

**COMMUNITY ACTION SOUTHWEST
AND SUBSIDIARIES**

Consolidated Audited
Financial Statements and
Supplementary Information

For the Years Ended
June 30, 2016 and 2015

DHHR - Finance

APR 13 2017

Date Received

TABLE OF CONTENTS

PAGE NO.

	.....	Independent Auditors' Report.
1	.....	Consolidated Statements of Financial Position.
2-3	.....	Consolidated Statements of Activities for the years ended June 30, 2016 and 2015.
4	.....	Consolidated Statement of Functional Expenses - for the year ended June 30, 2016.
5	.....	Consolidated Statement of Functional Expenses - for the year ended June 30, 2015.
6-7	.....	Consolidated Statements of Cash Flows for the years ended June 30, 2016 and 2015.
8-29	.....	Notes to the Consolidated Financial Statements.
30	.....	Schedule I - Consolidating Schedule of Financial Position - June 30, 2016.
31-32	.....	Schedule II - Consolidating Schedule of Activities for the year ended June 30, 2016.
33	.....	Schedule III - Pennsylvania Headstart Program Schedule of Grant Expenditures.
34	.....	Schedule IV - Pre-K Counts Program Schedule of Grant Expenditures.
35	.....	Schedule V - Schedule of Revenues and Functional Expenses Pennsylvania Foster Care Program.
36	.....	Schedule VI - Schedule of Revenues and Functional Expenses West Virginia Foster Care Program.

TABLE OF CONTENTS (CONTINUED)

PAGE NO.

37-38	.....	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .
39-41	.....	Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance.
42-43	.....	Schedule of Findings and Questioned Costs.
44	.....	Summary Schedule of Prior Audit Findings.
45-48	Schedule of Expenditures of Federal Awards.
49	Notes to the Schedule of Expenditures of Federal Awards.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
COMMUNITY ACTION SOUTHWEST
Washington, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **COMMUNITY ACTION SOUTHWEST** (a nonprofit organization) **AND SUBSIDIARIES**, (**COMMUNITY ACTION SOUTHWEST**) which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the June 30, 2015 financial statements of **Try Again Homes, Inc.** of Pennsylvania and **Try Again Homes, Inc.** of West Virginia (collectively referred to as **Try Again Homes**), which were wholly-owned subsidiaries, whose statements reflect total assets of \$2,023,421 as of June 30, 2015, and total support and revenues of \$5,032,472 for the year ended June 30, 2015. Those statements were audited by other auditors, whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for **Try Again Homes**, for the year ended June 30, 2015 is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of

Auditors' Responsibility (Continued)

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES** as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II and the individual program information in Schedules III through VI are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations or programs, and they are not a required part of the consolidated 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* 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

Report on Supplementary Information (Continued)

records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 9, 2017, on our consideration of **COMMUNITY ACTION SOUTHWEST'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 **COMMUNITY ACTION SOUTHWEST's** internal control over financial reporting and compliance.

Guthrie, Belezzyk & Associates, P.C.

Eighty Four, Pennsylvania
January 9, 2017

DHHR - Finance

APR 13 2017

Date Received

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,350,101	\$ 2,220,676
Grants and fees receivable	1,665,746	2,167,902
Other receivables	23,739	46,657
Inventory	40,700	41,637
Prepaid expenses	184,596	204,723
Current portion of notes receivable	40,273	38,142
<u>Total Current Assets</u>	5,305,155	4,719,737
<u>PROPERTY AND EQUIPMENT</u> - net	2,600,632	2,642,212
<u>OTHER ASSETS</u>		
Notes receivable - net	290,352	330,625
Endowments	28,478	28,682
<u>Total Other Assets</u>	318,830	359,307
<u>TOTAL ASSETS</u>	\$ 8,224,617	\$ 7,721,256

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 741,676	\$ 452,196
Due to funding sources	0	46,480
Accrued and withheld expenses	637,290	671,575
Deferred revenue	397,443	411,917
<u>Total Current Liabilities</u>	1,776,409	1,582,168
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	6,419,730	6,091,443
Board designated	0	18,963
<u>Total Unrestricted</u>	6,419,730	6,110,406
Permanently restricted	28,478	28,682
<u>Total Net Assets</u>	6,448,208	6,139,088
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 8,224,617	\$ 7,721,256

See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statements of Activities

for the years ended
June 30, 2016 and 2015

	2016	2015
<u>UNRESTRICTED NET ASSETS</u>		
Support and revenues:		
Grants from governmental agencies	\$18,493,418	\$17,169,799
Program service fees	403,801	413,833
Inkind contributions	294,169	270,297
Contributions and private grants	132,260	171,233
Special events	99,394	76,108
Interest income	21,171	23,117
Other income	38,084	38,109
<u>Total Unrestricted Support and Revenues</u>		
<u>Before Release of Current Year</u>		
<u>Restrictions</u>	19,482,297	18,162,496
Net assets released from restriction	0	30,823
<u>Total Unrestricted Support and Revenues</u>	19,482,297	18,193,319
<u>EXPENSES</u>		
Program expenses:		
Education services	9,541,461	8,655,979
Senior services	663,464	631,426
Family economic success	1,426,358	1,534,799
Nutrition services	753,671	838,796
Try Again Homes	4,759,356	4,020,139
<u>Total Program Expenses</u>	17,144,310	15,681,139
Management and general	1,980,693	1,927,176
Fundraising	47,970	26,546
<u>Total Expenses</u>	19,172,973	17,634,861

