

***APPALACHIAN COMMUNITY ACTION &  
DEVELOPMENT AGENCY, INC.***

Gate City, Virginia

**Financial Statements and Supplementary Information**

**June 30, 2021**

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.  
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June 30, 2021

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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, 2021 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, 2021 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, 2022, 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.

Roderick Moss & Co, PLLC

Norton, Virginia  
March 22, 2022

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.  
Statement of Financial Position  
June 30, 2021

ASSETS

Cash and cash equivalents	\$	105,087
Investments		310,022
Due from grantor		245,131
Notes receivable - Program		166,274
Inventory		36,033
Prepaid expenses		6,846
Property and equipment, net		559,768
Cash and cash equivalents, restricted		<u>31,256</u>
 TOTAL ASSETS	 \$	 <u><u>1,460,417</u></u>

LIABILITIES

Accounts payable	\$	32,707
Accrued expenses		31,338
Accrued compensated absences		31,913
Deferred revenue - Program		166,274
Deferred revenue - Other		15,167
Note payable		<u>29,747</u>
 Total Liabilities		 <u>307,146</u>

NET ASSETS

Without donor restrictions		810,559
With donor restrictions		<u>342,712</u>
 Total Net Assets		 <u>1,153,271</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>1,460,417</u></u>

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.

Statement of Activities

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	TOTAL
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>			
Grants	\$ -	\$ 1,572,551	\$ 1,572,551
Program income	-	17,267	17,267
Contributions	3,466	36,250	39,716
Other	22	-	22
In-Kind	-	-	-
Investment return, net	96,482	-	96,482
Net assets released from restriction	<u>1,647,280</u>	<u>(1,647,280)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>1,747,250</u>	<u>(21,212)</u>	<u>1,726,038</u>
<b>EXPENSES:</b>			
Weatherization-DOE	145,751	-	145,751
Weatherization-LIHEAP	367,264	-	367,264
CSBG - Federal	265,104	-	265,104
CSBG - TANF	210,752	-	210,752
CSBG - Supplemental	170,432	-	170,432
CHP-AEP	61,706	-	61,706
DHCD-ARP	3,917	-	3,917
DHCD Grant	82,564	-	82,564
E.H.R.P.	10,879	-	10,879
Client Services	2,624	-	2,624
BB&T Grant	3,162	-	3,162
Program Development-Agency	28,354	-	28,354
Dolly Parton	36,250	-	36,250
Crisis	10,169	-	10,169
RSVP	57,981	-	57,981
I.P.R.	1,768	-	1,768
EITC	9,000	-	9,000
Rural LISC HUD	61,863	-	61,863
Rural Lisc Healthy Housing	16,100	-	16,100
Strategic Plan Grant	10,750	-	10,750
VDE	26,836	-	26,836
VHDA-HCE	15,767	-	15,767
VHDA-HUD	3,900	-	3,900
VHDA-Tech Grant	40,000	-	40,000
VITA	<u>8,057</u>	<u>-</u>	<u>8,057</u>
Total Expenses	<u>1,650,950</u>	<u>-</u>	<u>1,650,950</u>
Change in net assets	96,300	(21,212)	75,088
Net assets - Beginning of year, as previously reported	500,719	363,924	864,643
Prior Period Adjustment (Note 13)	<u>213,540</u>	<u>-</u>	<u>213,540</u>
Net assets - Beginning of year, as restated	714,259	363,924	1,078,183
Net assets - End of year	<u>\$ 810,559</u>	<u>\$ 342,712</u>	<u>\$ 1,153,271</u>

