

MID-CUMBERLAND COMMUNITY
ACTION AGENCY, INC.
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

Introductory Section:

Directory of Board Members and Management (Unaudited)	1
---	---

Financial Section:

Independent Auditor's Report.....	2
Statements of Financial Position.....	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11

Other Information:

Schedule of Expenditures of Federal Awards and State Financial Assistance	17
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	19

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 <i>Government Auditing Standards</i>	20
--	----

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	22
---	----

Schedule of Findings and Questioned Costs.....	25
--	----

Summary Schedule of Prior Federal Award Findings	29
--	----

Auditee Reporting Responsibilities	30
--	----

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
DIRECTORY OF BOARD MEMBERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2017

BOARD MEMBERS

Mr. Franklin Harper, Chairman
Mr. Michael Snider, Vice-Chairman
Mr. Bob O'Brien, Treasurer
Ms. Linda Hardyman, Secretary
Mr. Darryl Eubanks
Ms. Carla Frizzle
Ms. Christie Glover
Mr. James Hubbard
Mr. Mike Kurtz
Mr. Terry Morgan
Mr. Steve Paxton
Mr. Daryl Phillips
Mr. Mike Weber
Mr. Chris Whitney
Ms. Katie Wilson

MANAGEMENT

Mr. Kevin Davenport, Executive Director
Ms. Michelle Burroughs, Finance Director
Ms. Janet Ogles, Head Start Director
Ms. Andrea Stanley, Low Income Home Energy Assistance Program Director
Ms. Joyce Caldwell, Community Services Block Grant Director



STONE,
RUDOLPH
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified
Public
Accountants

www.srhcpas.com

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, 2017 and 2016, 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, 2017 and 2016, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The directory of board members and management has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, 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 solely 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 the Agency'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.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
March 29, 2018

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents		
Restricted	\$ 96,991	\$ 92,380
Unrestricted	15,255	85,596
Federal grants receivable	1,272,109	913,030
Prepaid expenses	22,579	5,368
Inventory	54,312	58,073
Investments	18,954	15,927
Current portion of prepaid rent	67,753	67,753
Total current assets	<u>1,547,953</u>	<u>1,238,127</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building	1,093,199	1,093,199
Furniture and equipment	531,167	362,770
Vehicles	1,540,197	1,504,629
Total property and equipment	<u>3,164,563</u>	<u>2,960,598</u>
Less: Accumulated depreciation	<u>2,398,516</u>	<u>2,275,834</u>
Net property and equipment	<u>766,047</u>	<u>684,764</u>
<u>OTHER ASSETS</u>		
Prepaid rent, less current portion	<u>210,237</u>	<u>277,990</u>
Total assets	<u>\$ 2,524,237</u>	<u>\$ 2,200,881</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 592,335	\$ 361,387
Accrued expenses	226,177	277,577
Unearned revenue - federal grants	58,923	62,684
Advances from grantors	45,245	30,098
Total current liabilities	<u>922,680</u>	<u>731,746</u>
<u>NET ASSETS</u>		
Temporarily restricted	1,319,244	970,701
Unrestricted	282,313	498,434
Total net assets	<u>1,601,557</u>	<u>1,469,135</u>
Total liabilities and net assets	<u>\$ 2,524,237</u>	<u>\$ 2,200,881</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenue:		
Gifts in-kind	\$ 275,953	\$ 275,953
Investment income	111	173
Total unrestricted support	<u>276,064</u>	<u>276,126</u>
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>14,674,400</u>	<u>13,855,714</u>
Total unrestricted support and reclassifications	<u>14,950,464</u>	<u>14,131,840</u>
Expenses:		
Program services	14,600,517	13,461,815
Supporting services	<u>569,983</u>	<u>626,255</u>
Total expenses	<u>15,170,500</u>	<u>14,088,070</u>
Gain on disposal of property and equipment	<u>8,515</u>	<u>-</u>
Change in unrestricted net assets	<u>(211,521)</u>	<u>43,770</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Federal and state grants	14,775,851	13,685,372
Local grants, contributions and other revenue	242,492	140,660
Net assets released from restrictions:		
Restrictions satisfied by grant compliance	<u>(14,674,400)</u>	<u>(13,855,714)</u>
Change in temporarily restricted net assets	<u>343,943</u>	<u>(29,682)</u>
Change in net assets	132,422	14,088
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,469,135</u>	<u>1,455,047</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,601,557</u>	<u>\$ 1,469,135</u>

