

MID-CUMBERLAND COMMUNITY  
ACTION AGENCY, INC.  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
JUNE 30, 2015 AND 2014

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mid-Cumberland Community Action Agency, Inc.  
Lebanon, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mid-Cumberland Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Agency as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee  
December 29, 2015

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents		
Restricted	\$ 49,228	\$ 121,965
Unrestricted	-	129,397
Certificate of deposit	-	121,278
Federal grants receivable	977,497	502,656
Accounts receivable	-	200
Inventory	23,085	62,964
Investments	16,756	16,533
Current portion of prepaid rent	67,753	67,753
Total current assets	<u>1,134,319</u>	<u>1,022,746</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building	1,093,199	1,093,199
Furniture and equipment	313,488	313,488
Vehicles	1,363,566	1,160,961
Total property and equipment	<u>2,770,253</u>	<u>2,567,648</u>
Less: Accumulated depreciation	2,140,133	2,001,075
Net property and equipment	<u>630,120</u>	<u>566,573</u>
<u>OTHER ASSETS</u>		
Prepaid rent, less current portion	<u>345,742</u>	<u>413,495</u>
Total assets	<u>\$ 2,110,181</u>	<u>\$ 2,002,814</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 393,832	\$ 284,955
Accrued expenses	211,875	141,815
Unearned revenue - federal grants	28,310	92,549
Advances from grantors	21,117	74,601
Total current liabilities	<u>655,134</u>	<u>593,920</u>
<u>NET ASSETS</u>		
Temporarily restricted	1,000,383	520,435
Unrestricted	454,664	888,459
Total net assets	<u>1,455,047</u>	<u>1,408,894</u>
Total liabilities and net assets	<u>\$ 2,110,181</u>	<u>\$ 2,002,814</u>

The accompanying notes are an integral part of the financial statements.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenue:		
Gifts in-kind	\$ 223,905	\$ 682,697
Investment income	696	6,019
Total unrestricted support	<u>224,601</u>	<u>688,716</u>
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>12,538,329</u>	<u>11,521,708</u>
Total unrestricted support and reclassifications	<u>12,762,930</u>	<u>12,210,424</u>
Expenses:		
Program services	12,577,145	11,899,056
Supporting services	619,580	534,002
Total expenses	<u>13,196,725</u>	<u>12,433,058</u>
Change in unrestricted net assets	<u>(433,795)</u>	<u>(222,634)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Federal and state grants	12,888,100	11,503,756
Local grants, contributions and other revenue	130,177	48,160
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>(12,538,329)</u>	<u>(11,521,708)</u>
Change in temporarily restricted net assets	<u>479,948</u>	<u>30,208</u>
Change in net assets	46,153	(192,426)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,408,894</u>	<u>1,601,320</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,455,047</u>	<u>\$ 1,408,894</u>

The accompanying notes are an integral part of the financial statements.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015

	Program Services								
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance	VITA	Emergency Food Assistance	Head Start	Early Head Start	Early Head Start Child Care Partnership	Child and Adult Care Food
Salaries/wages	\$ 319,896	\$ 165,427	\$ 48,591	\$ -	\$ 29,710	\$ 3,957,262	\$ 524,066	\$ 33,293	\$ 78,997
Employee benefits	98,755	43,697	17,267	-	7,147	1,449,290	194,067	2,418	19,277
Total personnel	418,651	209,124	65,858	-	36,857	5,406,552	718,133	35,711	98,274
Client assistance	301,110	2,111,001	34,671	-	426,401	-	-	-	271,346
Communications	30,598	9,992	788	-	9,323	87,903	3,672	-	-
Contracted services	-	-	-	-	44,115	381,672	3,296	-	18,765
In-kind	-	-	-	-	-	223,905	-	-	-
Insurance	2,767	7,278	440	-	153	55,894	6,645	-	-
Maintenance	10,593	8,254	249	-	-	112,664	11,559	1,372	-
Occupancy	76,253	17,305	5,360	-	6,329	291,907	23,851	-	-
Other	765	-	-	-	-	43,667	3,648	-	-
Professional services	2,245	8,692	466	-	161	16,434	2,059	-	683
Supplies	20,778	12,017	5,768	1,441	6,944	398,540	51,650	71,041	24,276
Training and seminars	15,023	5,885	164	-	-	82,197	16,346	9,599	-
Travel	-	-	1,455	-	1,158	73,206	5,033	10,340	-
	878,783	2,389,548	115,219	1,441	531,441	7,174,541	845,892	128,063	413,344
Depreciation	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 878,783	\$ 2,389,548	\$ 115,219	\$ 1,441	\$ 531,441	\$ 7,174,541	\$ 845,892	\$ 128,063	\$ 413,344

