

*APPALACHIAN COMMUNITY ACTION &
DEVELOPMENT AGENCY, INC.*

Gate City, Virginia

Financial Statements and Supplementary Information

June 30, 2020

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
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June 30, 2020

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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, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 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 other supplementary information presented in Schedules 1 thru 3, 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 March 22, 2021, 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 Moss & Co, PLLC

Norton, Virginia
March 22, 2021

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$	223,029
Due from grantor		248,538
Notes receivable - Program		189,463
Inventory		34,434
Prepaid expenses		16,598
Property, plant, and equipment, net		618,610
Cash and cash equivalents, restricted		<u>4,412</u>
TOTAL ASSETS	\$	<u>1,335,084</u>

LIABILITIES

Accounts payable	\$	1,968
Accrued expenses		28,373
Compensated absences		39,559
Deferred revenue - Program		189,463
Deferred revenue - COVID 19 Funds		175,416
Note payable		<u>35,662</u>
Total Liabilities		<u>470,441</u>

NET ASSETS

Without donor restrictions	500,719
With donor restrictions	<u>363,924</u>
Total Net Assets	<u>864,643</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,335,084</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 Gate City, Virginia
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Grants	\$ -	\$ 1,238,706	\$ 1,238,706
Program income	4,045	13,667	17,712
Contributions	609	30,030	30,639
Other	76	-	76
In-Kind	-	12,574	12,574
Paycheck Protection Program loan forgiveness	-	101,467	101,467
Net assets released from restriction	1,290,743	(1,290,743)	-
Total Revenues, Gains, and Other Support	<u>1,295,473</u>	<u>105,701</u>	<u>1,401,174</u>
EXPENSES:			
Weatherization-DOE	97,246	-	97,246
Weatherization-LIHEAP	361,335	-	361,335
CSBG - Federal	234,240	-	234,240
CSBG - TANF	137,809	-	137,809
CSBG - Supplemental	16,062	-	16,062
CHP-AEP	72,480	-	72,480
DHCD-ARP	9,890	-	9,890
E.H.R.P.	10,825	-	10,825
Client Services	8,695	-	8,695
Coal for Miners	10,330	-	10,330
ODP Utility Fund	2,000	-	2,000
Anthem Grant	20,000	-	20,000
Program Development-Agency	26,539	-	26,539
PPP Loan Program	101,467	-	101,467
Dolly Parton	15,980	-	15,980
Crisis	2,500	-	2,500
RSVP	54,235	-	54,235
I.P.R.	9,257	-	9,257
EITC	10,000	-	10,000
Rural LISC HUD	12,485	-	12,485
Rural Lisc - RCDI	26,175	-	26,175
VDE	34,790	-	34,790
VHDA-HCE	14,620	-	14,620
VHDA-HUD	21,655	-	21,655
VHDA Open House	1,653	-	1,653
VITA	3,711	-	3,711
Total Expenses	<u>1,315,979</u>	<u>-</u>	<u>1,315,979</u>
CHANGE IN NET ASSETS	(20,506)	105,701	85,195
NET ASSETS - BEGINNING OF YEAR	<u>521,225</u>	<u>258,223</u>	<u>779,448</u>
NET ASSETS - END OF YEAR	<u>\$ 500,719</u>	<u>\$ 363,924</u>	<u>\$ 864,643</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2020