See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statements of Activities (Continued)

for the years ended
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Increase (Decrease) in Unrestricted Net Assets</u>	309,324	558,458
 <u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Satisfaction of program restrictions	0	(30,823)
 <u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Contributions and earnings	956	1,112
Distributions and fees	<u>(1,160)</u>	<u>(621)</u>
 <u>Increase (Decrease) in Permanently Restricted Net Assets</u>	 <u>(204)</u>	 <u>491</u>
 <u>Increase in Net Assets</u>	 309,120	 528,126
Net assets beginning of year	<u>6,139,088</u>	<u>5,610,962</u>
 <u>NET ASSETS END OF YEAR</u>	 <u>\$ 6,448,208</u>	 <u>\$ 6,139,088</u>

See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

for the year ended June 30, 2016

	<u>EDUCATION SERVICES</u>	<u>SENIOR SERVICES</u>	<u>FAMILY ECONOMIC SUCCESS</u>	<u>NUTRITION SERVICES</u>	<u>TRY AGAIN HOMES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and wages	\$ 4,765,641	\$ 312,087	\$ 698,953	\$ 418,721	\$ 1,765,346	\$ 871,891	\$ 0	\$ 8,832,639
Payroll taxes and fringes	1,880,624	120,080	232,021	109,943	298,222	389,236	0	3,030,126
Transportation and travel	101,282	15,279	13,725	11,597	226,842	20,449	0	389,174
Rent and space costs	715,356	42,349	88,388	78,792	149,368	132,963	1,130	1,208,346
Contracted services	676,008	476	30,817	0	27,597	127,948	15,113	877,959
Inkind expense	168,926	106,450	18,793	0	0	0	0	294,169
Supplies	450,243	34,989	22,029	70,861	43,413	17,267	1,925	640,727
IT expense	62,505	43	13,340	0	11,655	24,334	0	111,877
Education and training	70,915	901	6,427	1,346	9,519	13,636	0	102,744
Food expense	331,468	102	4,263	0	4,051	15,853	826	356,563
Maintenance and repairs	7,561	2,692	1,232	0	459	2,859	0	14,803
Telephone and utilities	119,921	7,416	4,133	14,335	96,133	35,993	0	277,931
Program activities	49,913	3,730	130	22,380	1,877,311	7,751	23,391	1,984,606
Insurance	22,965	4,899	2,424	1,722	30,806	82,162	500	145,478
Client assistance	1,118	153	275,709	0	89,150	0	0	366,130
Office expense	65,143	5,193	11,569	10,201	36,129	32,477	4,534	165,246
Vehicle expense	22,105	3,012	2,211	2,600	29,130	5,653	0	64,711
Equipment	21,221	3,087	0	6,481	41,183	10,918	0	82,890
Depreciation	0	0	0	0	0	161,786	0	161,786
Tax expense	0	0	0	0	8,350	4,483	0	12,833
Miscellaneous expense	8,546	526	194	4,692	14,692	23,034	551	52,235
<u>TOTAL EXPENSES</u>	<u>\$ 9,541,461</u>	<u>\$ 663,464</u>	<u>\$ 1,426,358</u>	<u>\$ 753,671</u>	<u>\$ 4,759,356</u>	<u>\$ 1,980,693</u>	<u>\$ 47,970</u>	<u>\$19,172,973</u>

See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

for the year ended June 30, 2015

	EDUCATION SERVICES	SENIOR SERVICES	FAMILY ECONOMIC SUCCESS	NUTRITION SERVICES	TRY AGAIN HOMES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and wages	\$ 4,374,079	\$ 321,978	\$ 748,179	\$ 458,013	\$ 1,474,484	\$ 827,557	\$ 0	\$ 8,204,290
Payroll taxes and fringes	1,657,635	118,190	248,250	127,435	355,386	485,052	0	2,991,948
Transportation and travel	103,968	16,890	16,880	11,470	132,605	14,944	0	296,757
Rent and space costs	583,767	41,098	88,774	80,261	74,329	136,347	0	1,004,576
Contracted services	460,446	561	39,769	0	124,483	43,961	5,600	674,820
Inkind expense	163,065	58,335	48,897	0	0	0	0	270,297
Supplies	84,265	34,237	10,550	55,450	30,274	9,363	135	224,274
IT expense	40,027	1,322	12,958	0	0	12,280	0	66,587
Education and training	90,865	1,014	16,582	8,569	109,527	5,929	0	232,486
Food expense	316,147	91	2,522	0	6,008	5,396	295	330,459
Maintenance and repairs	65,872	5,630	1,580	0	31,615	7,790	711	113,198
Telephone and utilities	117,760	10,703	5,219	14,702	92,529	42,977	0	283,890
Program activities	52,941	2,201	555	41,732	1,398,298	12,699	15,445	1,523,871
Insurance	19,019	5,488	1,938	2,124	48,030	71,908	0	148,507
Client assistance	3,344	314	223,286	0	48,096	2,373	0	277,413
Office expense	475,620	8,064	51,123	21,233	14,764	48,683	4,360	623,847
Vehicle expense	20,512	4,174	1,304	2,354	12,344	3,258	0	43,946
Equipment	11,721	0	11,372	3,186	999	0	0	27,278
Depreciation	0	0	0	0	45,575	171,012	0	216,587
Tax expense	0	0	0	0	0	12,987	0	12,987
Miscellaneous expense	14,926	1,136	5,061	12,267	20,793	12,660	0	66,843
<u>TOTAL EXPENSES</u>	<u>\$ 8,655,979</u>	<u>\$ 631,426</u>	<u>\$ 1,534,799</u>	<u>\$ 838,796</u>	<u>\$ 4,020,139</u>	<u>\$ 1,927,176</u>	<u>\$ 26,546</u>	<u>\$17,634,861</u>

