

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
MARION, VA

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2019

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.

ANNUAL FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
<u>AUDITOR'S REPORTS:</u>	
Independent Auditor's Report	1
Independent Auditor's 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	4
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	6
<u>FINANCIAL STATEMENTS:</u>	
Combined Statement of Financial Position	9
Combined Statement of Activities and Changes in Net Assets	10
Statement of Cash Flow	11
Statement of Functional Expenses	12
Notes to Financial Statements	13
<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 (LIHEASP)	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



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## 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, 2019, and the related statements of activities 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 judgement, 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

## INDEPENDENT AUDITOR'S REPORT

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2019, 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 any assurance on such information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of Mountain Community Action Program, Inc.'s internal control

INDEPENDENT AUDITOR'S REPORT

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 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, Brown & Company*

Hicok, Brown & Company  
Certified Public Accountants  
Abingdon, Virginia

February 18, 2020



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INDEPENDENT AUDITOR'S 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 Mountain Community Action Program (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mountain Community Action Program'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 opinion 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 the 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.

INDEPENDENT AUDITOR'S 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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be significant deficiency.

**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*.

**Mountain Community Action Programs, Inc.'s Response to Findings**

Mountain Community Action Program, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mountain Community Action Program, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Hicok, Brown & Company*

Hicok, Brown & Company  
Certified Public Accountants  
Abingdon, Virginia

February 18, 2020



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INDEPENDENT AUDITOR'S 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 Circular 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, 2019. 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.



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

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, has 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, 2019.

**Report on Internal Control Over Compliance**

Management of Mountain Community Action Program, Inc. 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.

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

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, Brown & Company*

Hicok, Brown & Company  
Certified Public Accountants  
Abingdon, Virginia

February 18, 2020

Mountain Community Action Program, Inc.  
 Marion, Virginia  
 Statement of Financial Position  
 June 30, 2019

Exhibit A

<u>ASSETS</u>	<u>Amount</u>
CURRENT ASSETS	
Cash and equivalents	\$ 24,322
Grants receivable	147,084
Inventory	<u>7,911</u>
Total Current Assets	<u>179,317</u>
PROPERTY AND EQUIPMENT	
Fixed Assets	292,709
Less: Accumulated Deoreciation	<u>(268,810)</u>
Net Property and Equipment	<u>23,899</u>
Total Assets	<u>\$ 203,216</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 15,168
Accrued Salaries	13,234
Deferred Revenue	8,232
Line of Credit	30,000
Accrued Leave	<u>15,859</u>
Total Liabilities	<u>82,493</u>
<u>NET ASSETS</u>	
Donor Without Restrictions	112,082
Donor With Restrictions	<u>8,512</u>
Total Net Assets	<u>120,594</u>
Total Liabilities and Net Assets	<u>\$ 203,087</u>

The Notes to the Financial Statements are an integral part of this statement

Mountain Community Action Program, Inc.  
Marion, Virginia  
Statement of Activities  
For the Year Ended June 30, 2019

Exhibit B

	<u>Donor Without Restrictions</u>	<u>Donor With Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Grant funds	\$ -	\$ 1,456,104	\$ 1,456,104
Interest income	5	-	5
Contributions	-	36,961	36,961
In-kind revenue	-	240,130	240,130
Miscellaneous	3,532	-	3,532
Net assets released from restrictions	<u>1,885,860</u>	<u>(1,885,860)</u>	<u>-</u>
<b>Total Revenue</b>	<u>1,889,397</u>	<u>(152,665)</u>	<u>1,736,732</u>
<b>EXPENSES</b>			
Personnel	707,187	-	707,187
Fringe benefits	209,430	-	209,430
Contractual	24,907	-	24,907
Travel	22,167	-	22,167
Repairs & maintenance	48,376	-	48,376
Telephone & utilities	45,025	-	45,025
Insurance	38,174	-	38,174
Supplies	42,666	-	42,666
Cost of materials	74,434	-	74,434
Food costs	41,506	-	41,506
Rental, lease or purchase of equipment	13,227	-	13,227
Client assistance	95,070	-	95,070
Other direct cost	51,542	-	51,542
Depreciation	28,063	-	28,063
Donation to Headstart	167,339	-	167,339
In-kind expense	<u>240,130</u>	<u>-</u>	<u>240,130</u>
<b>Total Expenses</b>	<u>1,849,243</u>	<u>-</u>	<u>1,849,243</u>
Change in net assets	40,154	(152,665)	(112,511)
Net assets, beginning of year	<u>71,928</u>	<u>161,177</u>	<u>233,105</u>
Net assets, end of year	<u>\$ 112,082</u>	<u>\$ 8,512</u>	<u>\$ 120,594</u>

