

NORTH CENTRAL WEST VIRGINIA COMMUNITY ACTION ASSOCIATION, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

With Independent Auditor's Report Thereon

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NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Central West Virginia Community Action Association, Inc.
Fairmont, West Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of the North Central West Virginia Community Action Association, Inc. (the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, schedules of grant support, revenue and expenses - CSGB - compared to grant budgets to actual (Non-GAAP) and the schedule of revenues and expenditures of state awards are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also 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 March 14, 2018, on our consideration of the Association'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 Association's internal control over financial reporting and compliance.



David L. Howell, CPA
Cabin Creek, West Virginia
March 14, 2018

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 625,096
Restricted cash	332,168
Grants receivable	1,127,241
Other receivables	3,222
Prepaid expenses and deposits	56,908
Total current assets	<u>2,144,635</u>

PROPERTY AND EQUIPMENT, NET

3,200,841

Total Assets

\$ 5,345,476

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Notes payable, current maturities	\$ 5,045
Accounts payable and accrued expenses	874,447
Accrued payroll and benefits	436,081
Other payables	35,207
Deferred revenue	74,758
Total current liabilities	<u>1,425,538</u>

LONG TERM LIABILITIES

Note payable, long-term portion	40,022
Total long-term liabilities	<u>40,022</u>
Total liabilities	1,465,560

NET ASSETS

Temporarily restricted	276,529
Unrestricted	3,603,387
Total net assets	<u>3,879,916</u>

Total liabilities and net assets

\$ 5,345,476

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

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT:			
Grant revenue			
Federal direct	\$ 6,770,395	-	6,770,395
State/pass through	2,772,910	-	2,772,910
State -- West Virginia Housing Development Fund	-	(121,992)	(121,992)
Gain on sale of houses built with West Virginia Housing Development Funds	-	8,989	8,989
Program income	657,810	-	657,810
In-kind matching	1,924,024	-	1,924,024
Miscellaneous income	113,269	-	113,269
Donations	70,212	-	70,212
	<hr/>	<hr/>	<hr/>
Total revenue and other support	12,308,620	(113,003)	12,195,617
EXPENSES:			
Head Start	8,155,837	-	8,155,837
Early Head Start	558,607	-	558,607
Weatherization	1,375,407	-	1,375,407
CSBG	885,987	-	885,987
Continuum of Care	136,874	-	136,874
WV Housing Development Fund	170,457	-	170,457
SSVF	252,277	-	252,277
Other Program Services	407,660	-	407,660
General and Administrative	6,242	-	6,242
Depreciation	458,599	-	458,599
	<hr/>	<hr/>	<hr/>
Total expenses	12,407,947	-	12,407,947
Change in net assets	(99,327)	(113,003)	(212,330)
Net Assets at Beginning of Year, Restated	<hr/>	<hr/>	<hr/>
	3,702,714	389,532	4,092,246
Net Assets at End of Year	<u>\$ 3,603,387</u>	<u>276,529</u>	<u>3,879,916</u>

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

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (212,331)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	458,599
Gain on asset disposal	1,303
(Increase) decrease in:	
Other receivables	10,758
Grants receivable	(39,180)
Assets held for resale	186,807
Prepaid expenses and deposits	40,261
(Decrease) increase in:	
Accounts payable	49,243
Accrued payroll and benefits	(26,686)
Other payables	(5,222)
Deferred revenue	19,022
	<hr/>
Net Cash Provided by Operating Activities	482,574
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<hr/> (245,959)
Net Cash (Used) in Investing Activities	(245,959)
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on long-term notes	<hr/> (4,767)
Net Cash (Used) in Financing Activities	<hr/> (4,767)
Net increase in cash	231,848
Cash at beginning of year	<hr/> 725,416
Cash at end of year	<hr/> <u>\$ 957,264</u>

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

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 1 **DESCRIPTION OF ORGANIZATION**

North Central West Virginia Community Action Association, Inc. (the "Association") is a private, not-for-profit organization dedicated to helping individuals and families reach their highest levels of social and economic independence, while assisting the communities served to become involved in the activities of the Association. The Association collaborates with local, state, and national agencies to provide a broad range of direct, anti-poverty services for moderate to low-income customers and their communities. These services include the operations of several Head Start centers throughout north central West Virginia. The Association is funded primarily through grants and other agreements with the federal and state governments.

