 FOR THE YEAR ENDED JUNE 30, 2017

SUPPORT AND REVENUE

Grant funds	\$	125,080
Contributions and other		<u>117</u>
Total support and revenue		<u>125,197</u>

EXPENDITURES

Salaries		1,718
Consumable supplies		14,573
Insurance		2,516
Food costs		<u>106,390</u>
Total Expenditures		<u>125,197</u>
Changes in net assets		-
Net assets, beginning		<u>-</u>
Net assets, ending	\$	<u><u>-</u></u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 VIRGINIA DEPARTMENT OF SOCIAL SERVICES
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 4

	CSBG BASIC GRANT	CSBG TANF GRANT	TOTAL (MEMO ONLY)
SUPPORT AND REVENUE			
Grant funds	\$ 172,011	\$ 76,075	\$ 248,086
In-kind revenue	<u>75,605</u>	<u>19,019</u>	<u>94,624</u>
Total support and revenue	<u>247,616</u>	<u>95,094</u>	<u>342,710</u>
EXPENDITURES			
Personnel	83,426	33,499	116,925
Fringe benefits	28,304	11,021	39,325
Contractual	4,006	-	4,006
Travel	9,877	-	9,877
Repairs & Maintenance	18,629	-	18,629
Telephone & Utilities	10,529	-	10,529
Insurance	3,380	444	3,824
Supplies	5,097	-	5,097
Rental, lease or purchase of equipment	1,200	-	1,200
Other direct cost	7,563	31,110	38,673
In-kind expenditures	<u>75,605</u>	<u>19,020</u>	<u>94,625</u>
Total expenditures	<u>247,616</u>	<u>95,094</u>	<u>342,710</u>
Changes in net assets	-	-	-
Net assets, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 VIRGINIA DEPARTMENT OF HOUSING WEATHERIZATION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 5

SUPPORT AND REVENUE

Grant funds	\$ 65,261
Contributions	<u>-</u>
Total support and revenue	<u>65,261</u>

EXPENDITURES

Personnel	36,765
Fringe benefits	11,869
Contractual	-
Travel	189
Repairs & Maintenance	200
Telephone & Utilities	1,249
Insurance	3,122
Vehicle maintenance	990
Supplies	213
Cost of materials	9,564
Rental, lease or purchase of equipment	<u>1,100</u>
Total Expenditures	<u>65,261</u>
Changes in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</u></u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
VIRGINIA DEPARTMENT OF HOUSING LOW INCOME HOME ENERGY
ASSISTANCE PROGRAM (LIHEAP)
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 6

	<u>GRANT YEAR ENDING</u>		<u>TOTAL</u>
	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>LIHEAP</u>
			<u>PROGRAM</u>
SUPPORT AND REVENUE			
Grant funds	\$ 211,660	\$ 47,317	\$ 258,977
Contributions	3,276	-	3,276
Total support and revenue	<u>214,936</u>	<u>47,317</u>	<u>262,253</u>
EXPENDITURES			
Personnel	113,374	25,867	139,241
Fringe benefits	34,851	12,433	47,284
Travel	10,304	213	10,517
Repairs & Maintenance	1,716	67	1,783
Telephone & Utilities	3,658	590	4,248
Vehicle maintenance	5,971	229	6,200
Insurance	5,925	1,789	7,714
Supplies	1,220	-	1,220
Cost of materials	26,345	5,089	31,434
Rental, lease or purchase of equipment	1,623	797	2,420
Other direct cost	9,949	243	10,192
Total expenditures	<u>214,936</u>	<u>47,317</u>	<u>262,253</u>
Changes in net assets	-	-	-
Net assets, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
PROJECT DISCOVERY
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 7

SUPPORT AND REVENUE

Grant funds	\$	16,023
In-kind revenue		<u>16,024</u>
Total support and revenue		<u>32,047</u>

EXPENDITURES

Personnel		10,153
Fringe benefits		1,305
Contractual		-
Travel		80
Repairs & Maintenance		820
Telephone & Utilities		3,003
Insurance		367
Consumable supplies		-
Rental, lease or purchase of equipment		-
Other direct cost		295
In-kind expense		<u>16,024</u>
Total expenditures		<u>32,047</u>
Changes in net assets		-
Net assets, beginning		<u>-</u>
Net assets, ending	\$	<u><u>-</u></u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE 9

I. SUMMARY OF AUDIT RESULTS:

FINANCIAL STATEMEN

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material Weakness(es) identified?	No
Significant deficiency(es) identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material Weakness(es) identified?	No
Significant deficiency(es) identified?	No
Type of auditor's report issued on compliance for major program?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Identification of major programs:

Name of Program	Catalog Number
Head Start (DHHS)	93.600

II. FINANCIAL STATEMENT FINDINGS None

III. MAJOR FEDERAL AWARD PROGRAM FINDINGS None