

**UNION COUNTY COMMUNITY
ACTION, INC.**

FINANCIAL REPORT

SEPTEMBER 30, 2020

UNION COUNTY COMMUNITY ACTION, INC.

FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT..... 1 and 2

FINANCIAL STATEMENTS

Statement of Financial Position 3

Statement of Activities 4

Statement of Functional Expenses 5

Statement of Cash Flows 6

Notes to the Financial Statements 7 - 16

SINGLE AUDIT SECTION

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*..... 17 and 18

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE..... 19 - 21

Schedule of Expenditures of Federal Awards 22

Notes to Schedule of Expenditures of Federal Awards..... 23

Schedule of Findings and Questioned Costs 24 and 25

Schedule of Prior Audit Findings..... 26

Management's Corrective Action Plan 27



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Union County Community Action, Inc.
Monroe, North Carolina**

Report on the Financial Statements

We have audited the accompanying financial statements of **Union County Community Action, Inc.** (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

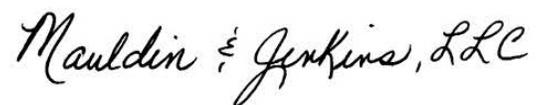
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union County Community Action, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 24 and 25, 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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2021, on our consideration of Union County Community Action, Inc.'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 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 Union County Community Action, Inc.'s internal control over financial reporting and compliance.



Columbia, South Carolina
June 12, 2021

UNION COUNTY COMMUNITY ACTION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

ASSETS	
Current assets	
Cash	\$ 816,594
Grants receivable	334,098
Other receivables	33,849
Prepaid expenses	98,496
Total current assets	1,283,037
Noncurrent assets	
Property, equipment, and improvements, net	591,114
Total assets	\$ 1,874,151
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 31,458
Deferred revenues	214,666
Accrued payroll expenses	280,904
Total current liabilities	527,028
Net assets	
Without donor restrictions	1,347,123
Total liabilities and net assets	\$ 1,874,151

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Net Assets without Donor Restriction	Net Assets with Donor Restriction	Total
Support and revenue			
Federal grants and contracts	\$ -	\$ 6,394,272	\$ 6,394,272
State grants and contracts	550,419	-	550,419
Local revenue	114,117	-	114,117
In-kind contributions	1,102,730	-	1,102,730
Total support	<u>1,767,266</u>	<u>6,394,272</u>	<u>8,161,538</u>
Interest income	3,459	-	3,459
Other revenue	1,729	-	1,729
Total revenue	<u>5,188</u>	<u>-</u>	<u>5,188</u>
Net assets released from restrictions	<u>6,437,630</u>	<u>(6,437,630)</u>	<u>-</u>
Total support and revenue	<u>8,210,084</u>	<u>(43,358)</u>	<u>8,166,726</u>
Expenses			
Program services			
(less capitalized expenses):			
Early Head Start (EHS)/Head Start (HS)	5,838,891	-	5,838,891
Non federal EHS and HS	1,247,370	-	1,247,370
CSBG	304,781	-	304,781
Childcare food	266,106	-	266,106
Pre-kindergarten program - Anson County	250,475	-	250,475
Pre-kindergarten program - Richmond County	92,563	-	92,563
Other programs	47,941	-	47,941
Total program services	<u>8,048,127</u>	<u>-</u>	<u>8,048,127</u>
Supporting services:			
Administrative	145,717	-	145,717
Depreciation	8,454	-	8,454
Total supporting services	<u>154,171</u>	<u>-</u>	<u>154,171</u>
Total expenses	<u>8,202,298</u>	<u>-</u>	<u>8,202,298</u>
Change in net assets	7,786	(43,358)	(35,572)
Net assets, beginning, as restated	<u>1,339,337</u>	<u>43,358</u>	<u>1,382,695</u>
Net assets, ending	<u>\$ 1,347,123</u>	<u>\$ -</u>	<u>\$ 1,347,123</u>