See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statements of Cash Flows

for the years ended
June 30, 2016 and 2015

Increase (Decrease) in Cash

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 309,120	\$ 528,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	161,786	216,587
(Increase) Decrease in endowments	204	(491)
Forgiveness of debt as contribution revenue	0	(13,373)
(Increase) Decrease in:		
Grants and fees receivable	502,156	(579,251)
Other receivables	22,918	65,157
Inventory	937	(7,076)
Prepaid expenses	20,127	3,514
Increase (Decrease) in:		
Accounts payable	289,480	65,174
Due to funding sources	(46,480)	46,480
Accrued and withheld expenses	(34,285)	126,705
Deferred revenue	(14,474)	(102,557)
 <u>Cash Flows Provided by (Used in)</u>		
<u>Operating Activities</u>	1,211,489	348,995
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(120,206)	(195,163)
Decrease in restricted cash	0	30,823
Repayment of notes receivable	38,142	36,128
 <u>Cash Flows Provided by (Used in)</u>		
<u>Investing Activities</u>	(82,064)	(128,212)

" See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

for the years ended
June 30, 2016 and 2015

Increase (Decrease) in Cash

	<u>2016</u>	<u>2015</u>
<u>Net Increase in Cash and Cash Equivalents</u>	1,129,425	220,783
Cash and cash equivalents - beginning of year	<u>2,220,676</u>	<u>1,999,893</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 3,350,101</u>	<u>\$ 2,220,676</u>

	<u>2016</u>	<u>2015</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash paid during the year for:

Income taxes	<u>\$ 0</u>	<u>\$ 12,987</u>
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See the accompanying notes to the consolidated financial statements.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 1 - NATURE OF OPERATIONS

COMMUNITY ACTION SOUTHWEST is a nonprofit corporation organized in 1965 to help families and individuals in Washington and Greene counties achieve self-sufficiency. The Organization manages over 50 programs combined under the following service categories: Education, Senior Services, Family Economic Success, Nutrition and Try Again Homes.

During 2007, the Board of Directors (Board) of the Organization formed **DocSolutions, LLC** (the Company) a wholly-owned for-profit entity, to establish an electronic archiving and shredding business and to provide jobs and training for low-income individuals. During the fiscal year ended June 30, 2014, **Doc Solutions, LLC** sold its equipment and ceased operations. The Company continues to lease a portion of its building to a small business and is pursuing additional tenants and other activities.

On February 1, 2014, **COMMUNITY ACTION SOUTHWEST** and **Try Again Homes, Inc.** of Pennsylvania and **Try Again Homes, Inc.** of West Virginia (collectively referred to as **Try Again Homes**) agreed to consolidate their operations in order to achieve economies of scale through administrative efficiencies. **Try Again Homes** develops and implements foster care and counseling programs in Pennsylvania and West Virginia for the benefit of deprived and abused children, receiving support from state and county government agencies, as well as from public and private contributions.

Effective July 1, 2015 an articles of merger was executed among **Try Again Homes, Inc.** of Pennsylvania and West Virginia (Merged Corporations) and **COMMUNITY ACTION SOUTHWEST** (Surviving Corporation). (See Note 17).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of **COMMUNITY ACTION SOUTHWEST** and its wholly-owned subsidiary, **DocSolutions, LLC** (collectively referred to as the "Organization".) All significant intra-entity transactions and balances have been eliminated in consolidation.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets

Net assets subject to donor-imposed or other legal restrictions that the principal be maintained permanently by the Organization.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Organization occasionally maintains cash balances in banks that may exceed federally insured limits. The solvency of the financial institutions is not a concern of management at this time. The Organization has not experienced any losses in such accounts.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization applies the provisions of Accounting Standards Codification (ASC) 820-10 for fair value measurements of financial assets that are recognized or disclosed at fair value in the consolidated financial statements. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Public Support and Revenue

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give (pledges), if any, are recorded as they are made.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Receivables

Grants and fees receivable consist principally of grants and contracts receivable from governmental and private agencies who are deemed to be credit worthy. The Organization also receives revenue in advance for grant program operations that are considered to be exchange transactions. Such amounts are recorded as deferred revenues and are recognized in the ensuing year when earned.