	Salaries & Wages	Fringe Benefits	Travel	Equipment Expense	Materials & Supplies	Contractual Services	Insurance	Other	Depreciation	In-Kind	TOTAL
Weatherization-DOE	\$ 41,915	\$ 12,750	\$ 102	-	\$ (21,958)	\$ 23,722	\$ 4,912	\$ 33,949	\$ 1,854	-	\$ 97,246
Weatherization-LIHEAP	163,482	62,188	8,379	-	40,700	31,033	16,741	38,227	-	585	361,335
CSBG - Federal	109,863	25,231	7,783	-	25,384	18,982	9,270	31,396	6,331	-	234,240
CSBG - TANF	44,153	19,524	968	-	26,399	14,038	5,892	25,194	1,641	-	137,809
CSBG - Supplemental	-	-	-	-	16,062	-	-	-	-	-	16,062
CHP-AEP	10,461	3,622	14	-	13,731	39,309	2,633	2,431	279	-	72,480
DHCD-ARP	-	-	-	-	-	9,890	-	-	-	-	9,890
E.H.R.P.	-	-	-	-	-	10,825	-	-	-	-	10,825
Client Services	-	-	-	-	8,695	-	-	-	-	-	8,695
Coal for Miners	-	-	-	-	36	-	-	10,294	-	-	10,330
ODP Utility Fund	-	-	-	-	-	-	-	2,000	-	-	2,000
Anhthem Grant	2,000	-	-	-	18,000	-	-	-	-	-	20,000
Program Development-Agency	-	-	-	-	-	-	-	4,270	22,269	-	26,539
PPP Loan Program	87,011	11,781	-	-	-	-	-	2,675	-	-	101,467
Dolly Parton	-	-	-	-	15,980	-	-	-	-	-	15,980
Crisis	-	-	-	-	-	2,500	-	-	-	-	2,500
RSVP	24,890	8,513	683	-	2,356	1,994	2,195	1,615	-	11,989	54,235
I.P.R.	-	-	-	-	-	7,901	-	1,356	-	-	9,257
EITC	5,776	3,015	-	-	461	8	320	420	-	-	10,000
Rural Lisc HUD	5,451	30	4,838	-	1,102	-	546	518	-	-	12,485
Rural Lisc RCDI	18,940	4,967	(991)	-	97	632	1,418	1,112	-	-	26,175
VDE	3,157	1,240	32	-	11,027	16,249	1,659	1,426	-	-	34,790
VHDA HCE	5,827	5,687	281	-	-	328	-	2,497	-	-	14,620
VHDA HUD	12,892	4,642	715	-	46	159	990	2,211	-	-	21,655
VHDA Open House	-	-	-	-	1,219	350	-	84	-	-	1,653
VITA	2,640	606	-	-	465	-	-	-	-	-	3,711
TOTAL FUNCTIONAL EXPENSES	<u>\$ 538,458</u>	<u>\$ 163,796</u>	<u>\$ 22,804</u>	<u>\$ -</u>	<u>\$ 159,802</u>	<u>\$ 177,920</u>	<u>\$ 46,576</u>	<u>\$ 161,675</u>	<u>\$ 32,374</u>	<u>\$ 12,574</u>	<u>\$ 1,315,979</u>

See accompanying notes to financial statements.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

OPERATING ACTIVITIES:

Change in net assets	\$ 85,195
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	32,374
Paycheck Protection Program loan forgiveness	(101,467)
(Increase) decrease in due from grantor	27,012
(Increase) decrease in inventory	(4,791)
(Increase) decrease in prepaid expenses	6,469
(Increase) decrease in other receivables	88,644
(Decrease) increase in accounts payable and accrued expenses	(20,803)
(Decrease) increase in deferred revenue	<u>86,772</u>

NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES

199,405

INVESTING ACTIVITIES:

Purchase of assets	<u>(121,354)</u>
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NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES

(121,354)

FINANCING ACTIVITIES

Proceeds from Paycheck Protection Program Loan	101,467
Principal payments on debt	<u>(5,219)</u>

NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES

96,248

INCREASE (DECREASE) IN CASH

174,299

CASH AND CASH EQUIVALENTS AT JULY 1, 2019

53,142

CASH AND CASH EQUIVALENTS AT JUNE 30, 2020

\$ 227,441

CASH AT JUNE 30, 2020

Displayed as:	
Unrestricted	\$ 223,029
Restricted	<u>4,412</u>
	<u>\$ 227,441</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash payments of Interest	<u>\$ 1,276</u>
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APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
June 30, 2020

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 expire 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, or (c) from reclassification to or 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. The Agency evaluates its tax positions in accordance with applicable standards. Management has evaluated the Agency's tax positions and believes that the Agency has none which are uncertain.

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, 2020, 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.

