

*APPALACHIAN COMMUNITY ACTION &
DEVELOPMENT AGENCY, INC.*

Gate City, Virginia

Financial Statements and Supplementary Information

June 30, 2019

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
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 June 30, 2019

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Independent Auditors' Report

The Board of Directors
Appalachian Community Action &
Development Agency, Inc.
Gate City, VA 24251

Report on the Financial Statements

We have audited the accompanying financial statements of Appalachian Community Action & Development Agency, Inc. (a non-profit 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.

Auditors' 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 auditors' 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 Appalachian Community Action & Development Agency, 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.

Emphasis of Matter

As discussed in Note 1 to the financials, in 2019, the Agency adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information presented in Schedules 1 thru 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information presented in the exhibits listed in the first paragraph of this section have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020, on our consideration of Appalachian Community Action & Development Agency, Inc.'s internal control over financial reporting and on 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 Appalachian Community Action & Development Agency 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 the Agency's internal control over financial reporting and compliance.

Rodger Mass & Co, PLLC

Norton, Virginia
April 27, 2020

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Cash and cash equivalents	\$	45,602
Due from grantor		275,550
Notes receivable - Program		278,107
Inventory		29,643
Prepaid expenses		23,067
Property, plant, and equipment, net		529,631
Cash and cash equivalents, restricted		7,540
 TOTAL ASSETS	\$	<u>1,189,140</u>

LIABILITIES

Accounts payable	\$	36,006
Accrued expenses		20,340
Compensated absences		34,358
Deferred revenue - Program		278,107
Note payable		40,881
 Total Liabilities		409,692

NET ASSETS

Without donor restrictions		521,225
With donor restrictions		258,223
 Total Net Assets		779,448
 TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,189,140</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT:			
Grants	\$ -	\$ 1,302,186	\$ 1,302,186
Program income	42,483	20,907	63,390
Contributions	631	43,503	44,134
Other	2,457	6,811	9,268
In-Kind	-	18,088	18,088
Net assets released from restriction	1,323,958	(1,323,958)	-
Total Revenues, Gains, and Other Support	<u>1,369,529</u>	<u>67,537</u>	<u>1,437,066</u>
EXPENSES:			
Weatherization-DOE	117,380	-	117,380
Weatherization-LIHEAP	437,968	-	437,968
CSBG - Federal	260,578	-	260,578
CSBG - TANF	160,591	-	160,591
CHP-AEP	58,124	-	58,124
Rural Development-FHA	7,072	-	7,072
DHCD-ARP	12,478	-	12,478
E.H.R.P.	7,266	-	7,266
Client Services	5,117	-	5,117
Program Development-Agency	23,089	-	23,089
Childcare Aware	42,293	-	42,293
Dolly Parton	28,712	-	28,712
Lenowisco- Oral Health	3,000	-	3,000
Crisis	15,106	-	15,106
RSVP	52,475	-	52,475
VITA	3,850	-	3,850
I.P.R.	3,122	-	3,122
Rental House	1,809	-	1,809
Optima Health	4,500	-	4,500
EITC	8,000	-	8,000
No Kid Hungry	721	-	721
VDE-Summer Food Svc Program	46,320	-	46,320
VDE-Food Services	19,924	-	19,924
Rural LISC	13,300	-	13,300
Rural Lisc-Healthy Housing	17,559	-	17,559
Rural Lisc - RCDI	3,565	-	3,565
VHDA-HCE	34,110	-	34,110
VHDA-HUD	1,987	-	1,987
EFSP	4,952	-	4,952
Total Expenses	<u>1,394,968</u>	<u>-</u>	<u>1,394,968</u>
CHANGE IN NET ASSETS	(25,439)	67,537	42,098
NET ASSETS - BEGINNING OF YEAR	<u>546,664</u>	<u>190,686</u>	<u>737,350</u>
NET ASSETS - END OF YEAR	<u>\$ 521,225</u>	<u>\$ 258,223</u>	<u>\$ 779,448</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

OPERATING ACTIVITIES:

Change in net assets	\$ 42,098
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	35,945
(Gain) or loss on sale of asset	(42,483)
(Increase) decrease in due from grantor	(23,497)
(Increase) decrease in inventory	(1,158)
(Increase) decrease in prepaid expenses	(16,243)
(Increase) decrease in other receivables	228,557
(Decrease) increase in accounts payable and accrued expenses	(50,584)
(Decrease) increase in deferred revenue	<u>(228,557)</u>

NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES **(55,922)**

INVESTING ACTIVITIES:

Disposition of assets	96,889
Purchase of assets	<u>(12,270)</u>

NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES **84,619**

FINANCING ACTIVITIES

Proceeds from borrowings	-
Principal payments on debt	<u>(31,341)</u>

NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES **(31,341)**

INCREASE (DECREASE) IN CASH **(2,645)**

CASH AND CASH EQUIVALENTS AT JULY 1, 2018 **55,787**

CASH AND CASH EQUIVALENTS AT JUNE 30, 2019 **\$ 53,142**

CASH AT JUNE 30, 2019

Displayed as:	
Unrestricted	\$ 45,602
Restricted	<u>7,540</u>
	<u><u>\$ 53,142</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash payments of Interest	<u><u>\$ 2,772</u></u>
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APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
June 30, 2019

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

ORGANIZATION

Appalachian Community Action & Development Agency, Inc., is organized as a non-profit organization under the laws of the State of Virginia to administer state and federal grants and funds for the benefit of low-income groups, minorities, senior citizens and other program-eligible individuals.

FINANCIAL STATEMENT PRESENTATION

Appalachian Community Action & Development Agency, Inc., financial statements have been prepared on the accrual basis of accounting. The Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions defined as follows:

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.

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, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

INCOME TAXES

Appalachian Community Action & Development Agency, Inc. is organized under Section 501(c)(3) of the Internal Revenue Code as a non-profit organization exempt from income taxes. Accordingly, no provision for income taxes is required.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, Appalachian Community Action & Development Agency, Inc. considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments are considered debt securities with original maturities of twelve months or less. Long-term investments are considered debt securities with original maturities greater than twelve months. As of June 30, 2019, AppCAA did not have any investments.

INVENTORIES

Inventories are stated at cost. Inventory consists of materials, and supplies used in the Agency's Weatherization Program.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

DONATED SERVICES AND MATERIALS

Appalachian Community Action & Development Agency, Inc. reports gifts of buildings, equipment and services as restricted support due to the restrictions on use placed by the donor. Appalachian Community Action & Development Agency, Inc. reports these amounts as In-Kind contributions and are released from restrictions annually.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements such as depreciation and collectability of loans. Accordingly, actual results could differ from those estimates.

RECENT ACCOUNTING PRONOUNCEMENT

The Agency adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities* for the year ended June 30, 2019. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly. The AUS has been applied retrospectively.

DATE OF MANAGEMENT REVIEW

Management has evaluated events and transactions occurring subsequent to the statement of financial position date for items that should potentially be recognized or disclosed in those financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

2. **RESTRICTED CASH AND CASH EQUIVALENTS**

Grantor funds restricted as to use by the Grantor agency are reported as restricted cash and cash equivalents. The balance of these funds was \$7,540 at June 30, 2019.

3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Agency's financial assets as of the balance sheet date, reduced by any amounts not available for general use because of contractual or donor imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available within one year for general purposes include the Due from Grantor amount of \$275,550.

	<u>2019</u>
Financial assets at year-end	
Cash and cash equivalents	\$ 45,602
Restricted Cash	7,540
Due from Grantor	<u>275,550</u>
Total Financial Assets at year-end	<u>\$ 328,692</u>
Less amounts not available to be used within one year	
HSG and IPR program restricted funds	<u>7,540</u>
Financial assets available to meet cash needs	
for general expenditures due within one year	<u>\$ 321,152</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

4. **PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost or estimated cost. Property and equipment exceeding an acquisition cost of \$1,000 will be capitalized and depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

Computer software – 3 years
Equipment, vehicles, furniture and fixtures – 5 years
Leasehold improvements – 20 years

Appalachian Community Action & Development Agency, Inc.'s assets are all restricted by the funding agency that provides the funds for their purchase.