(Continued)

The accompanying notes are an integral part of the financial statements.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)  
YEAR ENDED JUNE 30, 2015

	Program Services						
RSVP	Emergency Food and Shelter	Emergency Shelter	Emergency Grant	Special State Grant	Private and Local Assistance	Total Program Services	Total Expenses
\$ 23,575	\$ -	\$ -	\$ -	1,326	\$ 4,847	\$ 5,186,990	\$ 5,466,460
9,781	-	-	-	1,687	-	1,843,386	1,935,681
33,356	-	-	-	3,013	4,847	7,030,376	7,402,141
Client assistance	-	891	9,312	-	26,519	3,181,251	3,181,251
Communications	328	-	-	-	971	143,575	148,847
Contracted services	-	-	-	3,671	339	451,858	470,500
In-kind	-	-	-	-	-	223,905	223,905
Insurance	104	-	-	-	46	73,327	73,854
Maintenance	-	-	-	-	-	144,691	146,328
Occupancy	2,698	-	-	604	363	424,670	464,126
Other	-	-	-	2,294	697	51,071	59,711
Professional services	114	-	-	-	407	31,261	31,261
Supplies	958	-	-	3,138	484	597,035	613,581
Training and seminars	52	-	-	30	-	129,296	136,288
Travel	3,338	-	-	299	-	94,829	105,874
40,948	891	-	9,312	13,049	34,673	12,577,145	13,057,667
Depreciation	-	-	-	-	-	-	139,058
Total functional expenses	\$ 40,948	\$ 891	\$ 9,312	\$ 13,049	\$ 34,673	\$ 12,577,145	\$ 13,196,725



MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014

	Community Services Block Grant	Program Services					Child and Adult Care Food
		Low-Income Home Energy Assistance	Weatherization Assistance	VITA	Emergency Food Assistance	Head Start	
Salaries/Wages	\$ 324,620	\$ 111,970	\$ 46,042	\$ -	\$ 6,033	\$ 3,449,885	\$ 31,143
Employee benefits	114,718	29,876	14,595	-	775	1,288,722	16,803
Total personnel	439,338	141,846	60,637	-	6,808	4,738,607	47,946
Client assistance	358,307	1,984,435	124,549	-	270,744	-	224,371
Communications	28,923	7,177	1,455	-	9,785	85,858	-
Contracted services	-	-	-	-	33,250	388,826	4,966
In-kind	-	-	-	-	-	615,796	-
Insurance	4,304	9,867	1,106	-	207	63,486	-
Maintenance	8,732	6,629	1,647	-	-	95,139	-
Occupancy	70,282	12,290	7,644	-	8,673	288,637	-
Other	1,441	817	-	-	-	37,287	-
Professional services	2,108	7,463	207	-	158	14,380	721
Supplies	12,062	6,705	370	2,089	8,564	474,826	12,048
Training and seminars	12,663	1,768	146	-	-	109,156	-
Travel	-	-	-	-	742	65,892	-
	938,160	2,178,997	197,761	2,089	338,931	6,977,890	290,052
Depreciation	-	-	-	-	-	-	-
Total functional expenses	\$ 938,160	\$ 2,178,997	\$ 197,761	\$ 2,089	\$ 338,931	\$ 6,977,890	\$ 290,052

(Continued)

The accompanying notes are an integral part of the financial statements.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)  
YEAR ENDED JUNE 30, 2014