The Association provides services to residents and communities of Marion, Monongalia, Preston, Taylor, Tucker, Barbour, Randolph, Pocahontas, and Greenbrier counties in West Virginia. The organization also provides Head Start services in Webster County and weatherization services in Harrison County.

Programs include the following:

Head Start and Early Head Start

Head Start is a federally funded comprehensive child development program that has served low-income children and their families since 1965. Head Start actually consists of two programs: Head Start (HS) and Early Head Start (EHS). HS is a comprehensive early childhood development program primarily serving low-income preschool-age children and their families. Early Head Start was established during the 1994 Reauthorization of HS. EHS is a comprehensive early childhood program serving primarily low-income children prenatal to age three, pregnant women, and their families. Funding for the program goes directly from the federal government to local grantees. The federal government provides 80 percent of the yearly cost to operate a HS program, and the remaining 20 percent must come from a "local match" or "in-kind" contributions, which may be in the form of monetary contributions, donations of goods or services, or volunteer hours. The Association has been a grantee receiving Head Start funds and providing these services for several decades.

Community Services Block Grant Programs

The Community Services Block Grant (CSBG) is a federal, anti-poverty block grant that funds the operation of a state-administrated network of local agencies. The purpose of the CSBG is to provide assistance to states and local communities, working through a network of community action agencies and other neighbor-based organizations, for the reduction of poverty.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

LIEAP

The Association is in partnership with the Division of Health and Human Resources to process the regular Low Income Energy Assistance Program (LIEAP) applications. This program supplements low-income individuals with their primary heating costs during the winter months. Applications are usually available in the early winter months. Upon the depletion of funds from the regular LIEAP, emergency LIEAP funds come into effect. Emergency LIEAP is for individuals who qualify for regular LIEAP and are in danger of having no heat in the immediate future. Emergency LIEAP is available through the Division of Health and Human Resources.

Summer Feeding

The Summer Feeding program meets the nutritional needs of children ages birth to 18 that may not have access to meals during the summer months when school is not in session. Some sites provide breakfast and lunch while other sites only provide lunch. Each county establishes approved sites and locations to provide these meals. Funding occurs through Program Income, Contributions, Summer Food Income, and the Department of Education.

Gardens Program

The Gardens Program was established to help supplement an applicant's food supply, thus allowing the applicant more disposable income to address monthly household expenses. Counties use various funding sources that provide garden packages (seeds, plants, potatoes, fertilizer, and dust) to low income households. Items provided by this program help supplement the daily nutritional needs of eligible applicants.

CHDO

Comprehensive Housing Development Associations are grants from the West Virginia Housing Development Fund for specific low income housing projects. In recent years, the Association has received funding to complete housing units in Taylor and Barbour County.

HOMELESS SHELTERS

The Association operates two homeless shelters. Scott Place Shelter is located in Marion County which provides a 31-bed facility for men, women, and children. The Randolph County Shelter is a 15-bed facility located in Elkins, West Virginia. Funding is provided from many sources including, DHHR, VETS, United Way, and other donations.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Weatherization

The Weatherization Assistance Program provides weatherization assistance utilizing US Department of Energy (DOE) and US Department of Health & Human Resources (DHHR) appropriations, along with utility partnership funding to increase the energy efficiency of dwellings owned or occupied by low-income persons or to provide such persons with renewable energy systems or technologies, reduce their total residential expenditures, and improve their health and safety. The funds are limited to low-income persons who are particularly vulnerable such as elderly, persons with disabilities, families with children, high residential energy users, and households with high energy burden.