	Balance		Balance
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>
	<u>June 30, 2019</u>		<u>June 30, 2019</u>
Land	\$ 108,181	\$ -	\$ (10,120)
Equipment	197,730	12,270	(104,216)
Vehicles	415,716	-	(148,034)
Furniture & Fixtures	20,316	-	(18,076)
Buildings and Improvements	<u>541,044</u>	<u>-</u>	<u>(49,024)</u>
Totals	1,282,987	12,270	(329,470)
Less: Accumulated depreciation			
Equipment, vehicles, furniture and fixtures	<u>(675,275)</u>	<u>(35,945)</u>	<u>275,064</u>
NET	<u>\$ 607,712</u>	<u>\$ (23,675)</u>	<u>\$ (54,406)</u>
	<u>\$ 529,631</u>		<u>\$ 529,631</u>

5. **GRANT FUNDS - FEDERAL AND STATE**

The Agency maintains yearly contracts for the period of July 1 through June 30 for Federal Community Service Block Grants that are administered by the Virginia Department of Social Services. The contract granted for the year totaled \$260,465 of which, \$260,465 had been expended as of June 30, 2019.

The Agency maintains yearly contracts for the period of July 1 through June 30 for temporary assistance to needy families Community Service Block Grants that are administered by the Virginia Department of Social Services. The contract granted for the year totaled \$163,750, of which, \$163,750 had been expended as of June 30, 2019.

The Agency received federal grants from the Department of Energy (DOE) and the Low Income Home Energy Assistance Program (LIHEAP) to assist families with the weatherization of their homes. Grant revenue was \$553,226 from these grantors, of which \$553,226 was expended as of June 30, 2019.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

6. ***COST OF MATERIAL INSTALLED ON HOMES***

The following is a summary of the cost of materials installed on homes during the subgrant period:

Materials inventory – beginning of period	\$ 28,485
Cost of materials purchased	<u>80,082</u>
Cost of materials to be installed	108,567
Materials inventory – end of period	<u>(29,643)</u>
Cost of Materials Installed on Homes	<u>\$ 78,924</u>

The entire ending materials inventory of \$29,643 has been funded by DHCD.

7. ***NOTES RECEIVABLE – PROGRAM***

IPR Program-Notes receivable of \$233,961 are the result of the Indoor Plumbing Program loans secured by the related property deeds of trust. Should any of these loans fall into default foreclosure action is an available recourse. The loan repayments are based on the ability to pay of the loan recipients and a portion of the loan may be forgiven based on their income level. The ability to pay is recalculated annually to determine adjustments to the required loan payments, if any. Due to the annual recalculation of the amount due, the current portion of the note receivable has been estimated at \$2,687. In the event collections are received, recognition of program income will be reported in the year collected. Therefore, the allowance for uncollectible accounts is based on historical collection data. Approximately \$233,961 of the balance has been placed in deferred revenue at June 30, 2019.

Housing Preservation-Notes receivable of \$44,146 are the result of the Housing Preservation Grant Program loans secured by related property deeds of trust. Should any of these loans default, foreclosure action is an available recourse. When collections are received, recognition of program income will be reported in the year collected. The current portion of the note receivable has been estimated at \$0. Approximately \$44,146 of the balance has been placed in deferred revenue at June 30, 2019.

8. ***RETIREMENT PLAN***

The retirement plan is a defined contribution pension plan under Section 403(b) of the Internal Revenue Service Code. Appalachian Community Action & Development Agency, Inc. contributes 3.5% of an employee’s annual salary or wages paid during the year to all eligible participating employees. All full-time employees, after the completion of one continuous year of employment with AppCAA, are eligible to participate. Employees may contribute additional amounts to the plan through payroll deduction.

9. ***COMPENSATED ABSENCES***

Employees of Appalachian Community Action & Development Agency, Inc. accumulate vacation leave and sick leave based on years of service and other factors. The liability for compensated absences at June 30, 2019, was \$34,358.