Other receivables include advances to other entities, management fees and interest receivable.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

There are no past due loans or accounts receivable. All receivables are deemed by management to be fully collectible. Any bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the consolidated financial statements.

Accounting Estimates

The preparation of consolidated 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 of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs consisting primarily of employment recruitment and bid announcements are expensed as incurred. These costs amounted to \$23,233 and \$40,155 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes

COMMUNITY ACTION SOUTHWEST qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made. Federal taxes on unrelated business income, if applicable, are provided at statutory rates. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in the code.

DocSolutions, LLC is considered a disregarded entity for Federal Income Tax purposes, and its income, gains, deductions, credits, losses, and other tax items are treated as those of the Organization. Unrelated business income tax paid for DocSolutions amounted to \$0 and \$12,987 during the years ended June 30, 2016 and 2015, respectively. DocSolutions is subject to taxation under the laws of the State of Pennsylvania as a sole proprietorship.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization has reviewed the impact of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10 *Accounting for Uncertainty in Income Taxes* which clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Management has determined that there are no material uncertain tax positions or unrecognized tax benefits and there is no material impact on the consolidated financial statements. In addition, there were no penalties or interest recognized on the consolidated statements of activities.

The Organization's ASC 740-10 evaluation was performed for the fiscal years June 30, 2013 through 2016, which are the years that remain subject to examination by the Internal Revenue Service and various state agencies as of June 30, 2016.

Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at the date of the gift, if donated. Repairs and maintenance expenses which do not increase the useful lives of the assets are charged to operations as incurred. Depreciation is computed on a straight line basis over the following estimated useful lives:

Equipment	5-10 years
Buildings	28-40 years
Leasehold improvements	10 to 20 years, depending on the term of the lease

Land is not depreciated.

Depreciation expense for the years ended June 30, 2016 and 2015, amounted to \$161,786 and \$216,587, respectively.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Acquisitions of property and equipment in excess of \$5,000 are capitalized whether purchased with grant funds or discretionary monies. However, some grantors may maintain an equitable interest in any property purchased with grant funds as well as the right to determine the use of proceeds from the sale of those assets.

Administrative Cost Allocation

Expenses are charged to each program based on direct expenditures incurred. For grant reporting purposes, indirect costs are allocated to the various programs based on total allowable base costs. Indirect costs in excess of those allowed by individual grant awards are the responsibility of the Organization. Certain grants, such as the Community Services Block Grant, may be utilized to help defray indirect costs not permitted or limited by certain grantors. For financial statement purposes, indirect costs are included in Management and General in the accompanying Consolidated Statements of Functional Expenses.

Self-Insured Employee Health Plan

Effective July 1, 2013, **COMMUNITY ACTION SOUTHWEST** implemented a new health insurance plan whereby the Organization is self-insured for employee health benefits based on claims paid, up to \$70,000 per insured per year and a maximum of approximately \$1.9 million aggregate limit. After these limits are reached a stop-gap insurance policy goes into effect. Monthly health insurance expense is recorded based on actuarially calculated amounts. The Organization has accrued for claims through June 30, 2016.

For the year ended June 30, 2015, **Try Again Homes** maintained health insurance for its employees through a third party insurance contract.

Concentrations of Risk

A majority of all revenues is derived from governmental grants and contracts. These governmental agreements are entered into annually and could be significantly changed based upon government spending patterns.

In addition, substantially all grants and fees receivable are from these same governmental grants and contracts.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk (Continued)

Service recipients of the Organization are primarily from Washington and Greene counties in Southwestern Pennsylvania, and West Virginia.

As of June 30, 2016, approximately 47% of **COMMUNITY ACTION SOUTHWEST's** employees were members of a collective bargaining unit. The union contract was subject to renegotiation during the fiscal years ended June 30, 2016 and 2015. An agreement was reached in July 2015 which runs through June 30, 2017.

Compensated Absences

COMMUNITY ACTION SOUTHWEST does not permit vacation time to be carried forward to the subsequent fiscal year. As a result there is no accrued liability for these entities at June 30, 2016.

At June 30, 2015, **Try Again Homes** had accrued vacation and personal days earned by its employees in the amount of \$33,567.

Reclassifications

Certain amounts in the prior year consolidated financial statements may have been reclassified to conform with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through January 9, 2017, the date the consolidated financial statements were available to be issued.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Standards Codification (ASC) 820-10, establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial statements.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The tables below present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015:

June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund				
Investments	\$ 0	\$ 28,478	\$ 0	\$ 28,478

June 30, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund				
Investments	\$ 0	\$ 28,682	\$ 0	\$ 28,682

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The endowment fund investments have been valued utilizing a market approach using quoted market prices for the pooled funds held at the Community Foundations.