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

MID-CUMBERLAND AND COMMUNITY ACTION AGENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Community Services Block Grant	Program Services						Early Head Start Partnership
		Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	Early Head Start Partnership	
Salaries/wages	\$ 439,987	\$ 172,972	\$ 81,505	\$ 47,730	\$ 4,103,795	\$ 516,014	\$ 616,589	
Employee benefits	147,376	61,531	30,048	14,605	1,500,503	197,751	239,356	
Total personnel	587,363	234,503	111,553	62,335	5,604,298	713,765	855,945	
Client assistance	213,250	2,004,279	241,103	402,385	-	-	-	-
Communications	34,994	14,036	713	1,972	92,334	4,788	415	
Contracted services	10,314	4,019	655	30,461	362,547	1,300	182,776	
In-kind	-	-	-	-	275,953	-	-	-
Insurance	4,126	16,398	1,253	364	69,302	10,324	4,410	
Maintenance	4,142	322	-	-	167,618	7,500	26,090	
Occupancy	73,878	30,317	5,278	7,383	276,567	22,093	-	
Other	2,747	5,103	-	30	35,436	3,721	6,089	
Professional services	2,209	4,981	618	275	17,139	2,043	3,703	
Supplies	33,083	113,326	1,977	1,455	428,626	41,819	248,005	
Training and seminars	3,803	-	3,621	17	98,850	14,328	47,175	
Travel	19,677	10,457	5,746	2,545	86,413	1,711	5,481	
	989,586	2,437,741	372,517	509,222	7,515,083	823,392	1,380,089	
Depreciation	-	-	-	-	-	-	-	
Total functional expenses	\$ 989,586	\$ 2,437,741	\$ 372,517	\$ 509,222	\$ 7,515,083	\$ 823,392	\$ 1,380,089	

(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, 2017

	Program Services							Total Expenses
	Child and Adult Care Food	Emergency Food and Shelter	Rural Housing Preservation Grant	Special State Grant	Private and Local Assistance	Program Services	Supporting Services	
Salaries/wages	\$ 80,806	\$ -	\$ 1,094	\$ -	\$ 19,314	\$ 6,079,806	\$ 276,200	\$ 6,356,006
Employee benefits	36,723	-	381	1,553	7,646	2,237,473	14,168	2,251,641
Total personnel	117,529	-	1,475	1,553	26,960	8,317,279	290,368	8,607,647
Client assistance	237,288	-	30,222	183	69,079	3,197,789	-	3,197,789
Communications	-	-	-	1,390	666	151,308	4,838	156,146
Contracted services	17,721	-	-	11,586	-	621,379	17,195	638,574
In-kind	-	-	-	-	-	275,953	-	275,953
Insurance	1,678	-	-	119	827	108,801	839	109,640
Maintenance	-	-	-	-	357	206,029	3,103	209,132
Occupancy	-	-	-	71	4,153	419,740	32,838	452,578
Other	-	93	-	723	3,663	57,605	9,809	67,414
Professional services	1,040	-	10	16	215	32,249	23,145	55,394
Supplies	31,201	-	166	6,984	2,540	909,182	24,677	933,859
Training and seminars	-	-	-	500	1,275	169,569	8,867	178,436
Travel	-	-	-	1,529	75	133,634	15,304	148,938
	406,457	93	31,873	24,654	109,810	14,600,517	430,983	15,031,500
Depreciation	-	-	-	-	-	-	139,000	139,000
Total functional expenses	\$ 406,457	\$ 93	\$ 31,873	\$ 24,654	\$ 109,810	\$ 14,600,517	\$ 569,983	\$ 15,170,500