	RSVP	Emergency Food and Shelter	Emergency Shelter Grant	Special State Grant	Private and Local Assistance	Total Program Services	Supporting Services	Total Expenses
Salaries/Wages	\$ 32,076	\$ -	\$ -	\$ -	\$ -	\$ 4,478,957	\$ 244,578	\$ 4,723,535
Employee benefits	9,997	-	-	-	801	1,669,191	68,690	1,737,881
Total personnel	42,073	-	-	-	801	6,148,148	313,268	6,461,416
Client assistance	-	2,065	9,832	-	18,003	2,992,306	-	2,992,306
Communications	536	-	-	-	-	137,321	4,756	142,077
Contracted services	-	-	-	-	-	432,295	15,689	447,984
In-kind	-	-	-	-	-	682,697	-	682,697
Insurance	576	-	-	-	-	85,825	218	86,043
Maintenance	300	-	-	-	-	124,610	63	124,673
Occupancy	-	-	-	2,625	2,882	415,985	33,109	449,094
Other	1,964	-	-	3,600	7,689	56,152	5,870	62,022
Professional services	28	-	-	-	116	27,004	-	27,004
Supplies	1,994	-	-	3,735	934	573,807	13,366	587,173
Training and seminars	125	-	-	-	23	148,158	5,039	153,197
Travel	965	-	-	-	-	74,748	7,260	82,008
	48,561	2,065	9,832	9,960	30,448	11,899,056	398,638	12,297,694
Depreciation	-	-	-	-	-	-	135,364	135,364
Total functional expenses	\$ 48,561	\$ 2,065	\$ 9,832	\$ 9,960	\$ 30,448	\$ 11,899,056	\$ 534,002	\$ 12,433,058

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 46,153	\$ (192,426)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	139,058	135,364
Unrealized gain on investments	(223)	(3,533)
Changes in:		
Accounts receivable	200	4,405
Federal grants receivable	(474,841)	(38,110)
Inventory	39,879	43,920
Prepaid rent	67,753	67,753
Prepaid expenses	-	40,677
Accounts payable	108,877	(17,365)
Accrued expenses	70,060	35,658
Deferred revenue - federal grants	(64,239)	(19,722)
Advances from grantors	(53,484)	8,678
Net cash provided by (used in) operating activities	<u>(120,807)</u>	<u>65,299</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from (purchases of) certificate of deposit	121,278	(1,260)
Purchases of property and equipment	(202,605)	-
Net cash used in investing activities	<u>(81,327)</u>	<u>(1,260)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(202,134)	64,039
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>251,362</u>	<u>187,323</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 49,228</u>	<u>\$ 251,362</u>

During the years ended June 30, 2015 and 2014, the Agency received non-cash assistance recorded as gifts in-kind and program services totaling \$223,905 and \$682,697, respectively.

The accompanying notes are an integral part of these financial statements.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Mid-Cumberland Community Action Agency, Inc. (the Agency) is a private, not-for-profit corporation located in Lebanon, Tennessee. The Agency was chartered in 1971 and is a quasi-governmental entity that provides health and educational assistance to low-income households. A board of directors (the Board) governs the Agency and its programs are carried out by staff members under the supervision of the Executive Director, who is appointed by the Board. The Agency operates community action and other human resource programs primarily aimed at the lower income population of selected counties in the middle Tennessee area. The main source of funding is federal government grants received either directly or through a similar department of the State of Tennessee.

The Agency is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It has not been determined to be a private foundation and is considered by the Internal Revenue Service (IRS) to be a public charity. Accordingly, no provision for income taxes has been made. However, the Agency does file informational returns required by the IRS. The Agency is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2012.

Use of Estimates

The Agency's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Agency utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease unrestricted net assets.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental not-for-profit organizations such as the Agency. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Agency to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted

Unrestricted net assets are free of grant-imposed or donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by grants or donors are included in this classification. All expenditures are reported in the unrestricted class of net assets since the use of restricted contributions in accordance with the grants' or donors' stipulations results in the release of the restriction.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting (Cont'd)

Temporarily Restricted

Temporarily restricted net assets are limited as to use by grant-imposed or donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Agency's temporarily restricted net assets consisted of funds received or due from grantor agencies in excess of actual expenditures at June 30, 2015 and 2014.

Permanently Restricted

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets at June 30, 2015 and 2014.