10. ***NOTES PAYABLE***

The note payable of \$40,881 is the result of the April 2010 purchase of a building and land from Arnold Creech to be used as an office in Jonesville, Virginia. The total amount financed was \$81,500. The term of the note is for 15 years at an interest rate of 4.0%.

On September 25, 2017 the Board of Directors authorized agency staff to obtain a \$100,000 line of credit. The line of credit is with New Peoples bank with an initial interest rate of 4.5% subject to change with renewal. The line of credit is renewable annually. The line of credit has a \$0 balance at June 30, 2019.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

10. **NOTES PAYABLE (Continued)**

Future maturities of principal and interest are as follows:

	<u>Note Payable-Creech</u>	
	<u>Principal</u>	<u>Interest</u>
2020	5,684	1,550
2021	5,915	1,319
2022	6,156	1,078
2023	6,407	827
2024	6,668	566
2025-2026	<u>10,051</u>	<u>336</u>
Totals	<u>\$ 40,881</u>	<u>\$ 5,676</u>

11. **PERSONNEL CONTACTED**

During the audit of the Appalachian Community Action & Development Agency, Inc., the following personnel were contacted:

Renetta Robinette – Administrative Coordinator
Lisa Barton—Finance Director
Rebecca Dillow – Executive Director

Auditors’ Staff:

Tamara R. Greear, CPA. – Principal
Treavor Calhoun– Senior Auditor

12. **SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The Agency’s operations are heavily dependent upon revenues from grants and contracts from federal, state, and local governments. Access to these grants may decrease or may not be available depending on appropriations from governmental providers. As such, this may hinder the ability of the Agency to provide full services to communities it serves in the Counties of Wise, Scott and Lee, and the City of Norton. As such, the Agency’s financial condition may be negatively impacted for fiscal year 2020.

Although the Agency cannot estimate the length and gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Agency’s results for future operation, financial position and liquidity in fiscal year 2020.

OTHER SUPPLEMENTARY INFORMATION

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2019

	Salaries & Wages	Fringe Benefits	Travel	Equipment Expense	Materials & Supplies	Contractual Services	Insurance	Other	Depreciation	In-Kind	TOTAL
Weatherization-DOE	\$ 57,826	\$ 17,244	\$ 285	-	\$ 19,167	\$ 1,795	\$ 5,995	\$ 12,946	\$ 2,122	-	\$ 117,380
Weatherization-LIHEAP	196,670	61,619	16,712	-	69,226	13,560	20,690	59,492	-	-	437,968
CSBG - Federal	126,378	46,034	11,977	-	14,266	7,053	12,957	35,725	6,188	-	260,578
CSBG - TANF	84,166	18,679	2,314	-	3,099	7,645	8,065	34,981	1,642	-	160,591
CHP-AEP	8,526	2,919	-	-	19,567	26,833	-	-	279	-	58,124
DHCD-ARP	-	-	-	-	-	12,478	-	-	-	-	12,478
Rural Development-FHA	1,281	2,115	-	-	2,907	-	814	(46)	-	-	7,072
E.H.R.P.	973	-	-	-	1,029	5,263	-	-	-	-	7,266
Lenowisco Oral Health	-	-	-	-	3,000	-	-	-	-	-	3,000
Optima Health	-	-	-	-	-	4,500	-	-	-	-	4,500
Client Services	-	-	-	-	5,117	-	-	-	-	-	5,117
Program Development-Agency	-	-	340	-	15	-	-	(2,980)	25,714	-	23,089
Childcare Aware	30,086	3,488	744	-	452	582	1,982	4,958	-	-	42,293
Dolly Parton	-	-	-	-	28,712	-	-	-	-	-	28,712
Crisis	447	147	-	-	532	13,980	-	-	-	-	15,106
RSVP	17,007	6,952	2,611	-	604	1,631	1,982	3,601	-	18,088	52,475
I.P.R.	-	-	-	-	-	2,291	-	831	-	-	3,122
Rental House	-	-	-	-	16	525	-	1,268	-	-	1,809
EFSP	-	-	-	-	-	-	-	4,952	-	-	4,952
EITC	6,366	1,508	26	-	100	-	-	-	-	-	8,000
No Kid Hungry	-	-	-	-	24	-	-	698	-	-	721
Rural Lisc	6,681	1,845	4,325	-	-	-	-	449	-	-	13,300
Rural Lisc Healthy Housing	8,052	2,407	4,436	-	-	-	266	2,398	-	-	17,559
Rural Lisc RCDI	3,000	366	-	-	-	-	199	-	-	-	3,565
VDE	58	60	743	-	13,900	5,020	-	143	-	-	19,924
VDH-SFSP	-	-	198	-	17,278	28,160	-	684	-	-	46,320
VHDA HCE	12,192	5,022	1,045	-	238	12,000	153	3,460	-	-	34,110
VHDA HUD	1,987	-	-	-	-	-	-	-	-	-	1,987
VITA	2,690	721	-	-	146	-	-	293	-	-	3,850
TOTAL FUNCTIONAL EXPENSES	<u>\$ 564,386</u>	<u>\$ 171,126</u>	<u>\$ 45,755</u>	<u>\$ -</u>	<u>\$ 199,394</u>	<u>\$ 143,316</u>	<u>\$ 53,104</u>	<u>\$ 163,853</u>	<u>\$ 35,945</u>	<u>\$ 18,088</u>	<u>\$ 1,394,968</u>