MID-CUMBERLAND AND COMMUNITY ACTION AGENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services						
	Community Services Block Grant	Low-Income Home Energy Assistance	Weatherization Assistance	Emergency Food Assistance	Head Start	Early Head Start	Early Head Start Child Care Partnership
Salaries/Wages	\$ 333,956	\$ 146,518	\$ 88,681	\$ 41,203	\$ 3,782,160	\$ 490,119	\$ 707,067
Employee benefits	103,848	57,360	32,628	9,056	1,390,117	190,688	234,692
Total personnel	437,804	203,878	121,309	50,259	5,172,277	680,807	941,759
Client assistance	271,042	1,712,411	114,692	371,708	-	-	-
Communications	36,947	9,986	1,282	4,950	86,097	4,185	-
Contracted services	7,034	3,599	-	39,442	415,507	5,655	151,054
In-kind	-	-	-	-	275,953	-	-
Insurance	3,787	14,914	1,600	497	83,639	11,897	4,799
Maintenance	1,236	6,240	875	-	201,399	16,889	21,370
Occupancy	74,438	12,845	7,420	6,202	279,831	20,847	-
Other	1,857	5,643	-	-	41,793	5,332	253
Professional services	2,090	5,612	274	250	17,061	2,011	305
Supplies	42,785	37,694	2,534	8,452	398,963	50,285	185,429
Training and seminars	10,650	4,803	900	-	93,181	28,584	44,708
Travel	7,000	3,956	-	1,577	40,981	2,933	3,433
	896,670	2,021,581	250,886	483,337	7,106,682	829,425	1,353,110
Depreciation	-	-	-	-	-	-	-
Total functional expenses	\$ 896,670	\$ 2,021,581	\$ 250,886	\$ 483,337	\$ 7,106,682	\$ 829,425	\$ 1,353,110

(Continued)

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

MID-CUMBERLAND AND COMMUNITY ACTION AGENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)

YEAR ENDED JUNE 30, 2016

	Program Services						Total
	Child and Adult Care Food	Rural Housing Preservation Grant	Special State Grant	Private and Local Assistance	Program Services	Supporting Services	
Salaries/Wages	\$ 83,918	\$ 125	\$ -	\$ 846	\$ 5,674,593	\$ 286,933	\$ 5,961,526
Employee benefits	42,045	42	-	-	2,060,476	84,619	2,145,095
Total personnel	125,963	167	-	846	7,735,069	371,552	8,106,621
Client assistance	251,484	3,982	-	78,482	2,803,801	-	2,803,801
Communications	-	-	-	46	143,493	5,536	149,029
Contracted services	16,623	-	-	-	638,914	9,150	648,064
In-kind	-	-	-	-	275,953	-	275,953
Insurance	1,806	-	-	2,935	125,874	253	126,127
Maintenance	-	-	-	979	248,988	3,913	252,901
Occupancy	-	-	-	611	402,194	38,246	440,440
Other	-	-	-	234	55,112	13,190	68,302
Professional services	983	-	-	85	28,671	86	28,757
Supplies	25,191	-	5,227	919	757,479	22,714	780,193
Training and seminars	-	-	1,249	4	184,079	9,218	193,297
Travel	-	-	-	2,308	62,188	16,696	78,884
	422,050	4,149	6,476	87,449	13,461,815	490,554	13,952,369
Depreciation	-	-	-	-	-	135,701	135,701
Total functional expenses	\$ 422,050	\$ 4,149	\$ 6,476	\$ 87,449	\$ 13,461,815	\$ 626,255	\$ 14,088,070

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 132,422	\$ 14,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	139,000	135,701
Unrealized loss (gain) on investments	(3,027)	829
Gain on disposal of property and equipment	(8,515)	-
Changes in:		
Federal grants receivable	(359,079)	64,467
Prepaid expenses	(17,211)	(5,368)
Inventory	3,761	(34,988)
Prepaid rent	67,753	67,752
Accounts payable	230,948	(32,445)
Accrued expenses	(51,400)	65,702
Deferred revenue - federal grants	(3,761)	34,374
Advances from grantors	15,147	8,981
Net cash provided by operating activities	<u>146,038</u>	<u>319,093</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of property and equipment	16,824	-
Purchases of property and equipment	<u>(228,592)</u>	<u>(190,345)</u>
Net cash used in investing activities	<u>(211,768)</u>	<u>(190,345)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(65,730)	128,748
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>177,976</u>	<u>49,228</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 112,246</u>	<u>\$ 177,976</u>

During the years ended June 30, 2017 and 2016, the Agency received non-cash assistance recorded as gifts in-kind and program services totaling \$275,953 and \$275,953, respectively.