Emergency Food and Shelter Program

The Emergency Food and Shelter Program (EFSP) (formerly known as FEMA) provides funding for special emergency needs. Emergency needs for this program must be economic, not disaster-related emergencies. The funding is used to supplement feeding, sheltering (including transitional sheltering), rent and mortgage, and utility payments. The Association is the administrator of EFSP funds in Marion, Preston, Randolph, Tucker, Pocahontas, Greenbrier, and Harrison Counties.

Volunteer Income Tax Assistance

The Volunteer Income Tax Assistance (VITA) Program offers free income tax preparation services to low to moderate-income people and assists eligible individuals in securing the Earned Income Tax Credit (EITC), a credit available to many working families in West Virginia. The EITC is a special federal tax credit for working families who meet the eligibility requirements. Eligibility generally changes from year to year. If eligible, families may receive money back from the Internal Revenue Service (IRS) even if they don't owe taxes, but a return must be filed. Working families in West Virginia may also qualify for the Child Tax Credit (CTC), depending on income and the number of dependent children in the household. Free Tax preparation is offered in every county that the Association serves. The Association also works with other organizations on a local and state level to ensure that free tax assistance, asset development, and financial literacy are offered to all working families. For several years, the Association has received funding from the West Virginia Department of Health and Human Services to assist with this program.

Continuum of Care

The Continuum of Care Program is designed to promote community wide commitment to the goal of ending homelessness by providing services to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness. The program's goal

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

is to promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

Trailco Electric Efficiency Partnership

This is a program designed to reduce heating, cooling, and electric base load costs for low-income families in the power company's service territory, by improving the energy efficiency services of their homes. Participation will be restricted to those low-income customers who qualify for the U.S Department of Energy's Weatherization Assistance Program and are customers of the local power company.

SSVF

Supportive Services for Veteran Families Program purpose is to provide supportive services to very low-income Veteran families living in or transitioning to permanent housing.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Reporting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred. These financial statements are presented in accordance with Statement on Financial Accounting Standards No. 117 *Financial Statements for Nonprofit Organizations*, which requires that resources be classified for reporting purposes into three net asset categories as temporarily restricted, permanently restricted and unrestricted net assets according to the existence or absence of donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash accounts not subject to withdrawal restrictions and highly liquid instruments with an initial maturity of three months or less.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Inventory

In accordance with grant award budgets approved by funding sources, inventory is charged to expense in the period during which it is purchased instead of being recognized as an asset and being expensed when consumed. Management believes the effect on the financial statements are not significant.

Accounts Receivable and Grants Receivable

Management considers accounts receivable and grants receivables fully collectible at June 30, 2017, and writes off uncollectible receivables to operations.

Property and Equipment

The Association purchases the majority of its property and equipment with funds provided by restrictive grants. Property and equipment purchased with funds from such grants are subject to restrictions regarding use and disposition. Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets. Items of property and equipment purchased with grant funds are not reported as contributions as grantors expect to receive commensurate value from the Association.

Net Asset Classification

Net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets – Unrestricted net assets that are not subject to donor-imposed stipulations.

Temporarily and Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Association and/or the passage of time.

At June 30, 2017, the Association reported \$276,529 in Temporarily Restricted Net Assets on the Statement of Activities. The Temporarily Restricted Net Assets are the result of receiving grants from the West Virginia Housing Development Fund to build low income housing units in Taylor and Barbour County.

Donor Restrictions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

The Association reports gifts of equipment, or other long-lived assets, as unrestricted support unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Association reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grant Revenues

Grant revenues related to the provision of services and/or the incurrence of qualified expenses are reported as unrestricted revenues inasmuch as these grant revenues are based on the premise that the grantor, generally governmental agencies, provided the funding or transferred assets in exchange transactions whereby the grantor expects to receive commensurate value.

Long-lived assets provided by the grantor and cash provided explicitly for the purpose of acquiring long-lived assets are excluded from the excess of revenues and other support over expenses. The Association has received substantial grant funding used for the purpose of long-lived assets, and certain obligations relating to the use of such items exist, including potential return of the respective assets to the grantor agency or proceeds received from the sale of such respective items.