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

REVENUE RECOGNITION

The Agency recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. Under this method, the Agency follows the five-step model provided by ASC Topic 606 in order to recognize revenue in the following manner: 1) Identify the contract; 2) Identify the performance obligations in the contract; 3) Determine the transaction price of the contract; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue as appropriate. Under this method, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for such goods or services.

The Agency generates a portion of revenues from program services. The direct benefit to the recipient of the service is recognized as a 606 transaction. Performance obligation to the individual recipient is satisfied when the service provided by the program is delivered or provided.

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.

GRANTS AND FEDERAL/STATE FUNDS

The Authority receives grants from various local, state and federal funding sources. These resources are recorded as revenue when the related costs are incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include salaries, fringe benefits, materials and supplies, and travel. The expenses are allocated on a reasonable basis that is consistently applied.

USE OF ESTIMATES

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

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 \$4,412 at June 30, 2020.

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

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 \$248,538.

Financial assets at year-end	
Cash and cash equivalents	\$ 223,029
Restricted Cash	4,412
Due from Grantor	<u>248,538</u>
Total Financial Assets at year-end	<u>\$ 475,979</u>
Less amounts not available to be used within one year	
HSG and IPR program restricted funds	<u>4,412</u>
Financial assets available to meet cash needs	
for general expenditures due within one year	<u>\$ 471,567</u>

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 <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Land	\$ 98,061	\$ -	\$ -	\$ 98,061
Equipment	105,784	32,729	(30,254)	108,259
Vehicles	267,682	81,447	-	349,129
Furniture & Fixtures	2,240	-	(1,003)	1,237
Buildings and Improvements	<u>492,020</u>	<u>7,178</u>	<u>-</u>	<u>499,198</u>
Totals	965,787	121,354	(31,257)	1,055,883
Less: Accumulated depreciation				
Equipment, vehicles, furniture and fixtures	<u>(436,156)</u>	<u>(32,375)</u>	<u>31,257</u>	<u>(437,274)</u>
NET	<u>\$ 529,631</u>	<u>\$ 88,979</u>	<u>\$ -</u>	<u>\$ 618,610</u>

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

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 \$268,098 of which, \$268,099 had been expended as of June 30, 2020.

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, 2020.

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 \$505,059 from these grantors, of which \$505,059 was expended as of June 30, 2020.

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	\$ 29,643
Cost of materials purchased	<u>39,377</u>
Cost of materials to be installed	69,020
Materials inventory – end of period	<u>(34,434)</u>
Cost of Materials Installed on Homes	<u>\$ 34,586</u>

The entire ending materials inventory of \$34,434 has been funded by DHCD.

7. **NOTES RECEIVABLE – PROGRAM**

IPR Program-Notes receivable of \$189,463 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 \$20,100. 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 \$189,463 of the balance has been placed in deferred revenue at June 30, 2020.

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, 2020, was \$39,559.

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

10. **NOTES PAYABLE**

The note payable of \$35,662 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% and a current rate of 5.0% subject to change with renewal. The line of credit is renewable annually. The line of credit has a \$0 balance at June 30, 2020.

Future maturities of principal and interest are as follows:

	<u>Note Payable-Creech</u>	
	<u>Principal</u>	<u>Interest</u>
2021	5,915	1,319
2022	6,156	1,078
2023	6,407	827
2024	6,668	566
2025	6,940	294
2026-2030	<u>3,576</u>	<u>42</u>
Totals	<u>\$ 35,662</u>	<u>\$ 4,126</u>

11. **PERSONNEL CONTACTED**

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

Agency's Staff:
Renetta Robinette – Interim Director
Lisa Barton—Finance Director

Auditors' Staff:
Tamara R. Greear, CPA. – Partner
Jessie Wilks – Staff Accountant
Melanie Fulks – Staff Accountant

12. **RISKS AND UNCERTAINTIES**

On March 11, 2020 the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and disaster preparedness plans give management the tools necessary to guide the Agency through such circumstances. We have evaluated the short-term and long-term impacts of this pandemic on the Agency, the outcome of which is not predictable with assurance, and it is possible that the Agency could be affected negatively by these circumstances. Although the ultimate financial impact of this pandemic cannot be ascertained, through a thorough evaluation of cash, revenue sources, and our overhead projections, management believes that any resulting financial impact should not materially affect the financial position of the Agency as of June 30, 2020.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, and increased limitations on qualified charitable contributions. Management is currently evaluating how these provisions of the CARES Act will impact the Agency’s financial position, results of operations, and cash flows.

