

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
MARION, VA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2020

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.

ANNUAL FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2020

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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, 2020, 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 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 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 as of June 30, 2020, 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

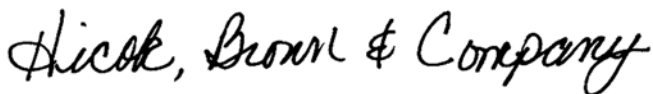
Other Information

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 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 2-6) 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 April 23, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mountain Community Action Program, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mountain Community Action Program, Inc.'s internal control over financial reporting and compliance.



Hicok, Brown & Company
Certified Public Accountants
Abingdon, Virginia

April 23, 2021

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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 of
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, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 April 23, 2021.

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 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we

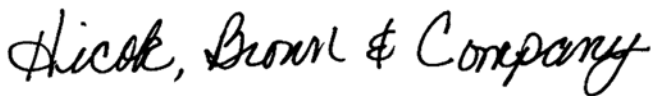
did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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.

A handwritten signature in black ink that reads "Hicok, Brown & Company". The script is cursive and fluid, with the company name written in a single line.

Hicok, Brown & Company
Certified Public Accountants
Abingdon, Virginia

April 23, 2021

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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**

To 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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. 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, 2020.

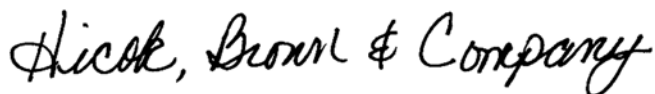
Report on Internal Control Over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hicok, Brown & Company
Certified Public Accountants
Abingdon, Virginia

April 23, 2021

Mountain Community Action Program, Inc.
Marion, Virginia
Statement of Financial Position
June 30, 2020

<u>ASSETS</u>	<u>Amount</u>
CURRENT ASSETS	
Cash and equivalents	\$ 71,849
Grants receivable	166,595
Inventory	11,022
Prepaid Expenses	-
	<hr/>
Total Current Assets	249,466
	<hr/>
PROPERTY AND EQUIPMENT	
Fixed Assets	292,709
Less: Accumulated Depreciation	(274,181)
	<hr/>
Net Property and Equipment	18,528
	<hr/>
Total Assets	\$ 267,994
	<hr/> <hr/>
 <u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Accounts Payable	\$ 18,617
Accrued Salaries	14,370
Deferred Revenue	16,382
Line of Credit	15,000
Loan Payable	32,000
Accrued Leave	15,661
	<hr/>
Total Liabilities	112,030
	<hr/>
NET ASSETS	
Donor Without Restrictions	117,219
Donor With Restrictions	38,745
	<hr/>
Total Net Assets	155,964
	<hr/>
Total Liabilities and Net Assets	\$ 267,994
	<hr/> <hr/>

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, 2020

	<u>Donor Without Restrictions</u>	<u>Donor With Restrictions</u>	<u>Total</u>
Support and Revenue			
Grant funds	\$ -	\$ 850,579	\$ 850,579
Interest income	7	-	7
Contributions	-	38,401	38,401
In-kind revenue	-	69,577	69,577
Miscellaneous	1,122	-	1,122
Net assets released from restrictions	<u>928,324</u>	<u>(928,324)</u>	<u>-</u>
 Total Revenue	 <u>929,453</u>	 <u>30,233</u>	 <u>959,686</u>
EXPENSES			
Personnel	388,006	-	388,006
Fringe benefits	98,549	-	98,549
Travel	12,056	-	12,056
Repairs & maintenance	30,760	-	30,760
Telephone & utilities	27,058	-	27,058
Insurance	15,957	-	15,957
Supplies	30,977	-	30,977
Cost of materials	109,809	-	109,809
Food costs	15	-	15
Rental, lease or purchase of equipment	13,599	-	13,599
Client assistance	95,235	-	95,235
Other direct cost	33,443	-	33,443
Depreciation	5,371	-	5,371
In-kind expense	<u>69,577</u>	<u>-</u>	<u>69,577</u>
 Total Expenses	 <u>930,412</u>	 <u>-</u>	 <u>930,412</u>
 Change in net assets	 (959)	 30,233	 29,274
 Net assets, beginning of year	 <u>118,178</u>	 <u>8,512</u>	 <u>126,690</u>
 Net assets, end of year	 <u>\$ 117,219</u>	 <u>\$ 38,745</u>	 <u>\$ 155,964</u>