Interest

All interest costs incurred during the year ended June 30, 2017, were expensed.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Advertising Costs

All advertising costs of \$10,119 were expensed during the year.

Income Taxes

Under provisions of the Internal Revenue Code, Section 501(c) 3, and the applicable income tax regulations of the State of West Virginia, the Association is exempt from taxes on income other than unrelated business income. Since the Association had no net unrelated business income during the year ended June 30, 2017, no provision for income taxes has been made.

The Association has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

The Association has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Management believes that returns filed for years prior to 2012 are no longer subject to examination.

Donated Services, Space and Other

Donated (in-kind) matching is required by certain funding sources. For the Head Start programs, donated hourly services are valued at the beginning wage of a Head Start program aide plus the applicable fringe benefit rate. For the COC program, donated hourly services are valued at a per dollar amount based on a memorandum on an understanding agreement with provider.

Donated space is valued at the estimated fair rental value determined by an independent, certified appraisal. Donated other is valued at the estimated fair market value at the date of receipt.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2017, was as follows:

Cash and cash equivalents - unrestricted	\$ 625,096
Cash and cash equivalents - restricted	<u>332,168</u>
Total cash and cash equivalents	<u><u>\$ 957,264</u></u>

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 **PROPERTY AND EQUIPMENT**

As described in Note 2, significant items of property and equipment have been funded from governmental and other grant proceeds. These grantors have residual interests in the property.

The following summarizes assets identifiable to those grantors at June 30, 2017.

	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Head Start program	\$ 4,743,303	240,590	75,025	4,908,868
Community Service Block Grant Program	358,488	5,369	6,135	357,722
ESGP Homeless Shelter program	86,303	-	-	86,303
Weatherization program	1,140,500	-	-	1,140,500
CHDO	1,829,824	-	-	1,829,824
Other	<u>1,084,520</u>	<u>-</u>	<u>-</u>	<u>1,084,520</u>
Total cost grantor property and equipment	9,242,938	245,959	81,160	9,407,737
Corporate	<u>554,755</u>	<u>-</u>	<u>-</u>	<u>554,755</u>
Total cost property and equipment	9,797,693	245,959	81,160	9,962,492
Less accumulated depreciation	<u>6,382,190</u>	<u>458,600</u>	<u>79,139</u>	<u>6,761,651</u>
Property and equipment, net	<u>\$ 3,415,503</u>	<u>(212,641)</u>	<u>(2,021)</u>	<u>3,200,841</u>

NOTE 5 **LINE OF CREDIT**

The Association has a bank line of credit with a borrowing limit of \$160,000. At June 30, 2017, the outstanding balance was \$-0-. During the year the Association did not borrow on the line of credit.

NOTE 6 **LONG-TERM DEBT**

Long-term debt at June 30, 2017, consists of the following:

Bank loan, payable in monthly installments of \$643 including interest of 6.25%, maturity date December, 2024 secured by deed of trust.

\$ 45,067

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Annual maturities of the note payable as of June 30, 2017, are as follows:

Year Ended	Principal	Interest	Total
6/30/2018	\$ 5,045	2,674	7,719
6/30/2019	5,369	2,349	7,718
6/29/2020	5,715	2,004	7,719
6/30/2021	6,082	1,636	7,718
6/30/2022	6,473	1,245	7,718
Thereafter	16,383	2,453	18,836
	<u>\$ 45,067</u>	<u>12,361</u>	<u>57,428</u>

The roll forward of the note payable is as follows:

	Balance at 6/30/2016	Additions	Payments	Balance at 6/30/2017	Due Within One Year
Note payable	<u>\$ 49,834</u>	<u>-</u>	<u>4,767</u>	<u>45,067</u>	<u>5,045</u>

NOTE 7 PENSION PLAN

The Association participates in a contributory, defined contribution pension plan that covers all employees who regularly work 20 or more hours per week. Participants may begin contributing upon hire a minimum of 3%. After one-year, the Association contributions to the plan are based on a percentage of salaries as follows: 4% for 1 to 5 years of service, 6% for 5 to 10 years of service, and 10% for over 10 years of service.