The Notes to the Financial Statements are an integral part of this statement

Mountain Community Action Program, Inc.  
Statement of Cash Flows  
Marion, Virginia  
For the Year Ended June 30, 2019

Exhibit C

	<u>Amount</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ (112,511)
Adjustments to reconcile net cash from operating activities:	
Depreciation	28,063
Transfer of fixed assets to Head Start	167,339
(Increase) decrease in:	
Grants receivable	16,297
Inventory	4,994
Increase (decrease) in:	
Accounts payable	(60,333)
Wages payable	(1,873)
Accrued leave	(14,916)
Deferred revenue	(3,283)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>23,777</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(58,122)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(58,122)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from Debt	<u>30,000</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>30,000</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,345)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>28,667</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 24,322</u>

The Notes to the Financial Statement are an integral part of this statement

Mountain Community Action Program, Inc.  
 Marion, Virginia  
 Statement of Functional Expenses  
 For the Year Ended June 30, 2019

Exhibit D

	Program Services	Management and General	Total
Personnel	\$ 506,105	201,082	707,187
Fringe benefits	142,943	66,487	209,430
Contractual	24,907	-	24,907
Travel	21,556	611	22,167
Repairs & maintenance	41,243	7,133	48,376
Telephone & utilities	38,670	6,355	45,025
Insurance	35,597	2,577	38,174
Supplies	29,775	12,891	42,666
Cost of materials	74,434	-	74,434
Food costs	41,506	-	41,506
Rental, lease or purchase of equipment	12,977	250	13,227
Client assistance	95,070	-	95,070
Other direct cost	38,463	13,079	51,542
Depreciation	28,063	-	28,063
Donation to Head Start	167,339	-	167,339
In-kind expense	240,130	-	240,130
Total expenses	<u>\$ 1,538,778</u>	<u>\$ 310,465</u>	<u>\$ 1,849,243</u>

The Notes to the Financial Statements are an integral part of this statement

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Mountain Community Action Program, Inc. (Mt. CAP, Inc.) is a nonprofit 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 require 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. Mt. CAP, Inc.

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.

Classification of Net Assets

Mt. CAP, Inc.'s financial statements are presented in accordance with Financial Accounting Standard Board Codification 958-205 & 958-605. Net assets of the Organization 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.

Net Assets With Donor Restrictions – 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.

Net Assets Without Donor Restrictions – 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, net assets with donor restrictions are reclassified to net assets donor without restrictions and reported in the statement of activities as released from restrictions.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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. For financial reporting purposes, these assets 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 contractor's 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 net assets with donor restrictions, when restrictions are met, and increase net assets without donor restrictions. For report purposes, all grant revenue received with restrictions are shown as net assets with donor restrictions regardless if the restrictions are met. If the restrictions are met during the audit period, net assets released from restrictions is decreased for net assets with donor restrictions and net assets



MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

without donor restrictions is increased. This is a truer picture as to the flow of net assets with donor restrictions from restricted to net assets without donor restrictions.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are recorded as either grant revenue or exchange transactions based on criteria contained in the grant award. Grant revenues are recorded as invoiced to the funding source and are recognized in the accounting period when the related allowable costs are incurred.

**NOTE 2 – PROTECTION OF DEPOSITS**

At year-end, all of the Organization’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.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable consists of the following:

	<u>Amount</u>
Head Start	\$ -
CSBG Federal	17,166
CSBG TANF	19,881
Project Discovery	7,777
LIHEAP	73,163
IRS VITA	5,053
Others	<u>24,044</u>
Total	<u>\$ 147,084</u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 4 - FIXED ASSETS**

All property and equipment with a cost of \$5,000 or more and a useful life of more than one year are capitalized and depreciated over their useful lives for all programs.

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	\$	292,709
Accumulated Depreciation		<u>(268,810)</u>
Total	\$	<u>23,899</u>

Mt CAP, Inc's Head Start grant funding was not renewed for the 2018-19 fiscal year and all fixed assets purchased with Head Start funds were given to the new grant recipient.

**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 \$27,504 for the year ended June 30, 2019. This is reflected under the cost category of fringe benefits.