13. **CARES ACT**

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods of qualified improvement property. Management is currently evaluating how the provisions of the CARES Act will impact its financial position, results of operations, and cash flows.

The CARES Act also appropriated funds for the U. S. Small Business Administration (SBA) Paycheck Protection Program (PPP) to promote continued employment. Under the PPP, certain loans may be forgiven by the lender under the direction of the Administrator of the SBA, so long as the requirements of the PPP for forgiveness are satisfied. Forgiveness does not occur automatically. Borrower must submit a request for forgiveness along with all required documentation. Forgiveness will not occur unless, and until, the request for forgiveness is approved.

In April 2020, the Agency received a \$101,467 PPP loan from New Peoples Bank. The Agency has elected to account for the PPP loan analogize to IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* as there are no specific U.S. GAAP standards on accounting by business entities for government assistance and management believes that the standard is relevant in the circumstances.

Under an analogy to IAS 20, a deferred income liability is recognized upon receipt of the forgivable loan if, at the time of receiving the loan, the entity has determined that it is probable that it would meet the conditions for forgiveness, i.e., the loan will be used to pay for qualifying expenses such as payroll, rent mortgage interest, and utilities. Similarly, no interest is accrued due to the expectation of forgiveness. The deferred income liability is derecognized on a systematic basis over the periods in which the entity incurs the related expenses (e.g., payroll). That is, the deferred income is recognized in the income statement as qualified expenses are paid and presented as either (1) other income or (2) a reduction of the related expenses. This approach results in the recognition of the proceeds as a grant for the amount expected to be forgiven prior to legal release; the remainder (if any) would be recognized as a loan consistent with ASC 470, *Debt* and derecognized upon repayment or legal release in accordance with ASC 405-20, *Extinguishments of Liabilities*.

The Agency used the proceeds from the PPP loan to fund payroll, a qualifying expense. Since management expects the PPP loan to be fully forgiven the deferred income from the PPP loan has been recognized in the statement of activities for the year ended June 30, 2020 as other income.

14. **SUBSEQUENT EVENTS**

On January 04, 2021, New Peoples Bank informed management that the Paycheck Protection Program loan was fully forgiven.

OTHER SUPPLEMENTARY INFORMATION

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
STATEMENT OF SOURCE AND STATUS OF SUBGRANT FUNDS
WEATHERIZATION
Year Ended June 30, 2020

LIHEAP	\$	308,726
Department of Energy		117,936
Total Payments Received for the Year Ended June 30, 2020		\$ 426,662
Funds applied to subgrant program costs		505,059
Excess of revenue over expenses		
Total Excess Revenue and Funds Applied		<u>(505,059)</u>
FUNDS DUE FROM DHCD		<u>\$ (78,397)</u>
The \$78,397 receivable at June 30, 2020, was comprised of the following:		
LIHEAP	\$	72,597
DOE		<u>5,800</u>
TOTAL		<u>\$ 78,397</u>

Reconciliation of above expenditures to expenditures per report:

Funds applied (above total)	\$	505,059
Add: Depreciation		1,854
Add: In-Kind		351
Deduct: Assets capitalized		<u>(48,683)</u>
TOTAL EXPENDITURES PER REPORT		<u>\$ 458,581</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 Gate City, Virginia
STATEMENT OF SUBGRANT PROGRAM COSTS
WEATHERIZATION
 Year Ended June 30, 2020

LIHEAP

Administration	\$	10,962
Program Support		250,972
Materials Installed		27,257
Training and technical assistance		38,462
Insurance & Audit		18,641
Health & Safety		14,690
In Kind		<u>351</u>