The Association's contribution will not exceed \$2,000 per participant per year. Total contributions recognized by the Association for the year ended June 30, 2017, were \$105,389.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Cash Balances in Excess of FDIC Insurance

The Association maintains cash in demand deposit accounts with a federally insured bank. During the year, the balances in these accounts may be in excess of federally insured limits. At June 30, 2017 all balances were insured or collateralized.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Operating Leases

The Association leases various properties including office, parking, Head Start centers, and warehousing under operating leases on an annual and monthly basis. Rental expense for the year ended June 30, 2017, was \$140,333.

NOTE 9 **DONATED SERVICES, SPACE AND OTHER**

North Central West Virginia Community Action Association, Inc. received donated services from unpaid volunteers, the use of various facilities without charge, and other donated items during the year ended June 30, 2017.

The following summarizes the fair value of donated services, space, and other resources as determined by the Association:

	<u>Volunteers</u>	<u>Space</u>	<u>Goods and Services</u>	<u>Total</u>
Head Start	\$ 272,441	326,435	1,228,188	1,827,064
Early Head Start	27,100	32,616	275	59,991
Continuum of Care	-	-	36,969	36,969
	<u>\$ 299,541</u>	<u>359,051</u>	<u>1,265,432</u>	<u>1,924,024</u>

NOTE 10 **PRIOR PERIOD ADJUSTMENT**

The Association recorded a prior period adjustment to accumulated depreciation and net assets. The adjustment decreased accumulated depreciation and increased net assets for \$206,562. The prior period adjustment was the result of determining that certain capital assets were over depreciated by incorrectly applying the straight line depreciation method.

NOTE 11 **SUBSEQUENT EVENTS**

Management has considered all subsequent events through March 14, 2018, the date the financial statements were made available.

SUPPLEMENTARY INFORMATION

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Head Start	Early Head Start	Weatherization	CSBG	Continuum of Care	CHDO	SSVF	Other program	General and administrative	Total
Contractual	\$ 1,147,262	4,900	4,786	12,142	1,008	65,188	-	1,136	368	1,236,790
Depreciation	-	-	-	-	-	-	-	-	458,599	458,599
Facilities	194,889	15,227	36,682	55,551	17,112	2,617	4,820	28,212	256	355,366
Food	152,470	8,374	-	-	-	-	-	7,840	-	168,684
Fringes	567,918	51,913	128,147	92,142	15,284	7,922	12,417	37,925	586	914,254
In-kind	1,827,064	59,991	-	-	36,969	-	-	-	-	1,924,024
Insurance	78,837	7,474	13,015	10,700	5,629	11,306	1,373	7,833	71	136,238
Other	584,084	51,264	104,208	157,823	16,770	7,128	113,673	81,769	1,299	1,118,018
Salaries	3,111,003	327,038	691,729	498,839	36,642	59,902	93,482	221,946	3,444	5,044,025
Supplies	348,854	22,453	337,222	34,597	7,460	12,889	15,629	16,704	127	795,935
Travel	58,500	8,276	7,597	23,392	-	3,505	10,883	3,928	91	116,172
Vehicle	84,956	1,697	52,021	801	-	-	-	367	-	139,842
	<u>\$ 8,155,837</u>	<u>558,607</u>	<u>1,375,407</u>	<u>885,987</u>	<u>136,874</u>	<u>170,457</u>	<u>252,277</u>	<u>407,660</u>	<u>464,841</u>	<u>12,407,947</u>

See Independent Auditor's Report.

**NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.**

**SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES - CSBG
COMPARED TO GRANT BUDGETS TO ACTUAL (NON-GAAP)**

Year Ended June 30, 2017

	Grant Number 17CSBG-F-12			Grant Number 16CSBG-F-12		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
State grants	\$ 924,089	330,095	593,994	924,089	554,470	369,619
Program and other	-	40	-	-	570	-
Total revenues	\$ 924,089	330,135	593,994	924,089	555,040	369,619
EXPENSES						
Salaries/Wages	\$ 529,110	236,116	292,994	524,320	262,723	261,597
Fringe Benefits	113,550	46,369	67,181	99,396	45,773	53,623
Contractual	13,980	2,432	11,548	14,655	9,020	5,635
Travel	19,285	7,535	11,750	21,515	11,825	9,690
Supplies/Materials	14,315	15,379	(1,064)	41,212	18,936	22,276
Other Costs	97,115	36,892	60,223	91,762	50,701	41,061
Program Costs	60,000	30,420	29,580	60,500	37,913	22,587
Indirect Costs	76,734	34,053	42,681	70,729	36,535	34,194
Total expenses	\$ 924,089	409,196	514,893	924,089	473,426	450,663

See accompanying notes to schedule of grant support, revenue and expenses - CSBG compared to grant budgets and actual (non-gaap)

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES - CSBG
COMPARED TO GRANT BUDGETS TO ACTUAL (NON-GAAP)

Year Ended June 30, 2017

NOTE 1 BASIS OF PRESENTATION

The budget numbers above represent the complete program year budget. The actual numbers above represent the expenses incurred during the year ended June 30, 2017, related to the specific program year. The variance numbers represent the arithmetic difference between the budget and actual.

**NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through ID Number</u>	<u>Subrecipient Pass-Through</u>	<u>Federal Expenditures</u>
<u>US Department of Health and Human Services</u>				
Head Start - Direct Award	93.600	N/A		\$ 5,107,278
Head Start Mon County Board of Education - Direct Award	93.600	N/A	SR 2016-2017	1,022,415
Early Head Start - Direct Award	93.600	N/A		491,307
				<u>6,621,000</u>
Passed through the West Virginia Office of Economic Opportunity				
Low-Income Home Energy Assistance	93.568	DHHRWX1610		572,686
Low-Income Home Energy Assistance	93.568	DHHRWX1510		208,027
Community Services Block Grant	93.569	16CSBG-F12		473,738
Community Services Block Grant	93.569	17CSBG-F12		417,617
Total passed through West Virginia OEO				<u>1,672,068</u>
Passed through the West Virginia Department of Health and Human Resources				
VITA/EITC	93.558	G170612		37,500
VITA/EITC	93.558	G160574		12,500
Total passed through West Virginia DHHR				<u>50,000</u>
Total U.S. Department of Health and Human Services				8,343,068
<u>U.S. Department of Energy</u>				
Passed through the West Virginia Office of Economic Opportunity				
Weatherization Assistance for Low-Income Persons	81.042	DOEWX1610		515,147
Total U.S. Department of Energy				<u>515,147</u>
<u>U.S. Department of Agriculture</u>				
Direct Awards				
Child and Adult Care Food Program	10.558	N/A		58,804
Total U.S. Department of Agriculture				<u>58,804</u>
<u>U.S. Department of Veterans Affairs</u>				
Direct Award				
VA Homeless Providers Grant and Per Diem Program	64.024	N/A		39,248
VA Homeless Providers HCHV Program	64.024	N/A		26,120
Supportive Service for Veterans Families Program	64.033	SSVF2015-2016		58,125
Supportive Service for Veterans Families Program	64.033	SSVF2016-2017		194,152
Total U.S. Department of Veterans Affairs				<u>317,645</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through ID Number</u>	<u>Subrecipient Pass-Through</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Awards				
Continuum of Care	14.235	N/A		136,739
Passed through the West Virginia Office of Economic Opportunity				
Emergency Solutions Grant Program - Scott Place Shelter	14.231	ESG16SCOTT		17,917
Emergency Solutions Grant Program - Randolph County Shelter	14.231	ESG16NCWV		8,752
Total U.S. Department of Housing and Urban Development				<u>163,408</u>
Total Expenditures of Federal Awards				<u>\$ 9,398,072</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