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.  
Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Services										
	Salaries & Wages	Fringe Benefits	Travel	Equipment Expense	Materials & Supplies	Contractual Services	Insurance	Other	Depreciation	In-Kind	TOTAL
Programs:											
Weatherization-DOE	\$ 71,113	\$ 21,929	\$ 224	-	\$ 17,386	\$ 8,009	\$ 7,776	\$ 11,822	\$ 7,492	-	\$ 145,751
Weatherization-LIHEAP	165,664	50,553	6,997	-	49,608	30,944	18,605	40,373	4,520	-	367,264
CSBG - Federal	109,669	43,841	555	-	31,628	23,016	15,095	29,379	11,921	-	265,104
CSBG - TANF	64,183	17,037	-	-	95,122	5,767	6,913	14,029	7,701	-	210,752
CSBG - Supplemental	21,966	3,220	-	-	55,708	26,262	-	63,276	-	-	170,432
CHP-AEP	11,450	3,161	-	-	17,598	22,966	3,203	3,049	279	-	61,706
DHCD-ARP	-	-	-	-	-	3,917	-	-	-	-	3,917
DHCD Grant	11,843	589	-	-	-	-	-	70,132	-	-	82,564
E.H.R.P.	-	-	-	-	-	10,879	-	-	-	-	10,879
Client Services	31	11	-	-	2,582	-	-	-	-	-	2,624
BB&T Grant	-	-	-	-	500	53	668	1,941	-	-	3,162
Program Development-Agency	-	-	-	-	-	1,864	-	4,997	21,493	-	28,354
Dolly Parton	-	-	-	-	36,250	-	-	-	-	-	36,250
Crisis	-	-	-	-	-	10,169	-	-	-	-	10,169
RSVP	34,248	13,931	-	-	1,953	201	4,962	2,686	-	-	57,981
I.P.R.	-	-	-	-	-	1,123	-	645	-	-	1,768
EITC	4,938	2,332	-	-	1,409	-	-	321	-	-	9,000
Rural Lisc HUD	48,569	7,690	-	-	427	-	336	3,861	980	-	61,863
Rural Lisc Healthy Housing	10,841	3,795	-	-	-	-	-	1,464	-	-	16,100
Strategic Plan Grant	-	-	-	-	-	10,750	-	-	-	-	10,750
VDE	5,084	1,476	-	-	10,844	5,018	2,169	2,245	-	-	26,836
VHDA HCE	25,170	7,985	-	-	(18,606)	-	-	1,218	-	-	15,767
VHDA HUD	3,545	-	-	-	-	-	-	355	-	-	3,900
VHDA Tech Grant	-	-	-	-	32,333	-	-	7,667	-	-	40,000
VITA	5,627	771	-	-	1,056	-	-	603	-	-	8,057
TOTAL FUNCTIONAL EXPENSES	<u>\$ 593,941</u>	<u>\$ 178,321</u>	<u>\$ 7,776</u>	<u>\$ -</u>	<u>\$ 335,798</u>	<u>\$ 160,938</u>	<u>\$ 59,727</u>	<u>\$ 260,063</u>	<u>\$ 54,386</u>	<u>\$ -</u>	<u>\$ 1,650,950</u>

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.

Statement of Cash Flows  
For the year ended June 30, 2021

<b>OPERATING ACTIVITIES:</b>		
Change in net assets		\$ 75,088
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation		54,386
Unrealized gains on investments		(96,482)
(Increase) decrease in due from grantor		3,407
(Increase) decrease in inventory		(1,599)
(Increase) decrease in prepaid expenses		9,752
(Increase) decrease in other receivables		23,189
(Decrease) increase in accounts payable and accrued expenses		26,058
(Decrease) increase in deferred revenue		<u>(183,438)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<u>(89,639)</u>
<b>INVESTING ACTIVITIES:</b>		
Disposal of assets		26,865
Purchase of assets		<u>(22,409)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>4,456</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on debt		<u>(5,915)</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u>(5,915)</u>
<b>INCREASE (DECREASE) IN CASH</b>		(91,098)
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2020</b>		<u>227,441</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 201</b>		<u>\$ 136,343</u>
<b>CASH AT JUNE 30, 2021</b>		
Displayed as:		
Unrestricted	\$ 105,087	
Restricted	<u>31,256</u>	
	<u>\$ 136,343</u>	
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash payments of Interest		<u>\$ 1,319</u>



APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

June 30, 2021

I. **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.

**FAIR VALUE MEASUREMENT** - FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs which are unobservable with little or no market data for the asset or liability.

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

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

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

**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 Agency 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 \$31,256 at June 30, 2021.

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 \$245,131.

Financial assets at year-end	
Cash and cash equivalents	\$ 105,087
Investments	310,022
Restricted Cash	31,256
Due from Grantor	<u>245,131</u>
Total Financial Assets at year-end	<u>\$ 691,496</u>
Less amounts not available to be used within one year	
HSG and IPR program restricted funds	<u>31,256</u>
Financial assets available to meet cash needs	
for general expenditures due within one year	<u>\$ 660,240</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			Balance
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Land	\$ 98,061	\$ -	\$ (5,332)	\$ 92,729
Equipment	108,259	9,400	-	117,659
Vehicles	349,129	-	-	349,129
Furniture & Fixtures	1,237	-	-	1,237
Buildings and Improvements	<u>499,198</u>	<u>13,009</u>	<u>(42,379)</u>	<u>469,828</u>
Totals	1,055,884	22,409	(47,711)	1,030,582
Less: Accumulated depreciation				
Equipment, vehicles, furniture and fixtures	<u>(437,273)</u>	<u>(54,386)</u>	<u>20,846</u>	<u>(470,813)</u>
NET	<u>\$ 618,610</u>	<u>\$ (31,977)</u>	<u>\$(26,865)</u>	<u>\$ 559,768</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 \$272,493 of which, \$272,492 had been expended as of June 30, 2021.