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services								Total Supporting Services	Total
	EHS/HS	Nonfederal HS/EHS	CSGB	Childcare Food	Pre-K Program Anson County	Pre-K Program Richmond County	Other Programs	Total Program Services		
Salaries	\$ 3,275,895	\$ -	\$ 117,340	\$ 67,728	\$ 94,660	\$ 44,886	\$ -	\$ 3,600,509	\$ 515,119	\$ 4,115,628
Employee benefits	1,137,964	-	32,899	25,837	10,848	5,295	-	1,212,843	123,808	1,336,651
Contractual services	29,775	-	-	-	-	-	-	29,775	-	29,775
Dues and subscriptions	55,887	-	908	-	185	-	-	56,980	8,816	65,796
Travel	8,829	-	1,769	-	-	-	-	10,598	820	11,418
Training and technical assistance	90,112	-	1,303	-	3,112	998	-	95,525	343	95,868
Rent	66,202	-	9,114	-	-	-	-	75,316	36,721	112,037
Utilities	17,109	105,378	2,180	-	1,249	-	-	125,916	7,786	133,702
Insurance	57,958	17,738	701	213	115	60	-	76,785	3,179	79,964
Professional services	109,027	12,823	9,066	-	1,514	-	-	132,430	12,700	145,130
Maintenance and janitorial	125,617	-	24	-	2	-	-	125,643	716	126,359
Supplies and equipment	116,865	-	8,494	-	29,454	2,778	8,400	165,991	4,535	170,526
Food costs	5,505	-	-	172,105	47,499	8,218	-	233,327	-	233,327
Equipment and leasing	21,842	-	1,597	-	-	-	-	23,439	5,899	29,338
Telephone	60,910	-	6,457	-	-	-	20,102	87,469	8,979	96,448
Client assistance	11,230	-	83,320	-	13,948	-	-	108,498	240	108,738
Office and computer costs	89,521	8,701	6,068	-	-	-	-	104,290	10,531	114,821
In-kind expenses	-	1,102,730	54	-	-	-	-	1,102,784	-	1,102,784
Total expenses before indirect costs and transfers	5,280,248	1,247,370	281,294	265,883	202,586	62,235	28,502	7,368,118	740,192	8,108,310
Transfers	(45)	-	(214)	223	387	(364)	-	(13)	13	-
Indirect costs	535,608	-	30,438	-	22,064	6,378	-	594,488	(594,488)	-
Total expenses before depreciation, and capitalized items	5,815,811	1,247,370	311,518	266,106	225,037	68,249	28,502	7,962,593	145,717	8,108,310
Depreciation	23,080	-	278	-	25,438	24,314	19,439	92,549	8,454	101,003
Less items capitalized	-	-	(7,015)	-	-	-	-	(7,015)	-	(7,015)
Total expenses	\$ 5,838,891	\$ 1,247,370	\$ 304,781	\$ 266,106	\$ 250,475	\$ 92,563	\$ 47,941	\$ 8,048,127	\$ 154,171	\$ 8,202,298

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ (35,572)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	101,003
(Increase) decrease in operating assets:	
Grant receivable	(95,176)
Other receivables	(13,056)
Prepaid expenses	(29,034)
Increase (decrease) in operating liabilities:	
Accounts payable	(15,165)
Deferred revenues	57,952
Other accrued expenses	56,127
Net cash provided by operating activities	<u>27,079</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(37,354)</u>
(Decrease) in cash	(10,275)
Cash, beginning of year	<u>826,869</u>
Cash, end of year	<u><u>\$ 816,594</u></u>

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Union County Community Action, Inc. (the "Organization") is a private, not-for-profit organization established in 1966 in the State of North Carolina. The Agency was structured in accordance with standards and requirements of the Federal Economic Opportunity Act of 1964 and amendments. This Act states, "The basic purpose of community action is to stimulate a better focusing of all available local, state, private, and federal resources upon the goals of enabling low-income families and low-income individuals of all ages to obtain skills, knowledge, and motivations, and secure the opportunities needed for them to become fully self-sufficient."

The Organization services federally and non-federally funded government programs in Anson, Richmond, and Union Counties of North Carolina. The Organization's method of financing comes primarily from grants received, with the purpose of each grant aimed toward continuing the overall purpose of the Organization. The following is a brief description of the purpose of each grant program administered by Union County Community Action, Inc., along with the federal organization through which the funds are originally provided.

- i. *Head Start Program* – Funds that provide educational, nutrition, and social services to low-income families with children to help ensure that children are ready to start school. Head Start serves families with children that are three and four years of age. Early Head Start serves those families with children who are infants through two years old. Federal Agency: Department of Health and Human Services.
- ii. *Child and Adult Care Food Program (USDA)* – Funds provided to assist in making breakfast and lunch available to disadvantaged children. Federal Agency: United States Department of Agriculture.
- iii. *North Carolina Pre-kindergarten Program*– This program, through a specific pre-school curriculum, helps prepare four year-olds for school. State Agency: North Carolina Department of Health and Human Services
- iv. *Community Services Block Grant (CSBG)* – Funds provided to assist in eliminating the causes and consequences of poverty. Federal Agency: Department of Health and Human Services.

Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred for providing program related services, raising contributions and performing administrative functions.

Net Assets with Donor Restrictions – The net assets result from gifts of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

It is the Organization's policy to report donor restricted contributions whose restrictions are met in the same reporting period in which the contributions are recognized as an increase in net assets without donor restriction.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions depending on the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Promises to Give (Continued)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit 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 recorded as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the organization reports expirations of donor restrictions when construction expenditures are incurred or when the donated long-lived assets are placed in service.

Contributed Materials, Services and Space (In-kind)

The Organization receives significant amounts of contributed materials, services and space in relation to its Head Start Program. Under ASC 958-605-15, *Revenue Recognition*, the service contributions are recognized as in-kind contributions if the services either create or enhance a non-financial asset, or require specialized skills that are provided by entities or persons possessing those skills and would need to be purchased if they were not contributed. These in-kind contributions are recorded as revenues and expenses at their estimated value at the date of contribution.

Property, Equipment, and Improvements

Purchased property and equipment is capitalized at cost; donated assets are recorded as contributions at their estimated fair value on the date donated. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Certain property was purchased with government grants and restrictive finance agreements; if these assets were sold or not used for their intended charitable purpose repayment may be required. All assets are depreciated over estimated useful lives on a straight line basis. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized.

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000 as required by all programs. Expenditures of less than \$5,000 may be considered for capitalization on an individual basis.

Estimated useful lives are as follows:

	<u>Years</u>
Buildings and improvements	30
Leasehold improvements	25
Furniture and equipment	3 - 10
Vehicles	5 - 10

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Consumable Supplies Inventories

Costs for food and operating supplies are treated as expenditures of the grant in the period the costs are incurred. The cost of any such supplies on hand at program year-end is not reported as an asset of the program for financial statement purposes

Revenue Recognition

For cost reimbursement grants, revenue is carried upon the occurrence of allowable costs. For grants under the advance/letter of credit draw down arrangements, revenue is earned based on draw down limitations and schedules stipulated by the funding source. However, proper matching of revenues with expenditures will prevail in the timing of revenue recognition.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose.

The most significant tax position of the Organization is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax, (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's Form 990 for 2016 through 2018 are open to examination by the Internal Revenue Service as of September 30, 2020.

Compensated Absences

Employees may accumulate up to 80 hours of earned vacation leave with such leave being fully vested when earned. A lump-sum payment is made for accrued leave at termination of employment. The accrued liability is estimated to be \$105,615 at September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Deferred Revenues

Grants received in advance for future expenditures are recorded as deferred revenue. Recognition as revenue occurs when the event takes place.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. The Organization reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, contract services, telephone and depreciation expenses include certain expenses that are allocated on the basis of estimates of time and effort. Occupancy expenses are allocated among functional areas based on square footage and headcount.

Indirect Cost Rate

The Organization computes its indirect cost rate using the direct allocation method. That method is used because all of the Organization's direct program activities received services from all of its administrative activities in approximately the same degree. Under the method, total indirect costs are the excess of total allowable administrative expenses over those administrative costs charged directly to programs. A single rate is computed by relating the cost associated with its direct activities. Significant cost principles used in computing the rate are as follows:

- a) The indirect cost base is composed of all direct costs except depreciation, in-kind, capital items and other unallowable costs.
- b) A fringe benefit rate is not used. Fringe benefits applicable to direct salaries and wages are charged to the respective programs as direct costs.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Grant Balances and Conditions

The Organization receives a substantial amount of its support from grant funds. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities. The Organization has responsibility for expending grant funds in accordance with specific instructions from funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization. At the discretion of the various funding sources, funds would be transferred among programs or supplemental funding could be provided to cover any deficits.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limit of the Uniform Guidance 2 CFR 200. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued two Accounting Standards Updates (ASU) that will affect the Organization's revenue recognition. The first, ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Organization will adopt both at the same time, because adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. For the year ending September 30, 2020, the Organization adopted ASU No. 2014-09 and ASU No. 2018-08 and has adjusted the presentation in these financial statements accordingly. The Organization recognizes contribution revenue and grant revenues in accordance with FASB ASC Topic 606 and Topic 958. The adoption of ASU No. 2014-09 and ASU No. 2018-08 did not have an impact on the timing of the revenue recognition for the Organization.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05 to allow for the deferral of the implementation date of ASU 2016-02 to fiscal years beginning after December 15, 2021, for not-for-profits. ASU 2016-02 was originally effective for not-for-profits that have not issued financial statements (or made available for issuance) for fiscal years beginning after December 15, 2019. The Organization is assessing the impact the new guidance will have on its financial statements.