Total LIHEAP \$ 361,335

DOE

Administration		3,926
Materials Installed		1,426
Program Support		85,755
Health & Safety		1,424
Insurance & Audit		<u>4,715</u>

Total DOE 97,246

TOTAL WEATHERIZATION PROGRAM COSTS \$ 458,581

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Gate City, Virginia

STATEMENT OF REVENUES AND EXPENSES

COMMUNITY SERVICES BLOCK GRANT

Year Ended June 30, 2020

REVENUES:

Federal CSBG	\$	268,096
Federal CSBG Supplemental		16,062
TANF-CSBG		<u>163,750</u>

TOTAL REVENUES**\$ 447,908****EXPENSES:****CSBG Federal:**

Salaries and wages		109,863
Fringe benefits		25,231
Travel		7,783
Equipment expense		33,012
Materials and supplies		25,384
Contractual Services		18,982
Other		<u>47,844</u>

Total CSBG Federal

268,099**CSBG Federal Supplemental:**

Operating Supplies		<u>16,062</u>
--------------------	--	---------------

Total CSBG Federal Supplemental

16,062**CSBG TANF:**

Salaries and wages		44,153
Fringe benefits		19,524
Client Assistance		16,412
Operating Supplies		26,399
Equipment Expense		27,582
Other		<u>29,679</u>

Total CSBG TANF

163,749**TOTAL EXPENSES****\$ 447,910**

Reconciliation of above expenditures to expenditures per report:

Expenditures above	\$	447,910
Plus: Depreciation		7,972
Less: Equipment Purchased		<u>(67,771)</u>

TOTAL EXPENDITURES PER REPORT**\$ 388,111**

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, 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 March 22, 2021.

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. 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 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*.

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 Messer & Co, PLLC

Norton, Virginia
March 22, 2021

- Certified Public Accountants
- Business Advisors

p: 276.679.2780
f: 276.679.7445
w: rodefermoss.com
612 Trent Street NE
Norton, VA 24273



**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, 2020. 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, 2020.

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 Messer & Co, PLLC

Norton, Virginia
March 22, 2021

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
SCHEDULE OF EXPENDITURES FEDERAL AWARDS
 Year Ended June 30, 2020

SCHEDULE 4

<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 Housing Service	10.446		\$ 26,297
U.S Department of Agriculture			
Pass-Through State Department of Education:			
Child and Adult Care Food Program	10.558		17,034
Summer Food Service Program for Children-Cluster	10.559		14,296
U.S. Department of Housing and Urban Development Grant			
Comprehensive Housing Counseling	14.169	HC190341006	21,655
HUD Housing Counseling	14.252	B-18-CB-NY-0001	17,830
U.S. Department of Energy Pass-Through State Department of Housing and Community Development:			
Weatherization Assistance for Low-Income Persons	81.042		123,736
U.S. Department of Health and Human Services Pass-Through State Department of Housing and Community Development:			
Community Service Block Grant	93.569	G17B1VACOSR	268,096
Low Income Home Energy Assist.	93.568		381,323
Temporary Assistance for Needy Families-Cluster	93.558	G17B1VACOSR	163,750
Community Service Block Grant Supplemental	93.575	CVS-20-124-02	16,062
Corporation for National & Community Service			
Pass-Through State Department of Social Services:			
Retired & Senior Volunteer Program	94.002	17SRVA002	<u>41,526</u>
TOTAL FEDERAL AWARDS			\$ <u>1,091,605</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, 2020

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, 2020. 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, 2020

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. No significant deficiencies 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 material weaknesses 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
Community Service Block Grant – CFDA No. 93.569
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

NONE

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

	Federal Catalog Number	Questioned Cost
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
Community Service Block Grant	93.569	None

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES:

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.

Current Status: The recommendations were implemented in 2020. No similar findings were noted in the 2020 audit.

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.

Current Status: The Agency has rewritten the financial policies and procedures manual to specifically address the use of federal funds to ensure they are reasonable, applicable, allowable, and in line with the objectives of the program. No similar findings were noted in the 2020 audit.

SIGNIFICANT DEFICIENCIES: NONE REPORTED PRIOR YEAR