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 \$203,050. of which, \$203,051 had been expended as of June 30, 2021.

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 \$501,103 from these grantors, of which \$504,103 was expended as of June 30, 2021.

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	\$ 34,434
Cost of materials purchased	<u>75,998</u>
Cost of materials to be installed	110,432
Materials inventory – end of period	<u>(36,033)</u>
Cost of Materials Installed on Homes	<u>\$ 74,399</u>

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

7. **NOTES RECEIVABLE – PROGRAM**

*IPR Program*-Notes receivable of \$166,274 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 \$166,274 of the balance has been placed in deferred revenue at June 30, 2021.

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, 2021, was \$31,913.

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

10. **NOTES PAYABLE**

The note payable of \$29,747 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 5.5% subject to change with renewal. The line of credit is renewable annually. The line of credit has a \$0 balance at June 30, 2021.

Future maturities of principal and interest are as follows:

	<u>Note Payable-Creech</u>	
	<u>Principal</u>	<u>Interest</u>
2022	6,156	1,078
2023	6,407	827
2024	6,668	566
2025	6,940	294
2026	<u>3,576</u>	<u>42</u>
Totals	<u>\$ 29,747</u>	<u>\$ 2,807</u>

11. **PERSONNEL CONTACTED**

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

Agency's Staff:  
Lisa Barton - Executive Director  
Denise Lambert - Finance Director

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

12. **INVESTMENTS AND FAIR VALUE MEASUREMENTS**

All investments are stated at fair market value as of June 30, 2021. All investments have been measured on a recurring basis using Level 1 inputs (see Note 1). There were no changes in valuation methodologies and related inputs used at June 30, 2021.

Investments as of June 30, 2021 summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Accumulated Unrealized Gain</u>
Anthem Stock	<u>\$ 10,556</u>	<u>\$ 310,022</u>	<u>\$ 299,466</u>
Total	<u>\$ 10,556</u>	<u>\$ 310,022</u>	<u>\$ 299,466</u>

For the year ended June 30, 2021, unrealized gain on the investment was \$96,482.

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

13. **PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to reflect the investment value related to Anthem Stock the Agency was notified of during the year that had not previously been recorded. The identified original cost basis of \$10,556, combined with unrealized gains of \$202,984 through end of prior year, totaled \$213,540. The total investment was made as an increase to net assets without donor restrictions as follows:

Net assets:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year, as previously reported	\$ 500,719	\$ 363,924	\$ 864,643
Prior Period Adjustment	<u>213,540</u>	<u>-</u>	<u>213,540</u>
Beginning of year, as restated	<u>\$ 714,259</u>	<u>\$ 363,924</u>	<u>\$1,078,183</u>

14. **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, 2021.

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.

15. **RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, Leases (Subtopic 842) (“ASU 2016-02”). ASU 2016-02 provides revised guidance for lease accounting and related disclosure requirements, including a requirement for lessees to recognize lease assets and lease liabilities for certain operating leases. All leases with lease terms greater than one year are subject to ASU 2016-02, including leases in place as of the adoption date. Under the previous guidance, lessees were not required to recognize assets and liabilities for operating leases on the balance sheet. ASU 2016-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. The organization is currently evaluating the potential effect of this ASU on its financial statements, including the potential amount of incremental lease assets and liabilities that are expected to be recognized upon adoption.

**OTHER SUPPLEMENTARY INFORMATION**

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.  
Statement of Source and Status of Subgrant Funds  
Weatherization  
Year Ended June 30, 2021

SCHEDULE I

LIHEAP	\$	289,002
Department of Energy		100,059
Total Payments Received for the Year Ended June 30, 2021		\$ 389,061
Funds applied to subgrant program costs		504,103
Excess of revenue over expenses		
Total Excess Revenue and Funds Applied		<u>(504,103)</u>
FUNDS DUE FROM DHCD		<u>\$ (115,042)</u>

The \$115,042 receivable at June 30, 2021, was comprised of the following:

LIHEAP	\$	76,843
DOE		<u>38,199</u>
TOTAL		<u>\$ 115,042</u>

Reconciliation of above expenditures to expenditures per report:

Funds applied (above total)	\$	504,103
Add: Depreciation		12,012
Add: In-Kind		-
Deduct: Assets capitalized		<u>(3,100)</u>
TOTAL EXPENDITURES PER REPORT		<u>\$ 513,015</u>



APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.  
Statement of Subgrant Program Costs  
Weatherization  
Year Ended June 30, 2021

SCHEDULE 2

<b>LIHEAP</b>		
Administration	\$ 6,595	
Program Support	255,999	
Materials Installed	21,811	
Training and technical assistance	45,701	
Insurance & Audit	17,063	
Health & Safety	<u>20,095</u>	
Total LIHEAP		\$ 367,264
 <b>DOE</b>		
Administration	242	
Materials Installed	15,856	
Program Support	120,368	
Health & Safety	2,863	
Insurance & Audit	<u>6,422</u>	
Total DOE		<u>145,751</u>
Total Weatherization Program Costs		<u>\$ 513,015</u>

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.  
Statement of Revenues and Expenses  
Community Services Block Grant  
Year Ended June 30, 2021

SCHEDULE 3

**REVENUES:**

Federal CSBG	\$ 272,493	
Federal CSBG Supplemental	170,432	
TANF-CSBG	<u>203,050</u>	
TOTAL REVENUES		<u>\$ 645,975</u>

**EXPENSES:**

**CSBG Federal:**

Salaries and wages	109,669	
Fringe benefits	43,841	
Travel	555	
Equipment expense	19,309	
Materials and supplies	31,628	
Contractual Services	23,016	
Other	<u>44,474</u>	
Total CSBG Federal		<u>272,492</u>

**CSBG Federal Supplemental:**

Salaries and wages	21,966	
Fringe benefits	3,220	
Operating Supplies	55,708	
Contractual Services	26,262	
Other	<u>63,276</u>	
Total CSBG Federal Supplemental		<u>170,432</u>

**CSBG TANF:**

Salaries and wages	64,183	
Fringe benefits	17,037	
Client Assistance	4,675	
Operating Supplies	95,122	
Contractual Services	5,767	
Other	<u>16,267</u>	
Total CSBG TANF		<u>203,051</u>

<b>TOTAL EXPENSES</b>		<u>\$ 645,975</u>
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Reconciliation of above expenditures to expenditures per report:

Expenditures above	\$ 645,975	
Plus: Depreciation	19,622	
Less: Equipment Purchased	<u>(19,309)</u>	

TOTAL EXPENDITURES PER REPORT		<u>\$ 646,288</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, 2021, 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, 2022.

**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 Moss & Co, PLLC

Norton, Virginia  
March 22, 2022

- Certified Public Accountants
- Business Advisors

p: 276.679.2780  
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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, 2021. 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, 2021.

## 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.

Roderick Moss & Co, PLLC

Norton, Virginia  
March 22, 2022

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2021

Schedule 4

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S Department of Agriculture			
Pass-Through State Department of Education:			
Child and Adult Care Food Program	10.558		20,161
Summer Food Service Program for Children- <i>Cluster</i>	10.559		6,656
U.S. Department of Housing and Urban Development Grant			
Comprehensive Housing Counseling	14.169	HC180341007	3,900
HUD Housing Counseling	14.252	B-18-CB-NY-0001	76,983
U.S. Department of Energy Pass-Through State Department of Housing and Community Development:			
Weatherization Assistance for Low-Income Persons	81.042		138,258
U.S. Department of Health and Human Services Pass-Through State Department of Housing and Community Development:			
Community Service Block Grant	93.569	G17B1VACOSR	272,493
Low Income Home Energy Assist.	93.568		365,846
Temporary Assistance for Needy Families- <i>Cluster</i>	93.558	G17B1VACOSR	203,050
Child Care and Development Block Grant Supplemental - <i>CCDF Cluster</i>	93.575	CVS-20-124-02	170,432
Department of the Treasury			
Coronavirus Relief Fund	21.019	USDHHS, 20-RMRP-00	82,564
Corporation for National & Community Service Pass-Through State Department of Social Services:			
Retired & Senior Volunteer Program	94.002	17SRVA002	<u>57,981</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,398,324</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, 2021

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, 2021. 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 A-122, *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. The Agency uses a cost allocation plan for indirect costs with the exception to this method being programs specifically required by funding agency to the 10% de minimis indirect cost rate.

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, 2021

**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*  
*Temporary Assistance for Needy Families-Cluster – CFDA No. 93.558*
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**

	<b>Federal Catalog Number</b>	<b>Questioned Cost</b>
<b>U. S. Department of Health and Human Services Pass-Through State Department of Housing and Community Development:</b>		
Low Income Home Energy Assistance	93.568	None
Temporary Assistance for Needy Families	93.558	None