NOTE 2. CONCENTRATION OF CUSTODIAL CREDIT RISK FOR CASH HELD IN BANK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts at financial institutions. At September 30, 2020, the Organization's cash exceeded federally insured limits by \$677,147 but was fully insured by the pooling method provided by BB&T with the State Treasurer. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash.

NOTE 3. PROPERTY, EQUIPMENT, AND IMPROVEMENTS

At September 30, 2020, the carrying value of property, equipment, and improvements and the related accumulated depreciation are as follows:

Buildings	\$	32,553
Leasehold improvements		1,329,672
Equipment		402,026
Furniture		325,422
Vehicles		1,567,942
	\$	<u>3,657,615</u>
Accumulated depreciation		(3,066,501)
Total property, equipment and improvements (net)	\$	<u><u>591,114</u></u>

Depreciation expense was \$101,003 for the year ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. GRANTS RECEIVABLE

At September 30, 2020, grants receivable consisted of the following:

Other Governments	\$ 121,195
Pre-K Program Anson County	36,600
Pre-K Program Richmond County	18,684
Early Head Start/Head Start (Department of HHS)	91,636
Early Head Start/Head Start Match (County)	65,983
	<u>\$ 334,098</u>

Management evaluated the collectability of its grants receivable at September 30, 2020. The Organization believes all grants receivable will be fully collected. Accordingly, no allowances for doubtful accounts are required.

NOTE 5. DEFERRED REVENUES

At September 30, 2020, advances from grantors and rental revenue consisted of the following:

CSBG	\$ 128,510
Non-federal EHS and HS	86,156
	<u>\$ 214,666</u>

NOTE 6. ALLOCATION OF ADMINISTRATIVE COSTS

The Organization receives reimbursement from various programs for general administrative expenses by use of an indirect cost rate established with the federal agencies. This allocation plan is approved by the Office of Head Start, the Organization's cognizant agent. For the year ended September 30, 2020, a provisional rate of 12.00% was established. A provisional rate is a temporary rate applicable to a specific period, which is used for funding, interim reimbursement, and reporting indirect cost on awards pending establishment of the final rate

NOTE 7. OPERATING LEASES

The Agency leases several facilities under operating lease agreements expiring at various dates through December 2029. Rent expense amounted to \$112,037 for the year ended September 30, 2020. Minimum future rental payments under the operating leases are as follows:

2021	\$ 115,839
2022	111,837
2023	58,670
2024	45,836
2025	45,836
Thereafter	16
	<u>\$ 378,034</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLAN

The Organization sponsors a 401(k) and profit-sharing plan, covering all eligible, full-time employees who have completed one year of service with a minimum of 1,000 hours. Plan participants may make salary deferral contributions to the plan in an amount not in excess of the maximum allowed by the Internal Revenue Code. The Organization contributes 5% of the participant's base compensation for employees having 1-17 years of service, 5.5% for 18-20 years of service, and 6% for 20 plus years of service. Profit sharing amounts may be contributed at the discretion of the Organization's board of directors. The Organization's contribution to the plan amounted to \$180,983 for the year ended September 30 2020.

NOTE 9. DONATED SERVICES AND FACILITIES

Contributions of non-cash goods, facilities, and service are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. The Organization receives free or reduced Rent In-kind. The donated value is based on a market rate appraisal multiplied by the donated square footage. The Organization operates six facilities in three counties. In addition, training and classroom materials are donated by parents, community partners, and local businesses.

In-kind contributions for the year ended September 30, 2020, consisted of the following:

Salaries and benefits	\$	98,615
Materials and transportation		35,556
Rent		968,559
Total	\$	<u>1,102,730</u>

NOTE 10. CONCENTRATION OF REVENUES

Approximately 78% of the Organization's revenue was derived from federal grant revenues passed through the Department of Human Services, North Carolina Division of Economic Opportunity, and other federal, and state governments for the year ended September 30, 2020. Any future losses of these revenues would have a significant impact on the Organization's ability to continue funding these programs.

NOTE 11. LIQUIDITY AND AVAILABILITY

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operation, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table reflects the Organization's financial assets as of September 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Cash and cash equivalents	\$ 816,594
Grant receivable	334,098
Other receivables	33,849
	1,184,541
Less those unavailable for general expenditures with one year due to:	
Deferred revenue	(214,666)
	\$ 969,875

NOTE 12. RESTATEMENT OF BEGINNING NET ASSET BALANCES

The Organization determined that a restatement to beginning net asset balances was needed to properly report the balances from prior periods. Previously, net assets without donor restrictions was overstated as an asset was recorded twice in a prior year.