**NOTE 6 – 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 7 – CONTINGENT LIABILITIES**

Federal programs in which the agency participates were audited in accordance with provisions of the US Office of Management and Budget Uniform Guidance, Audits of States, Local Governments and NonProfit 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.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 8 – NOTES PAYABLE OBLIGATIONS**

The Organization has a line of credit with The Bank of Marion with maximum borrowings of \$50,000, of which \$30,000 was outstanding at June 30, 2019. The line of credit matures July 31, 2019. The interest rate for the line of credit is 6%.

**NOTE 9 – ECONOMIC DEPENDENCY**

The Organization received over 84% 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. Mt. Cap, Inc's Head Start grant was not renewed for the 2018-19 fiscal year. As a result of this, various grant funded and other positions were eliminated.

**NOTE 10 – CONCENTRATION RISK OF RECEIVABLES**

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

**NOTE 11 – 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, 2019 was \$15,859.

**NOTE 12 – 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 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, 2021 and is not expected to have a significant impact on the Organization's financial statements.

During the reporting period, the Organization implemented FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities. The ASU requires significant changes to the financial

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

**NOTE 12 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

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.

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 June 2018, the FASB issued Accounting Standards Update 2018-08, Not-for-Profit Entities, which clarifies guidance on whether a transfer of assets is a contribution or an exchange transaction. The amendments in this update are effective for the Organization’s year ending June 30, 2021 and is not expected to have a significant impact on the Organization’s financial statements.

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization meets cash needs for expenditures with cash and grants. Grants are for specific programs or projects and are not available for general expenditures. The Organization considers the following financial assets to be available within one year:

Available Financial Assets	2019
Cash and cash equivalents	\$ 24,322
Grant Receivable	147,084
Financial assets available to meet cash needs for general expenditures within one year	\$ 171,406

**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

**NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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:

- 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 14 – 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 \$240,130.

**NOTE 15– SUBSEQUENT EVENTS**

In preparing these financial statements, management of Mt. CAP, Inc. has evaluated events and transactions for potential recognition or disclosure through February 18, 2020 the date the financial statements were available to be issued. There are no subsequent events.

SUPPLEMENTARY INFORMATION

Mountain Community Action Program, Inc.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2019

Schedule 1

FEDERAL GRANT/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
<b>MAJOR PROGRAMS</b>		
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)</b>		
Head Start	93.600 * \$	788,675
<b>DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE</b>		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	18,665
Passed Through the Virginia Department of Housing & Community Development		
Weatherization Assistance for Low-Income Persons	81.042	77,621
Low Income Home Energy Assistance Program (LIHEAP)	93.568	279,310
<b>OTHER FEDERAL ASSISTANCE</b>		
Passed Through the Virginia Department of Social Services		
Community Services Block Grant	93.569	177,674
Temporary Assistance for Needy Families (TANF)	93.558	119,691
Passed Through the Virginia Department of Health		
USDA Reimbursement (Child Care Food Program)	10.558	<u>49,900</u>
<b>TOTAL FEDERAL ASSISTANCE</b>		<u><u>\$ 1,511,536</u></u>

**Basis of Accounting**

This schedule of expenditures of federal awards includes the federal award activity of Mountain Community Action Program, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200 Uniform Administrative Requirement, Cost Principle and Audit Requirement for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operation of the Program, it is not intended to and does not present the financial position, changes in net assets or cash flows of Mountain Community Action Program, Inc.

**Summary of Significant Accounting Policies**

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in the Uniform Guidance and OMB Circulate A-122 Cost Principles for Non-Profit Organizations wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Indirect Cost Rate**

Mountain Community Action Program, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform guidance.

\* Denotes a major Program

Mountain Community Action Program, Inc.  
Statement of Activities and Changes in Net Assets - Head Start  
For the Year Ended June 30, 2019