See accompanying notes to financial statements.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
STATEMENT OF SOURCE AND STATUS OF SUBGRANT FUNDS
WEATHERIZATION
Year Ended June 30, 2019

LIHEAP	\$	353,026	
Department of Energy		105,943	
Total Payments Received for the Year Ended			
June 30, 2019			\$ 458,969
Funds applied to subgrant program costs		553,226	
Excess of revenue over expenses			
Total Excess Revenue and Funds Applied			<u>(553,226)</u>
FUNDS DUE FROM DHCD			<u>\$ (94,257)</u>

The \$94,257 receivable at June 30, 2019, was comprised of the following:

LIHEAP	\$	84,942	
DOE		<u>9,315</u>	
TOTAL			<u>\$ 94,257</u>

Reconciliation of above expenditures to expenditures per report:

Funds applied (above total)	\$	553,226	
Add: Depreciation		2,122	
Deduct: Assets capitalized		<u>-</u>	
TOTAL EXPENDITURES PER REPORT			<u>\$ 555,348</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 Gate City, Virginia
 STATEMENT OF SUBGRANT PROGRAM COSTS
 WEATHERIZATION
 Year Ended June 30, 2019

LIHEAP		
Administration	\$ 11,414	
Program Support	300,997	
Materials Installed	63,070	
Training and technical assistance	23,106	
Insurance & Audit	24,921	
Health & Safety	<u>14,459</u>	
Total LIHEAP		\$ 437,968
 DOE		
Administration	5,678	
Materials Installed	17,243	
Program Support	81,210	
Health& Safety	4,309	
Insurance & Audit	<u>6,818</u>	
Total DOE		115,258
TOTAL WEATHERIZATION PROGRAM COSTS		<u>\$ 553,226</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 Gate City, Virginia
 STATEMENT OF REVENUES AND EXPENSES
 COMMUNITY SERVICES BLOCK GRANT
 Year Ended June 30, 2019

REVENUES:

Federal CSBG	\$	260,465
TANF-CSBG		<u>163,750</u>

TOTAL REVENUES		<u>\$ 424,215</u>
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EXPENSES:**CSBG Federal:**

Salaries and wages		126,378
Fringe benefits		46,034
Travel		11,977
Equipment expense		6,075
Materials and supplies		14,266
Contractual Services		7,053
Other		<u>48,682</u>

Total CSBG Federal		\$ 260,465
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CSBG TANF:

Salaries and wages		84,166
Fringe benefits		18,679
Client Assistance		12,209
Operating Supplies		3,099
Equipment Expense		4,800
Other		<u>40,797</u>