As a result of the restatements described above, beginning net asset balances were restated as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Assets
Balances as previously reported	\$ 1,394,974	\$ 43,358	\$ 1,438,332
Prior period adjustment	(55,637)	-	(55,637)
Balances as restated	\$ 1,339,337	\$ 43,358	\$ 1,382,695

NOTE 13. SUBSEQUENT EVENTS

The Organization evaluated its September 30, 2020, financial statements for subsequent events through June 12, 2021, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could likely impact revenues and changes in net assets. Other financial impacts could occur though the extent of such impacts is unknown at this time.

SINGLE AUDIT SECTION



**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**

**To the Board of Directors
Union County Community Action, Inc.
Monroe, North Carolina**

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 **Union County Community Action, Inc.** (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization'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*.

Union County Community Action, Inc. Response to the Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Columbia, South Carolina
June 12, 2021



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
Union County Community Action, Inc.
Monroe, North Carolina

Report on Compliance for Each Major Federal Program

We have audited **Union County Community Action, Inc.'s** (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2020. The Organization'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 Organization'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* (CFR) 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 Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 September 30, 2020.

Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 Organization'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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
June 12, 2021

UNION COUNTY COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2020

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federa CFDA Number</u>	<u>Federal Expenditures</u>
<u>US Department of Health and Human Services</u>		
Direct Award:		
Head Start/Early Head Start	93.600	\$ 5,737,183 *
COVID 19 - Head Start/Early Head Start	93.600	78,652 *
		<u>5,815,835</u>
Passed Through North Carolina Department of Health and Human Resources:		
Office of Economic Opportunity		
Community Service Block Grant	93.569	253,179
COVID 19- Community Service Block Grant	93.569	59,152
		<u>312,331</u>
Total US Department of Health and Human Services		<u>6,128,166</u>
<u>US Department of Agriculture</u>		
Passed Through North Carolina Department of Health and Human Resources:		
Division of Public Health		
Child and Adult Care Food	10.558	<u>266,106</u>
Total Expenditures of Federal Awards		<u>\$ 6,394,272</u>

* Indicates Major Program

UNION COUNTY COMMUNITY ACTION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Union County Community Action, Inc. under programs of the federal government for the year ended September 30, 2020. The information in this 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). Because the schedule presents only a selected portion of the operations of Union County Community Action, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Union County Community Action, Inc..

NOTE 2. 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.

NOTE 3. INDIRECT COST RATE

Union County Community Action, Inc. has elected not to use the 10% de Minimis cost rate as allowed under the Uniform Guidance.

**UNION COUNTY COMMUNITY ACTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

II. FINANCIAL STATEMENT FINDINGS

2020-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that the financial statements properly present the financial position and results of operations of the Organization.

Condition: Internal controls were not sufficient to timely detect material misstatements in the Organization's financial statements for the fiscal year ended September 30, 2019.

Context/Cause: During our audit for the fiscal year ended September 30, 2020, a material misstatement was identified by management that caused the need to restate opening net position for the Organization's net asset without donor restrictions. In a previous years, the Organization recorded the purchase of an asset twice in their fixed asset schedule.

Effects: As a result of the issue discussed above, the total restatement to the beginning net position of the Organization's net assets without donor restriction was \$55,637.

Recommendation: We recommend the Organization carefully review the financial statement and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with the finding. We have implemented year-end close-out procedures to ensure these items are properly captured and reported in the future.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED.

**UNION COUNTY COMMUNITY ACTION, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL STATEMENT FINDINGS

NONE REPORTED.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED.

Union County Community Action, Inc.

704.283.7583 Phone • 704.283.1964 Fax • Post Office Box 1029 • Monroe, NC 28111

June 12, 2021

Management's Corrective Action Plan

Year Ended September 30, 2020

Corrective Action Plan 2019-2020:

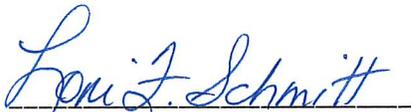
UCCA, Inc. will carefully review the asset software and financial statements to ensure entries are not duplicated.

Name of Contact Person Responsible for Corrective Acton Plan:

Lori Schmitt – Director of Finance

Anticipated completion date:

Currently in Place


Lori F. Schmitt – Director of Finance


Date