Concentrations of Credit Risk/Funding

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of cash and receivables. The Agency is exposed to credit risk by placing its cash in financial institutions. The Agency has mitigated this risk by placing its cash with federally-insured financial institutions. The Agency receives grants from both the federal and state government and local assistance from the City of Murfreesboro. Funding from these sources constituted 98.3% and 93.4% of revenues for the years ended June 30, 2015 and 2014, respectively. The Agency would have to greatly reduce services provided if assistance was significantly reduced. All outstanding grants receivable are from governmental agencies. The Agency does not obtain collateral for receivables.

Cash and Cash Equivalents

The Agency considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Investments

The Agency's investments consist of one mutual fund investment recorded at market value. At June 30, 2015 and 2014, the market value of the mutual fund was \$16,756 and \$16,533, respectively, with a cost basis of \$13,452.

Federal Grants Receivable

Grants receivable are stated at unpaid balances and consist of balances due from federal and state agencies as summarized in Note 3. Management has elected to use the direct write-off method which is not materially different from the allowance for uncollectible accounts method. It is the Agency's policy to charge off uncollectible receivables when management determines the receivable will not be collected. All receivable balances are considered by management to be fully collectible.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (Cont'd)

Inventory

Inventory consists of food for the Temporary Emergency Food Assistance Program. Inventory is valued at the per-unit value as determined by the State of Tennessee Department of Agriculture using the first-in, first-out method for financial statement reporting purposes and is included in temporarily restricted net assets.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. Property and equipment acquired with a unit cost greater than \$5,000 and a useful life of more than one year are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expense as incurred. Capitalized assets are depreciated over their estimated useful lives using the straight-line method. Included in net property and equipment at June 30, 2015 and 2014 is \$524,155 and \$460,211, respectively, of assets purchased with restricted resources. If the Agency does not continue to use such assets in its Head Start operations, either the title to the assets or the proceeds from the sale of the assets will revert to the federal government.

Revenue Recognition

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restriction. Grant revenues are recognized as the related expenditures are incurred.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs based on the revenue allotted to each of those programs.

Advertising Costs

The Agency expenses advertising costs as incurred.

Date of Management's Review

Subsequent events have been evaluated through December 29, 2015, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by deposits in financial institutions totaling \$140,295 and \$480,591, at June 30, 2015 and 2014, respectively, of which \$140,295 and \$374,242, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC) and \$-0- and \$106,349 was uninsured. Restricted cash represents unearned grant revenue and funds restricted for use in the Head Start program. Certificates of deposit are stated at cost or amortized cost, which approximates fair value.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

3. Federal Grants Receivable

Grants receivable consisted of the following amounts:

	<u>2015</u>	<u>2014</u>
Child and Adult Care Food	\$ 29,625	\$ -
Temporary Emergency Food Assistance	30,025	5,608
Emergency Shelter Grant	9,312	-
Weatherization Assistance	107,463	60,995
Head Start Program	115,639	124,510
Low Income Home Energy Assistance	418,443	213,574
Community Services Block Grant	266,990	88,870
Retired Senior Volunteer Program (RSVP)	-	9,099
Total federal grants receivable	<u>\$ 977,497</u>	<u>\$ 502,656</u>

4. Unearned Revenue – Grants

Unearned grant revenue consisted of the following amounts:

	<u>2015</u>	<u>2014</u>
Child and Adult Care Food	\$ -	\$ 23,455
Temporary Emergency Food Assistance	23,085	62,964
Federal Emergency Management Agency	614	1,519
Special State Grant	4,611	4,611
Total unearned grant revenue	<u>\$ 28,310</u>	<u>\$ 92,549</u>

5. Advances

The Agency received the following advances from federal and state agencies:

	<u>2015</u>	<u>2014</u>
Low-Income Home Energy Assistance	\$ 6,675	\$ 15,353
Community Services Block Grant	-	44,806
Retired Senior Volunteer Program (RSVP)	14,442	14,442
Total advances from grantors	<u>\$ 21,117</u>	<u>\$ 74,601</u>

These advances may be increased or decreased periodically as additional advances are received and partial payments are made. The balances are payable on demand.

6. Profit-Sharing Plan

The Agency has a defined contribution profit-sharing plan that covers full-time employees of the Agency over age 21 and having at least one year of service. Contributions to the plan are discretionary and are determined annually by the board of directors. The Board elected to contribute 5% of eligible compensation to the plan for the years ended June 30, 2015 and 2014. The amount of this contribution was \$210,409 and \$214,423, respectively.