NOTE 1 BASIS OF PRESENTATION

This schedule of expenditures of federal awards includes the grant activity of the North Central West Virginia Community Action Association, Inc. and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 INDIRECT COST RATE

The Association's indirect cost rate allowed under Uniform Guidance is 11.94%.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2017

<u>State Grantor/Program or Cluster Title</u>	<u>State Vendor Number</u>	<u>Agreement Number</u>	<u>Program Year</u>	<u>Expenditures</u>	<u>Revenues</u>
<u>West Virginia Department of Health & Human Services</u>					
Randolph County Homeless Shelter	201468	G170087	July 1, 2016 to June 30, 2017	\$ 77,294	77,294
Scott Place Homeless Shelter	201468	G170088	July 1, 2016 to June 30, 2017	<u>123,544</u>	<u>123,544</u>
Total State Grants				<u>\$ 200,838</u>	<u>200,838</u>

See accompanying notes to schedule of revenues and expenditures of state awards.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of program expenses of the North Central West Virginia Community Action Association, Inc.'s Randolph County and Scott Place Homeless Shelter programs include the grant activity that the West Virginia Department of Health & Human Resources oversees, and is presented on the accrual basis of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

To The Board of Directors of
North Central West Virginia Community Action Association, Inc.
Fairmont, West Virginia:

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 North Central West Virginia Community Action Association, Inc. (the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "David L. Howell, CPA". The signature is written in a cursive style.

David L. Howell, CPA
Cabin Creek, West Virginia
March 14, 2018

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

To The Board of Directors:
North Central West Virginia Community Action Association, Inc.
Fairmont, West Virginia:

Report on Compliance for Each Major Federal Program

We have audited North Central West Virginia Community Action Association, Inc.'s (the "Association") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Association's major federal programs for the year ended June 30, 2017. The Association'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 Association'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 Association'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 Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the North Central West Virginia Community Action Association, Inc. complied, in all material respects, with the types of compliance requirements referred to

above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

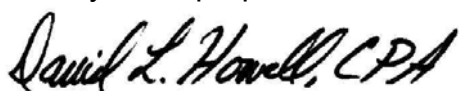
Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association'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 Association's internal control over compliance.

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

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

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



David L. Howell, CPA
Cabin Creek, West Virginia
March 14, 2018

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I- Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficienc(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficienc(ies) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any disclosed audit findings related to major programs that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start/Early Head Start

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Did auditee qualify as low-risk auditee? Yes

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2017

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs reported.

Section IV - Corrective Action Plan

Not required as there are no findings or questioned costs.

NORTH CENTRAL WEST VIRGINIA
COMMUNITY ACTION ASSOCIATION, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

There were no findings or questioned costs in the prior year.

3/27/2018

Mail - pmcfarland@ncwvcaa.org

Single Audit Submission Accepted - NORTH CENTRAL WEST VIRGINIA COMMUNITY ACTION ASSOCIATION, INC. (2017), Report ID: 758791

ERD FAC <govs.fac.ides@census.gov>

Tue 3/27/2018 11:23 AM

To: Patricia McFarland <pmcfarland@ncwvcaa.org>; Roy Smith <arnoldvelmer@yahoo.com>;

FAC ACCEPTED DATE: 3/26/2018

AUDITEE NAME: NORTH CENTRAL WEST VIRGINIA COMMUNITY ACTION ASSOCIATION, INC.

REPORT ID: 758791

FISCAL YEAR END DATE: 6/30/2017

The Single Audit submission for the above referenced organization has been accepted by the Federal Audit Clearinghouse (FAC). No further action is needed.

Your FAC Accepted Date is: 3/26/2018. Please retain this e-mail for your records.

Sincerely,
Federal Audit Clearinghouse
<https://harvester.census.gov/facides>
govs.fac.ides@census.gov