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

Mountain Community Action Program, Inc.
Marion, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 29,274
Adjustments to reconcile net cash from operating activities:	
Depreciation	5,371
(Increase) decrease in:	
Grants receivable	(19,511)
Inventory	(3,111)
Increase (decrease) in:	
Accounts payable	9,406
Accrued expenses	938
Other liabilities	8,150
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>30,517</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from debt	47,000
Repayments on long-term debt	<u>(30,000)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>17,000</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,517
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>24,332</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 71,849</u>
<u>SUPPLEMENTARY CASH FLOW DISCLOSURES</u>	
Interest paid	<u>\$ 939</u>

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

Mountain Community Action Program, Inc.
Marion, Virginia
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services	Management and General	Total
Personnel	\$ 352,022	\$ 35,984	\$ 388,006
Fringe benefits	89,130	9,419	98,549
Travel	11,926	130	12,056
Repairs & maintenance	30,760	-	30,760
Telephone & utilities	27,058	-	27,058
Insurance	15,444	513	15,957
Supplies	30,840	137	30,977
Cost of materials	109,809	-	109,809
Food costs	15	-	15
Rental, lease or purchase of equipment	13,599	-	13,599
Client assistance	95,235	-	95,235
Other direct cost	24,443	9,000	33,443
Depreciation	5,371	-	5,371
In-kind expense	69,577	-	69,577
Total expenses	<u>\$ 875,229</u>	<u>\$ 55,183</u>	<u>\$ 930,412</u>

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

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 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.

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 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

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

	2020
CSBG Federal	\$ 20,620
CSBG TANF	31,331
CSBG CARE	10,917
Project Discovery	8,136
LIHEAP	82,378
Others	13,213
Total	<u>\$ 166,595</u>

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

	2020
Furniture, Fixtures and Equipment	\$ 292,709
Accumulated Depreciation	(274,181)
Total	<u>\$ 18,528</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 \$27,244 for the year ended June 30, 2020. 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.

For the year ended June 30, 2020, the original trial balance was out of balance by approximately \$6,516. The difference was related to the head start program that is no longer in operation. To correct this and other miscellaneous immaterial differences, a one-sided adjustment was made to beginning unrestricted net assets in the amount of \$6,096.

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 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

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – CONTINGENT LIABILITIES (CONTINUED)

disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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 \$15,000 was outstanding at June 30, 2020. The line of credit matures July 31, 2020. The interest rate for the line of credit is 6%.

NOTE 9 – ECONOMIC DEPENDENCY

The Organization received over 89% 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 10 – CONCENTRATION RISK OF RECEIVABLES

For the year ended June 30, 2020, two grantors made up 93% of total accounts receivable. As of June 30, 2020, Mt. CAP, Inc. had \$166,595 of grants receivable.

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, 2020 was \$15,661.

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 June 2020, the FASB issued Accounting Standards Update 2020-05 that defers the effective date of ASU 2014-09. ASU 2014-09 is now effective for annual periods beginning after December 15, 2019. The Organization will implement this update for its year ended June 30, 2021 financial statements; the update is not expected to have a significant impact on Mt. CAP, Inc.'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.

In June 2018, the FASB issued Accounting Standards Update 2019-08, *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.

MOUNTAIN COMMUNITY ACTION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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:

<u>Available Financial Assets</u>	<u>2020</u>
Cash and cash equivalents	\$ 71,849
Grant Receivable	<u>166,595</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 238,444</u>

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:

- 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.

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 – COVID-19 AND PAYCHECK PROTECTION PROGRAM LOAN

While the COVID-19 Pandemic made our staff learn new ways to interact with clients in 2020, we continued to provide full services to clients. Those services continued in spite of our offices being closed to the public, with staff working remotely or on a distancing schedule, and with many interactions being handled virtually. During 2020, the pandemic did not change or affect our adherence to internal controls.

On April 16, 2020, Mt. CAP, Inc. received loan proceeds in the amount of \$32,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. For financial statement purposes, Mt. CAP, Inc. has elected to defer revenue recognition until notification of forgiveness, following FASB Accounting Standards Codification Topic 470 relating to the treatment of debt. The ability of Mt. CAP, Inc. to meet the forgiveness criteria will be continually reassessed until a definitive outcome is known.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2021, the date on which the financial statements were available to be issued.