7. Compensated Absences

The Agency advances vacation leave to employees at the beginning of each fiscal year on July 1. Unused vacation leave cannot be carried forward past the Agency's fiscal year-end except for the Head Start program. At June 30, 2015 and 2014, the estimated leave liability was \$7,145 and \$10,499, respectively.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

8. In-Kind Support

The fair value of in-kind support is reflected in revenues and included in expenses in the following functional categories:

	<u>2015</u>	<u>2014</u>
Rent	\$ 223,905	\$ 682,697

A substantial number of unpaid volunteers have made significant contributions of their time to support the Agency's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Codification 958-605-50-1 have not been satisfied. However, the Agency does have various grant contracts with the U.S. Department of Health and Human Services that allow these types of in-kind contributions to be used for grant matching purposes. The Agency conducts a Head Start Program and Retired Senior Volunteer Program which require matching contributions of twenty percent for each program. Also, the Agency conducts an Emergency Shelter Program which requires matching contributions of fifty percent. The in-kind match support has been valued by the Agency at approximate minimum wage rate for salaries and at fair value for rent and supplies. The in-kind support used for matching purposes during the year ended June 30, 2015 consisted of the following:

	<u>Head Start</u>	<u>Retired Senior Volunteer Program</u>
Labor	\$ 1,380,633	\$ -
Rent	730,490	-
Supplies	<u>154,869</u>	<u>18,634</u>
	<u>\$ 2,265,992</u>	<u>\$ 18,634</u>

The in-kind support used for matching purposes during the year ended June 30, 2014 consisted of the following:

	<u>Head Start</u>	<u>Emergency Shelter</u>	<u>Retired Senior Volunteer Program</u>
Labor	\$ 1,617,374	\$ 9,532	\$ -
Rent	682,697	-	-
Supplies	<u>90,694</u>	<u>-</u>	<u>11,180</u>
	<u>\$ 2,390,765</u>	<u>\$ 9,532</u>	<u>\$ 11,180</u>

9. Operating Leases

The Agency leases office space, classrooms, and equipment under operating leases. The total paid for these leases was \$236,483 and \$187,098 for the years ended June 30, 2015 and 2014, respectively. The Agency also leases storage facilities on a month-to-month basis as needed.

The Agency is a party to 20-year lease agreements for three of its Head Start facilities. The Agency made prepayments at the inception of these leases which are being amortized over the lives of the related leases and are recorded as an offset to the monthly lease payments. The remaining prepayment balance of \$413,495 and \$481,248 at June 30, 2015 and 2014, respectively, is classified as prepaid rent on the statements of financial position.



MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

9. Operating Leases (Cont'd)

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2016	\$ 170,937
2017	159,237
2018	159,237
2019	120,844
2020	93,420
2021-2022	129,132

10. Contingencies

Funding for the Agency's programs is provided by federal, state, and local government agencies. These funds are to be used for designated purposes only. If, based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Agency for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Agency's programs is predicated upon the grantor's satisfaction that the funds are being spent as intended and the grantor's intent to continue its programs.

11. Budget

The Agency prepares annual budgets for each program fund. Prior to the beginning of each budget year, the Agency's annual budget is approved by the Agency's governing body and is submitted to federal and state grantors for approval. Budgetary amendments require approval by the governing body and by federal and state grantors. All budgetary appropriations lapse at the end of each fiscal year.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Grant Number Or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable (Payable) July 1, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2015</u>
<u>U.S. Department of Agriculture</u>						
Passed through State of TN Department of Agriculture						
Child and Adult Care Food (13-14)	55994	10.558	\$ (23,455)	\$ 81,183	\$ 104,638	\$ -
Child and Adult Care Food (14-15)	55994	10.558	-	294,673	324,298	29,625
Temporary Emergency Food Assistance (13-14)	43132	10.568	5,608	33,688	28,080	-
Temporary Emergency Food Assistance (14-15)	459010	10.568	-	51,437	81,462	30,025
<u>Non-Cash Assistance</u>						
Temporary Emergency Food Assistance		10.569	(62,964)	386,522	426,401	(23,085)
Total U.S. Department of Agriculture			(80,811)	847,503	964,879	36,565
<u>Federal Emergency Management Agency</u>						
Federal Emergency Management Agency		97.024	(1,519)	-	905	(614)
Total Federal Emergency Management Agency			(1,519)	-	905	(614)
<u>U.S. Department of Housing and Urban Development</u>						
Passed through City of Murfreesboro						
Emergency Shelter Grant (14-15)	ESG-12-18	14.231	-	-	9,312	9,312
Total U.S. Department of Housing and Urban Development			-	-	9,312	9,312
<u>U.S. Department of Energy</u>						
Passed through Tennessee Housing Development Agency						
Weatherization Assistance	WAP-12-08	81.042	60,995	60,995	-	-
Weatherization Assistance	WAP-14-09	81.042	-	-	107,463	107,463
Total U.S. Department of Energy			60,995	60,995	107,463	107,463