The carrying values of grants and other receivables, prepaid expenses, accounts payable, accrued expenses and deferred revenue are deemed to be reasonable estimates of fair value due to the short-term nature of these financial instruments.

The carrying values of the notes receivable are deemed to be fair value as the interest rates approximate current market rates.

NOTE 4 - INVENTORY

Inventory is stated at cost and consists of the following at June 30:

	2016	2015
Supplies to be used in the Try Again Homes Independent Living Program	\$ 40,700	\$ 41,637

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2016	2015
Land and buildings	\$ 1,821,896	\$ 1,821,896
Furniture and equipment	682,877	883,972
Vehicles	355,178	305,502
Leasehold improvements	1,138,841	1,081,612
	3,998,792	4,092,982
Less accumulated depreciation	1,398,160	1,450,770
<u>Property and Equipment</u> - net	\$ 2,600,632	\$ 2,642,212

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

Certain government grants have been utilized for capital expenditures. These capital expenditures amounted to \$51,167 and \$175,955 for the years ended June 30, 2016 and 2015, respectively. In accordance with accounting principles generally accepted in the United States of America, these expenditures have been capitalized and are included as equipment and leasehold improvements on the consolidated statements of financial position. These assets are being depreciated over their estimated useful lives and, as such, will be reflected as decreases in net assets ratably over five to twenty years.

NOTE 6 - NOTES RECEIVABLE

At June 30, 2016 and 2015, **COMMUNITY ACTION SOUTHWEST** had the following loan agreements with Action Resources, Inc. (ARI), a related party (See Note 16):

	<u>2016</u>	<u>2015</u>
Note receivable, dated February 1, 2002, in the original amount of \$300,695, for the purchase of land and a building located at 150 West Beau Street, Washington, Pennsylvania. This note was interest free until February 1, 2003, at which time the first payment was due. The loan requires annual payments of \$25,770 including interest at 5.25%, through January 2021. COMMUNITY ACTION SOUTHWEST retains a security interest in the property.	\$ 139,462	\$ 156,990

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 6 - NOTES RECEIVABLE (CONTINUED)

	2016	2015
<p>Note receivable dated May 1, 2002, in the original amount of \$276,111, for the purchase of land and a building located at 1505 Morris Street, Waynesburg, Pennsylvania. This note was interest free until May 1, 2003. The loan requires monthly payments of \$1,939 including interest at 5.75% per annum through April 2023. COMMUNITY ACTION SOUTHWEST retains a security interest in the property.</p>	137,649	152,529
<p>Note receivable dated August 1, 2002, in the original amount of \$75,713, for the purchase of land and a building located at 58 East Greene Street, Waynesburg, Pennsylvania. This note was interest free until August 1, 2003. The loan requires monthly payments of \$532 including interest at 5.75%, through July 2023. COMMUNITY ACTION SOUTHWEST retains a security interest in the property.</p>	37,041	41,160

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 6 - NOTES RECEIVABLE (CONTINUED)

	2016	2015
Note receivable dated July 1, 2004, in the original amount of \$31,240, for the purchase of land and a building located at 1505 Morris Street, Waynesburg, Pennsylvania. The loan requires monthly payments of \$210 including interest at 5.25% per annum through June 2024. COMMUNITY ACTION SOUTHWEST retains a security interest in the property.	16,473	18,088
<u>Total Notes Receivable</u>	330,625	368,767
Less: current maturities included in current assets	40,273	38,142
<u>Notes Receivable, net</u>	\$ 290,352	\$ 330,625

Scheduled maturities of the notes receivable are as follows:

<u>For the Year</u>	
<u>Ending June 30,</u>	
2017	\$ 40,273
2018	42,519
2019	44,894
2020	47,400
2021	50,048
2022 and beyond	105,491
	\$ 330,625

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 7 - ENDOWMENT FUNDS

COMMUNITY ACTION SOUTHWEST received donations from various individuals to establish permanent endowments at the Washington and Greene County Community Foundations. These donations are invested in pooled funds in accordance with the investment policies of the individual Community Foundations. Distributions from the funds are available to help support the program activities of the Organization. Additional contributions and earnings on the endowment funds amounted to \$956 and \$1,112 for the fiscal years ended June 30, 2016 and 2015, respectively. Distributions and fees amounted to \$1,160 and \$621 during the fiscal years ended June 30, 2016 and 2015, respectively. These donor designated endowment funds are reported as permanently restricted net assets on the accompanying consolidated statements of financial position.

NOTE 8 - LINE OF CREDIT

During the fiscal years ended June 30, 2016 and 2015, **COMMUNITY ACTION SOUTHWEST** maintained an unsecured line of credit with a bank in the amount of \$500,000. For the years ended June 30, 2016 and 2015, no funds were drawn or paid on the line of credit. Subsequent to June 30, 2015, **COMMUNITY ACTION SOUTHWEST** was approved for a temporary increase in the line for an additional \$500,000, expiring in February 2016.