During late 2020 and into early 2021, reimbursements from the Low Income Home Energy Assistance Program (LIHEAP) were delayed for a period of approximately six months. As a result of the lack of funding, the Organization furloughed some employees in January 2021 for a one week period. In addition, the Organization made a draw down of \$15,000 on the line of credit with The Bank of Marion primarily to cover payroll expenses. Once reimbursements were received from the LIHEAP program in February 2021, the furloughed employees were recalled back to work. The \$15,000 draw on the line of credit has since been paid in full.

SUPPLEMENTARY INFORMATION

Mountain Community Action Program, Inc.
Marion, Virginia
Statement of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>FEDERAL GRANT/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
MAJOR PROGRAMS		
DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	\$ 25,380
Passed Through the Virginia Department of Housing & Community Development		
Weatherization Assistance for Low-Income Persons	81.042	82,918
Low Income Home Energy Assistance Program (LIHEAP)	93.568 *	325,444
OTHER FEDERAL ASSISTANCE		
Passed Through the Virginia Department of Social Services		
Community Services Block Grant	93.569	195,005
Temporary Assistance for Needy Families (TANF)	93.558	111,204
CARES Grant	93.569	10,917
TOTAL FEDERAL ASSISTANCE		<u>\$ 750,868</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, 2020. 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.
Marion, Virginia
Statement of Activities and Changes in Net Assets -
Virginia Department of Social Services
For the Year Ended June 30, 2020

	<u>CSBG BASIC GRANT</u>	<u>CSBG TANF GRANT</u>	<u>CSBG CARES GRANT</u>	<u>TOTAL (MEMO ONLY)</u>
SUPPORT AND REVENUE				
Grant funds	\$ 196,882	\$ 111,875	\$ 37,267	\$ 346,024
In-kind revenue	20,095	20,095	-	40,190
Miscellaneous	13,045	13,045	-	26,090
	<u>230,022</u>	<u>145,015</u>	<u>37,267</u>	<u>412,304</u>
EXPENDITURES				
Personnel	103,749	35,389	-	139,138
Fringe benefits	26,734	7,899	-	34,633
Contractual	-	-	-	-
Travel	5,438	-	-	5,438
Repairs & Maintenance	10,576	-	-	10,576
Telephone & Utilities	11,507	-	-	11,507
Insurance	4,533	554	-	5,087
Supplies	12,063	3,600	-	15,663
Rental, lease or purchase of equipment	5,059	462	-	5,521
Other direct cost	15,346	63,300	10,917	89,563
In-kind expenditures	33,140	33,140	-	66,280
	<u>228,145</u>	<u>144,344</u>	<u>10,917</u>	<u>383,406</u>
Changes in net assets	1,877	671	26,350	28,898
Net assets, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ 1,877</u>	<u>\$ 671</u>	<u>\$ 26,350</u>	<u>\$ 28,898</u>

Mountain Community Action Program, Inc.
Marion, Virginia
Statement of Activities and Changes in Net Assets -
Virginia Department of Housing Weatherization Program
For the Year Ended June 30, 2020

SUPPORT AND REVENUE	<u>Amount</u>
Grant funds	\$ 82,918
Contributions	<u>-</u>
Total support and revenue	<u>82,918</u>
EXPENDITURES	
Personnel	44,058
Fringe benefits	11,249
Contractual	-
Travel	-
Repairs & Maintenance	420
Telephone & Utilities	-
Insurance	3,042
Vehicle maintenance	-
Supplies	-
Cost of materials	23,849
Rental, lease or purchase of equipment	-
Other direct cost	<u>300</u>
Total Expenditures	<u>82,918</u>
Changes in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</u></u>