(Continued)

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONT'D)  
YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Grant Number Or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable (Payable) July 1, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2015</u>
<u>U.S. Department of Health and Human Services</u>						
Head Start (13-14)	04CH4050/43	93.600	124,510	3,134,059	3,009,549	-
Head Start (14-15)	04CH4771/01	93.600	-	5,138,808	5,224,318	85,510
Early Head Start Child Care Partnership	04HP0024/01	93.600	-	104,038	134,167	30,129
Passed Through State of TN Department of Human Services						
Community Services Block Grant (13-14)	Z-14-49111	93.569	88,870	88,870	-	-
Community Services Block Grant (14-15)	Z-15-49111	93.569	-	649,058	916,048	266,990
Passed Through State of TN Housing Development Agency						
Low Income Home Energy Assistance (13-14)	LIHEAP-14-11	93.568	213,574	514,593	301,019	-
Low Income Home Energy Assistance (14-15)	LIHEAP-15-11	93.568	-	1,739,400	2,157,843	418,443
Total U.S. Department of Health and Human Services			426,954	11,368,826	11,742,944	801,072
<u>Corporation for National and Community Service</u>						
Retired Senior Volunteer Program (13-14)	12SRSTN002	94.002	137	137	-	-
Retired Senior Volunteer Program (14-15)	12SRSTN002	94.002	8,962	49,509	40,547	-
Total Corporation for National and Community Service			9,099	49,646	40,547	-
Total Federal Awards			414,718	12,326,970	12,866,050	953,798
<u>State Awards</u>						
Special State Grant (10-11)	N/A	N/A	(4,611)	-	-	(4,611)
Special State Grant (14-15)	N/A	N/A	-	22,050	22,050	-
Total State Awards			(4,611)	22,050	22,050	(4,611)
Total Federal and State Awards			\$ 410,107	\$ 12,349,020	\$ 12,888,100	\$ 949,187

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2015

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the schedule) includes the federal and state grant activity of the Agency and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – Food Distribution

Nonmonetary assistance is reported in the schedule at the per-unit values as determined by the State of Tennessee Department of Agriculture. At June 30, 2015, the Agency had food commodities in inventory totaling \$23,085.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Mid-Cumberland Community Action Agency, Inc.  
Lebanon, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mid-Cumberland Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding number 2015-001 and 2015-002 that we consider to be material weaknesses.

The Agency did not resolve prior-year finding number 2014-001 related to internal control. The finding recurred in the current year and is reported as finding 2015-001. The Agency resolved prior-year finding number 2014-002 by performing the specific tasks outlined in our report dated March 27, 2015.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2015-003.

The Agency resolved prior-year finding number 2014-003 related to compliance by performing the specific tasks outlined in our report dated March 27, 2015.

### **The Agency's Responses to Findings**

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee  
December 29, 2015



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

Board of Directors  
Mid-Cumberland Community Action Agency, Inc.  
Lebanon, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited Mid-Cumberland Community Action Agency, Inc.'s (the Agency) 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, 2015. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 of the Agency's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Agency 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, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2015-005. Our opinion on each major federal program is not modified with respect to this matter.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. 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 Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-004, that we consider to be a material weakness.



The Agency resolved prior-year finding numbers 2014-004, 2014-005 and 2014-006 by performing the specific tasks outlined in our report dated March 27, 2015.