Total CSBG TANF		<u>163,750</u>
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TOTAL EXPENSES		<u>\$ 424,215</u>
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Reconciliation of above expenditures to expenditures per report:

Expenditures above	\$	424,215
Plus: Depreciation		7,830
Less: Equipment Purchased		<u>(10,875)</u>

TOTAL EXPENDITURES PER REPORT	\$	<u>421,170</u>
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COMPLIANCE SECTION

**INDEPENDENT AUDITORS' 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**

The Board of Directors
Appalachian Community Action &
Development Agency, Inc.
Gate City, VA 24251

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Appalachian Community Action & Development Agency, 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, and have issued our report thereon dated April 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Appalachian Community Action & Development Agency, 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Appalachian Community Action & Development Agency, 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 that are required to be reported under *Government Auditing Standards*.

Agency's Response to Findings

Appalachian Community Action & Development Agency, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Appalachian Community Action & Development Agency, 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodger Moss & Co, PLLC

Norton, Virginia
April 27, 2020

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

The Board of Directors
Appalachian Community Action &
Development Agency, Inc.
Gate City, VA 24251

Report on Compliance for Each Major Federal Program

We have audited Appalachian Community Action & Development Agency, Inc.'s (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2019. Appalachian Community Action & Development Agency, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with awards applicable to its federal statutes, regulations, and the terms and conditions of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Appalachian Community Action & Development Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Appalachian Community Action & Development Agency, 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, 2019.

Report on Internal Control over Compliance

Management of the Appalachian Community Action & Development Agency, 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 the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Appalachian Community Action & Development Agency, Inc.'s internal control over compliance.

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

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

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

Rodger Mass & Co, PLLC

Norton, Virginia
April 27, 2020

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES FEDERAL AWARDS
 Year Ended June 30, 2019

SCHEDULE 5

<u>Federal Grantor / Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through State Department of Agriculture:			
Rural Community Development Initiative	10.446		\$ 3,565
Cooperative Forestry Assistance	10.664		2,525
U.S Department of Agriculture			
Pass-Through State Department of Education:			
Child and Adult Care Food Program	10.558		17,428
Summer Food Service Program for Children-Cluster	10.559		46,342
U.S. Department of Housing and Urban Development Grant			
HUD Section 4 Capacity Building for Community Development and Affordable Housing	14.252	B-17-CB-NY-001	17,559
Comprehensive Housing Counseling	14.169	HC180341007	1,987
U.S. Department of Energy Pass- Through State Department of Housing and Community Development:			
Weatherization Assistance for Low-Income Persons	81.042		115,258
U.S. Department of Health and Human Services Pass-Through State Department of Housing and Community Development:			
Community Service Block Grant	93.569	G17B1VACOSR	260,465
Low Income Home Energy Assist.	93.568		437,968
Temporary Assistance for Needy Families-Cluster	93.558	G17B1VACOSR	163,750
Child Care Developmental Block Grant-Cluster	93.575		42,293
Corporation for National & Community Service Pass-Through State Department of Social Services:			
Retired & Senior Volunteer Program	94.002	17SRVA002	30,688
Department of Homeland Security Pass-Through State Department of Social Services:			
Emergency Food and Shelter National Board Program	97.024		4,952
TOTAL FEDERAL AWARDS			<u>\$ 1,144,780</u>

The accompanying notes are an integral part of this schedule.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 Gate City, Virginia
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Appalachian Community Action & Development Agency, Inc. under programs of the federal government of the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Appalachian Community Action & Development Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Appalachian Community Action & Development Agency, Inc.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A0122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C--INDIRECT COST RATE

The Appalachian Community Action & Development Agency, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D--SUBRECIPIENTS

There were no awards passed through to subrecipients from Appalachian Community Action & Development Agency, Inc.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

SUMMARY OF AUDITORS' RESULTS:

1. The Auditors' report expresses an unmodified opinion on whether the financial statements of Appalachian Community Action & Development Agency, Inc. were prepared in accordance with GAAP.
2. Two material weakness relating to the audit of the financial statements of the Appalachian Community Action & Development Agency, Inc. are reported in the Auditors' Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No significant deficiencies are reported.
3. No instances of non-compliance material to the financial statements of Appalachian Community Action & Development Agency, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are disclosed in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses are reported.
5. The Auditors' report on compliance for the major federal awards program for Appalachian Community Action & Development Agency, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings which are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
Low-Income Home Energy Assistance—CFDA No. 93.568
Retired and Senior Volunteer Program – CFDA No. 94.002
8. The threshold for distinguishing type A and B programs was \$750,000.
9. Appalachian Community Action & Development Agency, Inc. was determined not to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT

Material Weakness:

2019-001. Bank Account Approval

Criteria: To assure all bank accounts in the Agency's name and identification number are authorized per Article 9 of the Organization's By-Laws per the Board of Directors of the Agency.

Condition: No board approval for the establishment of a new bank account.

Cause: High turnover in key management positions over past several years has created weaknesses in knowledge of By-Laws and required operational procedures.

Effect: Bank account was opened by Executive Director without realization of By-Laws violation.

Recommendation: Board action be taken to approve the existence of the account and establish guidelines and controls for the source and use of funding. Procedures for enhancing training in key personnel transition as it relates to established authorization protocols should be reviewed

Views of Responsible Officials and Planned Corrective Action: Appalachian Community Action & Development Agency, Inc. agrees with the finding and the recommended procedures are being implemented.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)

Material Weakness: (Continued)

2019-002. Program Compliance

Criteria: To establish procedures for oversight of federal funds that ensures only allowable expenses are charge to federal programs.

Condition: A federally funded grant program was allowed to be overseen at the staff level without direct management review of allowable costs causing expenditures to be submitted to the Grantor that were not allowed per the parameters of the program.

Cause: High turnover in key management positions over past several years has created weaknesses in operational procedures and in particular oversight of cost reporting for smaller funded programs.

Effect: A grantor agency identified concerns with instances of unallowable costs resulting in the discontinuation of funds for the program to Agency.

Recommendation: Review of procedures for oversight of federal funds and that all expenditures be more closely monitored to ensure that only allowable expenses are charged to federal grants.

Views of Responsible Officials and Planned Corrective Action: Appalachian Community Action & Development Agency, Inc. agrees with the finding and has rewritten the financial policies and procedures manual to specifically address the use of federal funds to ensure they are reasonable, applicable and allowable and in line with the objectives of the program.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

	<u>Federal Catalog Number</u>	<u>Questioned Cost</u>
U. S. Department of Health and Human Services Pass-Through State Department of Housing and Community Development:		
Low Income Home Energy Assistance	93.568	None
Corporation for National & Community Service Programs		
Retired & Senior Volunteer Program	94.002	None

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES: NONE REPORTED PRIOR YEAR

SIGNIFICANT DEFICIENCIES:

2018-001. Reconciliation of financial information

Criteria: To permit the preparation of reliable financial statements that reconcile to funding agency reporting data, an effective set of procedures should exist for review and reconciliation of revenue and expenses provided on monthly reporting to funding agencies compared to the general ledger and financial reports of the Agency for the correlating period.

Condition: The financial information prepared at year end for the Agency's financial statement reporting included variances between program totals that were the result of ineffective reconciliation and review procedures of expenses reported to funding agencies compared to program totals per the general ledger.

Cause: High turnover in key management positions, including the death of the finance director position, coupled with a mid-year conversion to a new accounting and grant management software created a lack of continuity in reconciliation procedures.

Effect: The above factors contributed to yearend financial information that matched in total, but that did not reconcile program to program for functional expense reporting on the ledger compared to the accurate reporting provided to various funding agencies.

Recommendation: Formal accounting policies and procedures be developed and documented for continuity in key personnel transitions, and to ensure the accuracy financial reporting. Procedures should include, at a minimum, a review and follow-up from month to month of the expenses posted and subsequently reported to funding agencies.

Current Status: The recommendation was adopted in 2019. No similar findings were noted in the 2019 audit.