Marion, Virginia

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, 2020

	GRANT YEAR ENDING		TOTAL
	JUNE 30, 2020	SEPTEMBER 30, 2019	LIHEAP
			PROGRAM
SUPPORT AND REVENUE			
Grant funds	\$ 237,754	\$ 88,738	\$ 326,492
Miscellaneous	-	-	-
Contributions	-	-	-
Total support and revenue	237,754	88,738	326,492
EXPENDITURES			
Personnel	129,611	27,322	156,933
Fringe benefits	31,747	7,190	38,937
Travel	5,733	96	5,829
Repairs & Maintenance	11,804	7,014	18,818
Telephone & Utilities	5,445	1,289	6,734
Insurance	7,983	2,280	10,263
Supplies	2,610	1,916	4,526
Cost of materials	30,530	22,095	52,625
Rental, lease or purchase of equipment	2,905	5,102	8,007
Other direct cost	9,386	13,386	22,772
Total expenditures	237,754	87,690	325,444
Changes in net assets	-	1,048	1,048
Net assets, beginning	1,048	-	-
Net assets, ending	\$ 1,048	\$ 1,048	\$ 1,048

Mountain Community Action Program, Inc.
Marion, Virginia
Statement of Activities and Changes in Net Assets - Project Discovery
For the Year Ended June 30, 2020

SUPPORT AND REVENUE	Amount
Grant funds	\$ 33,350
In-kind revenue	<u>3,298</u>
Total support and revenue	<u>36,648</u>
EXPENDITURES	
Personnel	21,114
Fringe benefits	2,696
Contractual	-
Travel	457
Repairs & Maintenance	721
Telephone & Utilities	996
Insurance	984
Consumable supplies	5,813
Rental, lease or purchase of equipment	394
Other direct cost	175
In-kind expense	<u>3,298</u>
Total expenditures	<u>36,648</u>
Changes in net assets	-
Net assets, beginning	-
Net assets, ending	<u><u>\$ -</u></u>

	Local Funds Unrestricted	Emergency Home Repair	APCO Grant	2019 Wythe/ Bland Foundation	2020 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	2018-19 IRS VITA	2019-20 IRS VITA	2019-20 WX QCI	Total (Memo Only)
SUPPORT AND REVENUE															
Grant funds	\$ -	\$ -	\$ 41,286	\$ -	\$ 5,332	\$ 6,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 21,659	\$ -	\$ 75,210
Interest income	7	-	-	-	-	-	-	-	-	-	-	-	-	-	7
In-Kind revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1,104	-	-	-	-	-	-	-	-	-	19	-	-	-	1,123
Contributions	11,794	-	-	-	-	-	-	1,000	-	1,538	11,494	-	-	(8,452)	17,374
Total support and revenue	12,905	-	41,286	-	5,332	6,931	-	1,000	-	1,538	11,513	2	21,659	(8,452)	93,714
Personnel	-	-	-	-	-	5,514	-	-	-	-	-	2,523	15,069	-	23,106
Fringe Benefits	8,277	-	-	-	-	1,135	-	-	-	-	-	683	2,806	-	12,901
Insurance	-	-	-	-	-	83	-	-	-	-	-	53	175	-	311
Client assistance	210	-	-	-	-	-	-	-	-	1,476	11,513	-	-	-	13,199
Other direct cost	1,751	-	-	4,513	4,273	-	-	382	-	62	-	-	-	(8,499)	2,482
In-Kind expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Materials	(20,409)	-	50,121	-	-	-	-	-	-	-	-	-	-	17	29,729
Repairs	194	-	-	-	-	-	-	-	-	-	-	-	-	30	224
Supplies	915	-	-	-	-	199	-	-	-	-	-	270	3,469	-	4,853
Travel	-	-	-	-	-	-	-	-	-	-	-	203	130	-	333
Utilities	4,406	-	-	-	-	-	-	-	-	-	-	-	-	-	4,406
Depreciation expense	-	-	-	-	-	-	5,371	-	-	-	-	-	-	-	5,371
Total expenditures	(4,656)	-	50,121	4,513	4,273	6,931	5,371	382	-	1,538	11,513	3,732	21,649	(8,452)	96,915
Change in net assets	17,561	-	(8,835)	(4,513)	1,059	-	(5,371)	618	-	-	-	(3,730)	10	-	(3,201)
Net assets, beginning	94,366	-	-	4,513	-	-	23,899	-	-	-	-	3,912	-	-	126,690
Net assets, ending	\$ 111,927	\$ -	\$ (8,835)	\$ -	\$ 1,059	\$ -	\$ 18,528	\$ 618	\$ -	\$ -	\$ -	\$ 182	\$ 10	\$ -	\$ 123,489

Mountain Community Action Program, Inc.
Marion, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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?	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 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?	No

Identification of major programs:

Name of Program	Catalog Number
LIHEAP (DHCD)	93.568