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.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee

December 29, 2015

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated December 29, 2015, expressed an unqualified opinion on the financial statements of the Agency.
2. Two material weaknesses relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 29, 2015.
3. One instance related to compliance was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 29, 2015.
4. One material weakness and one noncompliance finding relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance with Requirements for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance dated December 29, 2015.
5. The Independent Auditor's Report on Compliance with Requirements for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance dated December 29, 2015, for the major federal award programs of the Agency expressed an unqualified opinion on all major federal programs.
6. Audit findings relating to major programs that are required to be reported in accordance under 2 CFR section 200.516(a) of the Uniform Guidance are reported in this schedule.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA No.</u>
Child and Adult Care Food	10.558
Temporary Emergency Food Assistance	10.568 and 10.569
Head Start Program	93.600
Low-Income Home Energy Assistance Program	93.568
Community Services Block Grant	93.569

8. The threshold used for distinguishing between Type A and Type B programs was \$385,971.
9. The Agency did not qualify as a low-risk auditee.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

2015-001     (Recurring Finding) Lack of Management Oversight Over Financial Reporting

Condition: The Agency lacks proper management oversight over financial reporting which includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). In addition, seven adjusting entries and three reclassification entries were required to in order for the financial statements to be in conformity with GAAP. One of the adjusting journal entries was provided by management.

Criteria: Proper management oversight over financial reporting should include the preparation of the financial statements and footnote disclosures in conformity with GAAP.

Effect: The financial statements and footnote disclosures may not be in conformity with GAAP.

Recommendation: We recommend that management implement review procedures to ensure that the financial statements are prepared in conformity with GAAP.

Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with GAAP prior to the independent audit. However, we believe that our knowledge and experience enables us to review the report and understand it fully. We take full responsibility for the financial statements and all adjusting and reclassification journal entries.

2015-002     Spending of Restricted Funds

Condition: The Agency used restricted funds designated for grant programs for unrestricted purposes.

Criteria: Funds received from granting agencies should be spent in accordance with the programs and purposes specified in the grant agreement.

Effect: The Agency could owe the granting agencies for funds not spent for the appropriate purpose.

Recommendation: We recommend that management hold restricted cash in a separate bank account to ensure the restricted funds are not spent for unrestricted purposes.

Response: The Agency unintentionally spent restricted cash to meet normal operating cash flows needs during June 2015 due to not receiving grant reimbursements in a timely manner from the State of Tennessee. During July 2015, the grant reimbursements were received and the restricted cash balance was fully restored.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2015

RELATED TO COMPLIANCE

2015-003    Spending of Restricted Funds – Head Start (CFDA #93.600, program year 2014-2015)

Condition: The Agency used restricted funds designated for grant programs for unrestricted purposes.

Criteria: Funds received from granting agencies should be spent in accordance with the programs and purposes specified in the grant agreement.

Effect: The Agency could owe the granting agencies for funds not spent for the appropriate purpose.

Recommendation: We recommend that management hold restricted cash in a separate bank account to ensure the restricted funds are not spent for unrestricted purposes.

Response: The Agency unintentionally spent restricted cash to meet normal operating cash flows needs during June 2015 due to not receiving grant reimbursements in a timely manner from the State of Tennessee. During July 2015, the grant reimbursements were received and the restricted cash balance was fully restored.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

RELATED TO INTERNAL CONTROL

2015-004    Spending of Restricted Funds – Head Start (CFDA #93.600, program year 2014-2015)

Condition: The Agency used restricted funds designated for grant programs for unrestricted purposes.

Criteria: Funds received from granting agencies should be spent in accordance with the programs and purposes specified in the grant agreement.

Effect: The Agency could owe the granting agencies for funds not spent for the appropriate purpose.

Recommendation: We recommend that management hold restricted cash in a separate bank account to ensure the restricted funds are not spent for unrestricted purposes.

Response: The Agency unintentionally spent restricted cash to meet normal operating cash flows needs during June 2015 due to not receiving grant reimbursements in a timely manner from the State of Tennessee. During July 2015, the grant reimbursements were received and the restricted cash balance was fully restored.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2015

RELATED TO COMPLIANCE

2015-005    Spending of Restricted Funds – Head Start (CFDA #93.600, program year 2014-2015)

Condition: The Agency used restricted funds designated for grant programs for unrestricted purposes.