Schedule 2

	<u>PART DAY/ DISABLED</u>	<u>TRAINING</u>	<u>TOTAL (MEMO ONLY)</u>
<b>SUPPORT AND REVENUE</b>			
Grant funds	\$ 668,917	\$ 14,421	\$ 683,338
Miscellaneous	-	-	-
Contributions	-	-	-
In-kind revenue	<u>105,337</u>	<u>-</u>	<u>105,337</u>
Total support and revenue	<u>774,254</u>	<u>14,421</u>	<u>788,675</u>
<b>EXPENDITURES</b>			
Personnel	353,434	-	353,434
Fringe benefits	115,171	-	115,171
Contractual	24,907	-	24,907
Travel	2,576	-	2,576
Repairs & Maintenance	12,487	-	12,487
Telephone & Utilities	22,886	-	22,886
Vehicle maintenance	18,177	-	18,177
Insurance	19,425	-	19,425
Supplies	9,184	-	9,184
Food cost	4,482	-	4,482
Rental, lease, or purchase of equipment	60,474	-	60,474
Other direct cost	25,714	14,421	40,135
In-kind expense	<u>105,337</u>	<u>-</u>	<u>105,337</u>
Total expenditures	<u>774,254</u>	<u>14,421</u>	<u>788,675</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 - Child Care Food Program (USDA)  
 For the Year Ended June 30, 2019

Schedule 3

SUPPORT AND REVENUE	<u>Amount</u>
Grant funds	\$ 49,900
Contributions	<u>-</u>
Total support and revenue	<u>49,900</u>
EXPENDITURES	
Salaries	8,280
Consumable supplies	5,573
Food costs	<u>36,047</u>
Total Expenditures	<u>49,900</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, 2019

Schedule 4

	<u>CSBG BASIC GRANT</u>	<u>CSBG TANF GRANT</u>	<u>TOTAL (MEMO ONLY)</u>
SUPPORT AND REVENUE			
Grant funds	\$ 177,674	\$ 119,690	\$ 297,364
In-kind revenue	<u>19,017</u>	<u>19,017</u>	<u>38,034</u>
Total support and revenue	<u>196,691</u>	<u>138,707</u>	<u>335,398</u>
EXPENDITURES			
Personnel	88,846	34,830	123,676
Fringe benefits	26,934	10,325	37,259
Contractual	-	-	-
Travel	9,711	-	9,711
Repairs & Maintenance	3,917	-	3,917
Telephone & Utilities	14,009	-	14,009
Insurance	3,680	517	4,197
Supplies	3,453	-	3,453
Rental, lease or purchase of equipment	1,259	-	1,259
Other direct cost	25,865	74,019	99,884
In-kind expenditures	<u>19,017</u>	<u>19,016</u>	<u>38,033</u>
Total expenditures	<u>196,691</u>	<u>138,707</u>	<u>335,398</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 Weatherizaion Program  
For the Year Ended June 30, 2019

Schedule 5

SUPPORT AND REVENUE	<u>Amount</u>
Grant funds	\$ 77,647
Contributions	<u>-</u>
Total support and revenue	<u>77,647</u>
EXPENDITURES	
Personnel	43,563
Fringe benefits	13,162
Contractual	-
Travel	-
Repairs & Maintenance	129
Telephone & Utilities	670
Insurance	3,117
Vehicle maintenance	1,325
Supplies	202
Cost of materials	15,209
Rental, lease or purchase of equipment	-
Other direct cost	<u>244</u>
Total Expenditures	<u>77,621</u>
Changes in net assets	26
Net assets, beginning	<u>-</u>
Net assets, ending	<u>\$ 26</u>

## 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, 2019

	GRANT YEAR ENDING		TOTAL LIHEAP PROGRAM
	JUNE 30, 2019	SEPTEMBER 28, 2018	
<b>SUPPORT AND REVENUE</b>			
Grant funds	\$ 205,195	\$ 72,160	\$ 277,355
Miscellaneous	-	2,016	2,016
Contributions	-	-	-
Total support and revenue	<u>205,195</u>	<u>74,176</u>	<u>279,371</u>
<b>EXPENDITURES</b>			
Personnel	110,402	27,470	137,872
Fringe benefits	27,251	12,855	40,106
Travel	7,682	27	7,709
Repairs & Maintenance	2,460	185	2,645
Telephone & Utilities	4,285	836	5,121
Vehicle maintenance	3,877	5,812	9,689
Insurance	9,174	2,879	12,053
Supplies	2,416	4,862	7,278
Cost of materials	29,148	10,985	40,133
Rental, lease or purchase of equipment	2,000	600	2,600
Other direct cost	6,439	7,665	14,104
Total expenditures	<u>205,134</u>	<u>74,176</u>	<u>279,310</u>
Changes in net assets	61	-	61
Net assets, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 61</u>

Mountain Community Action Program, Inc.  
 Statement of Activities and Changes in Net Assets - Project Discovery  
 For the Year Ended June 30, 2019