For the year ended June 30, 2015, **Try Again Homes** maintained two lines of credit with a local bank each with a limit of \$150,000. Interest payments were due monthly on the outstanding balance at the rate of the Prime Lending Rate as listed in the Wall Street Journal plus one (1.00) percentage point. One line of credit was secured by a second lien mortgage on the Washington building and **Try Again Homes'** receivables. The other line of credit was secured by a first mortgage on the Fairmont building. Both lines were renewable annually. The combined outstanding balance of these lines of credit at June 30, 2015, was \$0.

Subsequent to June 30, 2015, and the merger with **COMMUNITY ACTION SOUTHWEST** both **Try Again Homes** credit lines were closed effective August 3, 2015.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 9 - DUE TO FUNDING SOURCES

In October 2014, **Try Again Homes** received a \$50,000 award from a local foundation to support its Can Do Program, a housing program for homeless men and women who have both mental health and drug and alcohol diagnoses. In June 2015 the **Try Again Homes** Board of Directors decided to close the program to avoid additional loss of revenues. At June 30, 2016 and 2015, the unspent portion of the Can Do foundation grant was \$0 and \$46,480, respectively.

NOTE 10 - DEFERRED REVENUE

Deferred Revenue consists of funding received in advance for exchange transactions in certain programs that must be used for eligible expenses of the applicable program.

NOTE 11 - RESTRICTIONS ON NET ASSETS

Board Designated

The board of directors of **Try Again Homes** designated for special purposes the unrestricted contributions received from an anonymous donor. These funds were utilized during the fiscal year ended June 30, 2016. At June 30, 2016 and 2015, the amount of the Board designated net assets was \$0 and \$18,963, respectively.

NOTE 12 - DONATED USE OF SPACE AND SERVICES

The Organization receives free, or at a reduced cost, the use of certain facilities. These contributed facilities are included in the consolidated financial statements in the amounts of \$216,213 and \$217,553 for the years ended June 30, 2016 and 2015, respectively, based on real estate appraisal letters and actual costs incurred.

During the years ended June 30, 2016 and 2015, the Organization recorded additional inkind revenues and related expenses amounting to \$77,956 and \$52,744, respectively. These amounts include inkind communication, supplies and other expenses, mainly in the education and senior services programs.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 12 - DONATED USE OF SPACE AND SERVICES (CONTINUED)

In addition, a number of volunteers have donated significant amounts of time to the Organization and its programs. These donated services are not reflected in the accompanying consolidated financial statements since the activities do not meet the criteria for recognition of contributed services. However, for purposes of reporting match requirements of primarily the Headstart and Senior Services programs, the Organization applies a formula to value volunteer services based on the lowest wage paid to employees of the Organization. This amount includes an estimate for wages as well as payroll taxes and benefits. Applying this multiplier to the volunteer services hours tracked and documented by the various programs results in a total value of approximately \$944,639 and \$988,930 for the years ended June 30, 2016 and 2015, respectively.

NOTE 13 - PENSION PLANS

Substantially all full time employees of **COMMUNITY ACTION SOUTHWEST** are covered under two (2) tax deferred annuity arrangements (The Plans). The defined contribution plan requires an annual employer contribution based on a percentage of employee base wages. The contribution rate is 4% for management and 2% for eligible non-management personnel. Retirement expense related to this plan for **COMMUNITY ACTION SOUTHWEST** amounted to \$200,251 and \$163,831 for the years ended June 30, 2016 and 2015, respectively. This plan also permits employee contributions subject to applicable federal regulations. In addition, employees may contribute to a separate tax deferred annuity plan, within applicable federal limits. This plan does not permit employer contributions.

Prior to July 1, 2015, substantially all full time employees of **Try Again Homes** were permitted to participate in a tax deferred annuity retirement plan. The plan permitted employee contributions subject to applicable federal regulations. **Try Again Homes** contributed 1% of each employee's gross payroll to the plan. The plan also permitted an additional employer match of up to 100% of each employee's contributions capped at an amount determined annually by the Board. For the year ended June 30, 2015, the Board elected not to make an additional employer match. Total contributions made by **Try Again Homes** for the year ended June 30, 2015, amounted to \$13,344. This plan was frozen effective July 1, 2015 and all employees became participants in the **COMMUNITY ACTION SOUTHWEST** plan.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 14 - LEASE OBLIGATIONS

On January 8, 2002, **COMMUNITY ACTION SOUTHWEST** entered into a 10-year lease agreement with Plaza Building Associates, LLC, (see Note 16) for approximately 16,000 square feet of office space, on Beau Street in Washington, Pennsylvania. The lease provided an option to renew for an additional ten years at a rate to be negotiated and a first option on all vacant space in the building. The amount of square footage has increased and decreased several times since the inception of the lease. The first option to renew was exercised effective April 1, 2012. This option expires in March 2022. As of June 30, 2016, **COMMUNITY ACTION SOUTHWEST** was under lease for approximately 18,600 square feet at a monthly rental of \$20,667.