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

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2014.

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, 2017 AND 2016

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, 2017 and 2016.

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, 2017 and 2016.

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 98.2% and 98.0% of revenues for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the market value of the mutual fund was \$18,954 and \$15,927, 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, 2017 AND 2016

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, 2017 and 2016 is \$672,341 and \$582,728, 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 March 29, 2018, 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 \$236,295 and \$312,756, at June 30, 2017 and 2016, respectively, all of which was insured by the Federal Deposit Insurance Corporation (FDIC). Restricted cash represents unearned grant revenue and funds restricted for use in the Head Start program.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

3. Federal Grants Receivable

Grants receivable consisted of the following amounts:

	<u>2017</u>	<u>2016</u>
Rural Housing Preservation Grant	\$ 22,813	\$ 4,149
Child and Adult Care Food	7,940	80,964
Temporary Emergency Food Assistance	50,840	40,638
Federal Emergency Management Agency	93	-
Weatherization Assistance	210,277	82,305
Head Start Program	239,907	248,045
Low Income Home Energy Assistance	491,614	265,932
Community Services Block Grant	248,625	190,997
Total federal grants receivable	<u>\$ 1,272,109</u>	<u>\$ 913,030</u>

4. Unearned Revenue – Grants

Unearned grant revenue consisted of the following amounts:

	<u>2017</u>	<u>2016</u>
Temporary Emergency Food Assistance	\$ 54,312	\$ 58,073
Special State Grant	4,611	4,611
Total unearned grant revenue	<u>\$ 58,923</u>	<u>\$ 62,684</u>

5. Advances

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

	<u>2017</u>	<u>2016</u>
Low-Income Home Energy Assistance	\$ 30,803	\$ 15,656
Retired Senior Volunteer Program (RSVP)	14,442	14,442
Total advances from grantors	<u>\$ 45,245</u>	<u>\$ 30,098</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, 2017 and 2016. The amount of this contribution was \$282,724 and \$224,863, 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, 2017 and 2016, the estimated leave liability was \$15,510 and \$7,145, respectively.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

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>2017</u>	<u>2016</u>
Rent	\$ 275,953	\$ 275,953

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, 2017 consisted of the following:

	<u>Head Start</u>
Labor	\$ 1,876,113
Rent	1,108,190
Supplies	<u>159,192</u>
	<u>\$ 3,143,495</u>

The in-kind support used for matching purposes during the year ended June 30, 2016 consisted of the following:

	<u>Head Start</u>
Labor	\$ 1,889,602
Rent	1,005,398
Supplies	<u>233,116</u>
	<u>\$ 3,128,116</u>

9. Operating Leases

The Agency leases office space, classrooms, and equipment under operating leases. The total paid for these leases was \$410,816 and \$364,136 for the years ended June 30, 2017 and 2016, 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 \$277,990 and \$345,743 at June 30, 2017 and 2016, 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, 2017 AND 2016

9. Operating Leases (Cont'd)

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2018	\$ 168,237
2019	120,844
2020	93,420
2021	80,043
2022	49,089

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, 2017

<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, 2016</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2017</u>
<u>U.S. Department of Agriculture</u>						
Rural Housing Preservation Grant		10.433	\$ 4,149	\$ 14,355	\$ 33,019	\$ 22,813
Total Rural Housing Preservation Grant			4,149	14,355	33,019	22,813
Passed through State of TN Department of Agriculture						
Child and Adult Care Food (15-16)	55994	10.558	80,964	80,964	-	-
Child and Adult Care Food (16-17)	55994	10.558	-	329,749	337,689	7,940
Total Child and Adult Care Food			80,964	410,713	337,689	7,940
Temporary Emergency Food Assistance (15-16)	45910	10.568	40,638	62,201	21,563	-
Temporary Emergency Food Assistance (16-17)	45910	10.568	-	41,915	92,755	50,840
Total Temporary Emergency Food Assistance			40,638	104,116	114,318	50,840
<u>Non-Cash Assistance</u>						
Temporary Emergency Food Assistance		10.569	(58,073)	398,624	402,385	(54,312)
Total U.S. Department of Agriculture			67,678	927,808	887,411	27,281
<u>Federal Emergency Management Agency</u>						
Federal Emergency Management Agency		97.024	-	-	93	93
Total Federal Emergency Management Agency			-	-	93	93
<u>U.S. Department of Energy</u>						
Passed through Tennessee Housing Development Agency						
Weatherization Assistance (15-16)	WAP-15-09	81.042	82,305	147,250	64,945	-
Weatherization Assistance (16-17)	31620-00339	81.042	-	112,176	322,453	210,277
Total U.S. Department of Energy			82,305	259,426	387,398	210,277