Schedule 7

SUPPORT AND REVENUE	<u>Amount</u>
Grant funds	\$ 32,146
Contributions	525
In-kind revenue	<u>35,716</u>
Total support and revenue	<u>68,387</u>
EXPENDITURES	
Personnel	22,601
Fringe benefits	2,874
Contractual	-
Travel	2,172
Repairs & Maintenance	266
Telephone & Utilities	2,377
Insurance	550
Consumable supplies	909
Rental, lease or purchase of equipment	-
Other direct cost	922
In-kind expense	<u>35,716</u>
Total expenditures	<u>68,387</u>
Changes in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u>\$ -</u>

Mountani Community Action Program, Inc.  
Statement of Activities and Changes in Net Assets - Other Funds  
For the Year Ended June 30, 2019

Schedule 8

	Local Funds Unrestricted	Emergency Home Repair	APCO Grant	2018		2019 Wythe/ Bland Foundation	VACAP EITC Grant	Fixed Asset Fund Unrestricted	United Way VITA	Bland Co. Emergency Assistance	Wythe Co. Emergency Assistance	Smyth Co. Emergency Assistance	2017-18		2018-19		Total (Memo Only)	
				Wythe/ Bland Foundation	Foundation								IRS VITA	VITA	IRS VITA	WX QCL		
SUPPORT AND REVENUE																		
Grant funds	\$ -	\$ 4,000	\$ 27,827	\$ 5,022	\$ 10,566	\$ 6,500	-	-	-	-	-	\$ 10,303	\$ 3,856	\$ 21,559	-	-	\$ 89,733	
Interest income	5	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	6	
In-Kind revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,000	
Miscellaneous	1,516	-	-	-	-	524	-	-	-	1,377	4,529	-	-	31,000	-	-	8,964	
Contributions	1,360	-	-	-	-	-	-	-	971	150	2,450	2,720	-	-	-	-	7,651	
Total support and revenue	2,881	4,000	27,827	5,022	10,566	7,024	-	-	971	150	3,827	17,533	3,856	52,559	1,018	-	137,354	
Personnel	(2,393)	-	672	-	-	5,297	-	-	-	-	-	-	3,306	12,891	-	-	20,040	
Fringe Benefits	(5,836)	-	238	-	-	1,639	-	-	-	-	-	-	550	1,836	-	-	(1,303)	
Insurance	-	-	-	-	-	88	-	-	-	-	-	-	-	70	-	-	187	
Client assistance	-	-	-	-	-	-	-	-	-	-	3,692	17,533	-	-	-	-	21,245	
Other direct cost	(5,146)	4,000	26,917	5,022	6,153	-	-	109,216	971	150	135	-	-	2,850	-	-	150,720	
In-Kind expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	31,000	-	-	31,000	
Depreciation expense	-	-	-	-	-	-	-	28,063	-	-	-	-	-	-	-	-	28,063	
Total expenditures	(13,375)	4,000	27,827	5,022	6,153	7,024	-	137,279	971	150	3,827	17,533	3,856	48,647	1,018	-	249,952	
Change in net assets	16,256	-	-	-	4,513	-	-	(137,279)	-	-	-	-	-	-	3,912	-	-	(112,598)
Net assets, beginning	71,927	-	-	-	-	-	-	161,178	-	-	-	-	-	-	-	-	-	233,105
Net assets, ending	\$ 88,183	\$ -	\$ -	\$ -	\$ 4,513	\$ -	\$ -	\$ 23,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,912	\$ -	\$ -	\$ 120,507	

I. SUMMARY OF AUDIT RESULTS:

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material Weakness(es) identified?	No
Significant deficiency(es) identified?	Yes
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 Circular A-133, Section .510(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

### Significant Deficiency

#### **2019-1 - Failing to adjust material balances**

##### Criteria:

Proper accounting procedures require general ledger accounts be reviewed and adjusted to correct year end balance.

##### Condition:

The Organization did not record all accrual accounts, such as accrued wages and accounts receivable.

##### Cause of Condition:

Due to changes in accounting staffing positions these accounts were not adjusted.

##### Effect of Condition:

The financial statements could be materially misstated

##### Recommendation:

All accruals need to be reviewed at year end and be adjusted to correct balances.

##### Management's Response:

Management and staff are aware of the need to review and will implement procedures for the next fiscal year.

## III. MAJOR FEDERAL AWARD PROGRAM FINDINGS

None