In August 2002, **COMMUNITY ACTION SOUTHWEST** entered into a 5-year lease agreement with Action Resources, Inc. (see Note 16) for approximately 9,000 square feet of office space, along with parking facilities, on Greene Street in Waynesburg, Pennsylvania. The lease called for payments of approximately \$5,400 per month with an option to renew for an additional five years. Effective August 2007, the Organization exercised its option to renew through August 2012 at the original payment terms and square footage of the lease. This lease was subsequently extended for an additional five-year term expiring August 2017 at \$5,634 per month.

On June 15, 2003, **COMMUNITY ACTION SOUTHWEST** entered into a 5-year lease agreement with Action Resources, Inc. for approximately 10,000 square feet of office and program space, along with parking facilities, on Morris Street in Waynesburg, Pennsylvania. The lease called for payments of \$6,500 per month with an option to renew for an additional five years. Effective June 15, 2008, the Organization exercised its option to renew at the original payment terms and square footage of the lease through June 14, 2013. This lease was extended for an additional 5-year term expiring June 14, 2018 at \$6,695 per month.

In April 2014, **COMMUNITY ACTION SOUTHWEST** entered into a 3-year lease agreement with Action Resources, Inc. for approximately 800 square feet of storage space, on Greene Street in Waynesburg, Pennsylvania. The lease calls for payments of \$400 per month through March 2017 with an option to renew for an additional three years.

On July 1, 2004, **COMMUNITY ACTION SOUTHWEST** entered into a 10-year lease with Plaza Building Associates for approximately 2,530 square feet of program space on the first floor of the Beau Street building in Washington, Pennsylvania. The lease called for 2 payments of \$25,000 each to be used for build-out purposes and subsequent monthly

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 14 - LEASE OBLIGATIONS (CONTINUED)

payments of \$2,530 from September 1, 2004 through June 30, 2007, and \$2,740 from July 1, 2007 through the expiration of the original lease term. In addition, the lease provided an option to renew for an additional five years at a cost to be negotiated. Effective July 1, 2014, this lease was extended for an additional 5-year term expiring June 2019 at \$2,850 per month.

On April 1, 2011, **COMMUNITY ACTION SOUTHWEST** entered into a 5-year lease with Plaza Building Associates for approximately 2,130 square feet of office space on the third floor of the Beau Street building in Washington, Pennsylvania. The original lease called for monthly payments of \$2,441 from June 1, 2011 through May 30, 2016. The lease was extended through May 31, 2021 under the same terms with an option to renew for an additional five years at a cost to be negotiated.

All of the above leases include escalation clauses for a proportionate share of increases in real estate taxes and operating expenses over the applicable defined base year. Action Resources, Inc. is a related party as described in Note 16.

During the years ended June 30, 2016 and 2015, the Organization leased other office and program space and equipment under numerous short term operating agreements.

Total expense for the rental space and equipment for the years ended June 30, 2016 and 2015, was \$758,156 and \$826,872, respectively. The approximate minimum future annual rental commitments for all operating leases in excess of one year are as follows:

<u>For the Year</u> <u>Ending June 30,</u>	
2017	\$ 433,748
2018	373,808
2019	282,200
2020	248,000
2021	248,000
2022 and beyond	<u>186,000</u>
<u>Total</u>	<u>\$ 1,771,756</u>

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 15 - CONTINGENCIES

Grants and Contracts

The Organization receives a substantial amount of revenues in the form of federal, state and local grants and contracts. These grants and contracts require the fulfillment of certain conditions as set forth in the grant and contract awards. Failure to fulfill these conditions could result in the return of funds to the grantor. Although this possibility exists, management deems the likelihood remote, since by accepting the grants and contracts and their terms, the Organization has accommodated the objectives of the various programs in relation to the provisions of the grants and contracts.

Workers' Compensation Claim

During the fiscal year ended June 30, 2013, **COMMUNITY ACTION SOUTHWEST** was named in a workers' compensation claim by an employee. **COMMUNITY ACTION SOUTHWEST** is disputing the allegation. The potential outcome cannot be determined at this time. Insurance coverage is in place to defray any potential award.

Mortgage Note

In August 2004 **Try Again Homes** entered into a loan agreement with the Redevelopment Authority of Washington County in the amount of \$113,500 at 0% interest for a term of 120 months to be used for roof repairs, HVAC replacement, carpeting and parking lot reconstruction for its Washington office. If, after the 120 month period of the agreement, **Try Again Homes** had complied with the provisions of providing services as described in the agreement, the remainder of the loan would be forgiven.

The Redevelopment Authority of Washington County provided oversight and paid invoices directly to the contractors for the project which was completed in 2004.

During the fiscal year ended June 30, 2015, the remainder of the loan was forgiven by the Redevelopment Authority and full loan satisfaction was received.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 16 - RELATED PARTY TRANSACTIONS

The Organization was involved in transactions with various related entities during the years ended June 30, 2016 and 2015. Following is a summary of that activity:

Southwestern Pennsylvania Community Development Corporation

Southwestern Pennsylvania Community Development Corporation (CDC) (a nonprofit corporation) is a joint venture between **COMMUNITY ACTION SOUTHWEST** and the Fayette County Community Action Agency. The Board of Directors of CDC consists of nine members, including one managerial employee of **COMMUNITY ACTION SOUTHWEST**.