(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, 2017

Federal Grantor/Program Title	Grant Number Or Pass-Through Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2016	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2017
<u>U.S. Department of Health and Human Services</u>						
Head Start (15-16)	04CH4771/02	93.600	177,337	2,873,250	2,695,913	-
Head Start (16-17)	04CH4771/03-03	93.600	-	5,391,669	5,574,845	183,176
Early Head Start Child Care Partnership (15-16)	04HP0024/01-02	93.600	70,708	794,126	723,418	-
Early Head Start Child Care Partnership (16-17)	04HP0024/02-01	93.600	-	883,263	939,994	56,731
Total Head Start			248,045	9,942,308	9,934,170	239,907
<u>Passed Through State of TN Department of Human Services</u>						
Community Services Block Grant (15-16)	Z-16-49111	93.569	190,997	190,997	-	-
Community Services Block Grant (16-17)	Z-17-49111	93.569	-	780,290	1,028,915	248,625
Total Community Services Block Grant			190,997	971,287	1,028,915	248,625
<u>Passed Through State of TN Housing Development Agency</u>						
Low Income Home Energy Assistance (15-16)	LIHEAP-16-11	93.568	243,922	349,029	105,107	-
Low Income Home Energy Assistance (16-09)	LWx-16-09	93.568	22,010	208,553	372,042	185,499
Low Income Home Energy Assistance (16-17)	48928	93.568	-	1,729,550	2,035,665	306,115
Total Low Income Home Energy Assistance			265,932	2,287,132	2,512,814	491,614
Total U.S. Department of Health and Human Services			704,974	13,200,727	13,475,899	980,146
Total Federal Awards			854,957	14,387,961	14,750,801	1,217,797
<u>State Awards</u>						
Special State Grant (10-11)	N/A	N/A	(4,611)	-	-	(4,611)
Special State Grant (16-17)	N/A	N/A	-	25,050	25,050	-
Total State Awards			(4,611)	25,050	25,050	(4,611)
Total Federal and State Awards			\$ 850,346	\$ 14,413,011	\$ 14,775,851	\$ 1,213,186

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

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 ten 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, 2017, the Agency had food commodities in inventory totaling \$54,312.



STONE,
RUDOLPH
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified
Public
Accountants

www.srhcpas.com

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, 2017, 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 March 29, 2018.

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. 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.

The Agency resolved prior-year finding number 2016-001 by performing the specific tasks outlined in our report dated December 29, 2016.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-003.

The Agency's Responses to the 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
March 29, 2018



STONE,
RUDOLPH
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified
Public
Accountants

www.srhcpas.com

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, 2017. 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; 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-004, that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned 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.

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

March 29, 2018

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report dated March 29, 2018, expressed an unmodified opinion on the financial statements of the Agency.
2. No material weaknesses relating to the audit of the financial statements 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 March 29, 2018.
3. Three instances related to compliance 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 March 29, 2018.
4. Two instances relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance dated March 29, 2018.
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 March 29, 2018, for the major federal award programs of the Agency expressed an unmodified opinion on all major federal programs.
6. No audit findings relating to major programs were required to be reported in accordance under 2 CFR section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA No.</u>
Head Start Program	93.600
Weatherization Assistance Program	81.042

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

NONE

RELATED TO COMPLIANCE

2017-001 Audit Filing Deadline

Condition: The Agency's annual audit was not completed by December 31, 2017, as required by the State of Tennessee.

Criteria: All governmental audits should be completed and submitted to the State of Tennessee within six months of the fiscal year end.

Cause: The Agency did not select an auditor until December 2017.