Criteria: Funds received from granting agencies should be spent in accordance with the programs and purposes specified in the grant agreement.

Effect: The Agency could owe the granting agencies for funds not spent for the appropriate purpose.

Recommendation: We recommend that management hold restricted cash in a separate bank account to ensure the restricted funds are not spent for unrestricted purposes.

Response: The Agency unintentionally spent restricted cash to meet normal operating cash flows needs during June 2015 due to not receiving grant reimbursements in a timely manner from the State of Tennessee. During July 2015, the grant reimbursements were received and the restricted cash balance was fully restored.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS  
YEAR ENDED JUNE 30, 2014

RELATED TO INTERNAL CONTROL

2014-004     (Recurring Finding) Control Operating Effectiveness Deficiencies – Head Start (Award 04CH4050/43, CFDA #93.600, program year 2013-2014, received from U.S. Department of Health and Human Services)

Condition: The Agency had operating effectiveness deficiencies in that 1) two of two Head Start (CFDA #93.600) federal reports tested were not reviewed by another individual and 2) four of five Head Start (CFDA #93.600) drawdowns tested did not have documentation of review by another individual.

Criteria: Federal reports and drawdowns should be reviewed for accuracy by someone other than the preparer before submitting the reports.

Effect: Federal reports may contain inaccurate information and drawdowns could be made for non-program expenses.

Recommendation: We recommend management implement procedures to ensure that federal reports and drawdowns are reviewed by someone independent of the preparation function.

Response: Procedures have been put in place to ensure that at least two people in the finance department and then the Program Director of the program in question review the drawdowns.

2014-005     Control Operating Effectiveness Deficiencies – LIHEAP (Award Z-14-49211, CFDA #93.568, program year 2013-2014, received from U.S. Department of Health and Human Services through State of Tennessee Department of Human Services and Award LIHEAP-14-11, CFDA #93.568, program year 2013-14, received from U.S. Department of Health and Human Services through Tennessee Housing Development Agency)

Condition: Two of sixty applicants tested received benefits in excess of the amount for which they were eligible. One applicant was served through award Z-14-49211 and one applicant was served through award LIHEAP-14-11.

Criteria: Applicants should receive the proper benefit amount based on eligibility criteria.

Effect: Excessive and unallowable disbursements could be made.

Recommendation: We recommend management implement procedures to ensure procedures to ensure that benefits are properly calculated.

Response: Errors were made by some of the Customer Service Associates by clicking a referral button in the software program used. This caused the client to gain more priority points than should have been received. We are retraining our staff to make sure that everything is correct when entering data for clients.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS (CONT'D)  
YEAR ENDED JUNE 30, 2015

RELATED TO COMPLIANCE

2014-006    Eligibility Deficiencies – LIHEAP (Award Z-14-49211, CFDA #93.568, program year 2013-2014, received from U.S. Department of Health and Human Services through State of Tennessee Department of Human Services and Award LIHEAP-14-11, CFDA #93.568, program year 2013-14, received from U.S. Department of Health and Human Services through Tennessee Housing Development Agency)

Condition: Two of sixty applicants tested received benefits in excess of the amount for which they were eligible. One applicant was served through award Z-14-49211 and one applicant was served through award LIHEAP-14-11.

Criteria: Applicants should receive the proper benefit amount based on eligibility criteria.

Effect: Excessive and unallowable disbursements could be made.

Recommendation: We recommend management implement procedures to ensure procedures to ensure that benefits are properly calculated.

Response: Errors were made by some of the Customer Service Associates by clicking a referral button in the software program used. This caused the client to gain more priority points than should have been received. We are retraining our staff to make sure that everything is correct when entering data for clients.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.  
AUDITEE REPORTING RESPONSIBILITIES  
YEAR ENDED JUNE 30, 2015

Audit findings relative to federal awards are presented in the current year's Schedule of Findings and Questioned Costs.

FINDING 2015-004

Contact person: Kevin Davenport

Corrective action planned: The Agency restored the restricted cash balance in July 2015.

Anticipated completion date: Completed in July 2015

FINDING 2015-005

Contact person: Kevin Davenport

Corrective action planned: The Agency restored the restricted cash balance in July 2015.

Anticipated completion date: Completed in July 2015