Effect: The Agency did not meet the state audit deadline.

Recommendation: We recommend that the Agency's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the audit by the required date.

Response: Monthly and year-end procedures have been implemented with deadlines to ensure the state audit deadline of December 31 is met each year including closing the year-end books by August 31.

2017-002 Closing of Accounting Records

Condition: The Agency's accounting records were not closed and available for audit by August 31, 2017, as required by the State of Tennessee.

Criteria: Per Section 9-2-102, *Tennessee Code Annotated*, all local governments are required to have accounting records closed and available for audit no later than two months after the close of their fiscal year end.

Cause: The Agency was not aware of this requirement.

Effect: The Agency did not meet the deadline for closing their accounting records.

Recommendation: We recommend that the Agency's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the audit by the required date.

Response: Monthly and year-end procedures have been implemented with deadlines to ensure the State year-end closing deadline of August 31 is met each year.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2017

2017-003 Internal Control Manual

Condition: The internal control policies and procedures of the Agency are not documented in writing in the manner prescribed by the Green Book.

Criteria: Per Section 9-18-102(a), *Tennessee Code Annotated*, all local governments are required to document their internal controls in writing.

Cause: The Agency experienced turnover in a key position and was unable to complete the manual by the end of the audit.

Effect: By not having written internal control policies and procedures, the Agency cannot demonstrate compliance with the Green Book requirements.

Recommendation: We recommend that the Agency prepare a written manual of internal control policies and procedures as prescribed by the Green Book.

Response: The Agency is currently preparing a written manual of internal control policies and procedures in accordance with the Green Book using the Agency's current financial policies and procedures. This is to be completed by the end of the current fiscal year.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

RELATED TO INTERNAL CONTROL

2017-004 Control Operating Effectiveness Deficiency – Weatherization (CFDA #81.042, program year 2016-2017)

Condition: For one of 51 applicants tested, income was not re-certified after twelve months had lapsed since the initial verification of income eligibility.

Criteria: If weatherization service is not provided within twelve months of verifying the applicant's income eligibility, the verification process must be repeated prior to service.

Cause: The Agency inadvertently overlooked this file for income re-certification.

Effect: Disbursements could be made to ineligible applicants.

Recommendation: We recommend that management implement procedures to ensure that an applicant's income is re-certified if weatherization services are not provided within twelve months.

Response: The Agency implemented procedures for the Weatherization program during the prior program year to ensure weekly review of application dates which would prompt re-certification of clients for eligibility.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED JUNE 30, 2017

RELATED TO COMPLIANCE

2017-005 Control Operating Effectiveness Deficiency – Weatherization (CFDA #81.042, program year 2016-2017)

Condition: For one of 51 applicants tested, income was not re-certified after twelve months had lapsed since the initial verification of income eligibility.

Criteria: If weatherization service is not provided within twelve months of verifying the applicant's income eligibility, the verification process must be repeated prior to service.

Cause: The Agency inadvertently overlooked this file for income re-certification.

Effect: Disbursements could be made to ineligible applicants.

Recommendation: We recommend that management implement procedures to ensure that an applicant's income is re-certified if weatherization services are not provided within twelve months.

Response: The Agency implemented procedures for the Weatherization program during the prior program year to ensure weekly review of application dates which would prompt re-certification of clients for eligibility.

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
SUMMARY SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS
YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

RELATED TO INTERNAL CONTROL

2016-001 (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 two reclassification entries were required to in order for the financial statements to be in conformity with GAAP. Two of the adjusting journal entries were 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.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

NONE

MID-CUMBERLAND COMMUNITY ACTION AGENCY, INC.
AUDITEE REPORTING RESPONSIBILITIES
YEAR ENDED JUNE 30, 2017

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

FINDING 2017-004

Contact person: Paul Graden

Corrective action planned: The Agency implemented procedures for the Weatherization program during the prior program year to ensure weekly review of application dates which would prompt re-certification of clients' eligibility.

Anticipated completion date: Completed

FINDING 2017-005

Contact person: Paul Graden

Corrective action planned: The Agency implemented procedures for the Weatherization program during the prior program year to ensure weekly review of application dates which would prompt re-certification of clients' eligibility.

Anticipated completion date: Completed