During the year ended June 30, 2014, **COMMUNITY ACTION SOUTHWEST** advanced monies to or paid expenses on behalf of CDC. The balance owed to **COMMUNITY ACTION SOUTHWEST** amounted to \$6,700 at June 30, 2016 and 2015. This balance is included in other receivables on the accompanying consolidated statements of financial position.

Tri-County Loan Fund

During fiscal year 2004 **COMMUNITY ACTION SOUTHWEST** received a one-time grant of \$250,000 which was passed through to Threshold Housing Development Corporation (a non-profit corporation in which the Organization has a voting right of one out of a total one hundred). This grant was set up as a revolving loan fund which was administered and repaid to the Tri-County Loan Fund (a nonprofit organization in which the Organization appoints four of the eight member Board). There have been no transactions between the Organization and Threshold Housing or the Tri-County Loan Fund relating to this program since fiscal year 2014.

Threshold Housing Development Corporation

Threshold Housing Development Corporation (Threshold), a non-profit corporation, is a joint venture between **COMMUNITY ACTION SOUTHWEST** and the Fayette County Community Action Agency (FCCAA). Threshold was formed to purchase, develop, and sell non-luxury homes to low-income individuals. FCCAA performs accounting services for Threshold. The Board of Directors of Threshold consists of eight members, including two managerial employees as well as two members appointed by **COMMUNITY ACTION SOUTHWEST**. **COMMUNITY ACTION SOUTHWEST** receives a portion of the profit from Threshold when a house is sold. During 2016 and 2015, the Organization received \$0 and \$13,008, respectively, from Threshold.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTINUED)

Keystone Hope Development, LLC

Keystone Hope Development, LLC. (Keystone Hope), a non-profit corporation, was formed as a partnership of **COMMUNITY ACTION SOUTHWEST**, Fayette County Community Action and Westmoreland Community Action agencies to share expertise and experience throughout Pennsylvania, Ohio, West Virginia and Maryland. Keystone Hope is a developer of affordable housing and assists other agencies plan, fund and construct housing that helps create economic development in their regions.

The board of directors of Keystone Hope consists of the executive directors of the three member community action agencies and a six-member advisory board which includes two managerial employees from each agency. **COMMUNITY ACTION SOUTHWEST** received development fees in the amount of \$6,000 from Keystone Hope during the fiscal year ended June 30, 2016. There were no transactions between **COMMUNITY ACTION SOUTHWEST** and Keystone Hope in fiscal 2015.

Financial information (unaudited) for CDC, Tri-County Loan Fund and Threshold at June 30, 2016 and 2015, as provided by these entities, is as follows:

	<u>June 30, 2016</u>			
	<u>CDC</u>	<u>TRI-COUNTY LOAN FUND</u>	<u>THRESHOLD</u>	<u>KEYSTONE HOPE</u>
Assets	\$ 0	\$ 262,301	\$ 811,753	\$ 0
Liabilities	\$ 6,700	\$ 0	\$ 424,865	\$ 2,820
Net assets (deficit)	\$(6,700)	\$ 262,301	\$ 386,888	\$(2,820)
Revenues	\$ 0	\$ 8,920	\$1,135,723	\$ 75,858
Expenses	\$ 0	\$ 0	\$1,094,010	\$ 78,678

	<u>June 30, 2015</u>			
	<u>CDC</u>	<u>TRI-COUNTY LOAN FUND</u>	<u>THRESHOLD</u>	<u>KEYSTONE HOPE</u>
Assets	\$ 0	\$ 253,381	\$ 939,546	\$ 9,141
Liabilities	\$ 6,700	\$ 0	\$ 542,725	\$ 9,141
Net assets (deficit)	\$(6,700)	\$ 253,381	\$ 396,821	\$ 0
Revenues	\$ 0	\$ 6,396	\$1,234,227	\$ 58,742
Expenses	\$ 0	\$ 50	\$1,225,473	\$ 58,742

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTINUED)

Action Resources, Inc.

Action Resources, Inc. (ARI) (a nonprofit organization) was formed during the fiscal year ended June 30, 2002, to acquire, hold and manage real estate for **COMMUNITY ACTION SOUTHWEST** and similar nonprofit human service organizations. The Organization holds no Board seats at ARI, however certain managerial employees of **COMMUNITY ACTION SOUTHWEST** perform management services for ARI.

COMMUNITY ACTION SOUTHWEST has four separate loan agreements with ARI. (See Note 6.) In addition, at June 30, 2016 and 2015, there were advances and other receivables from ARI amounting to \$16,300 and \$39,256, respectively. The above loans are included in notes receivable and the advances are included in other receivables on the accompanying consolidated statements of financial position.

COMMUNITY ACTION SOUTHWEST leases administrative and program space from Action Resources, Inc. (See Note 14.) Total rent, including escalations, amounted to approximately \$160,000 and \$150,000 for the years ended June 30, 2016 and 2015, respectively.

Action Resources, Inc. paid management fees to **COMMUNITY ACTION SOUTHWEST** to administer its various rental projects. These fees totaled approximately \$31,000 for each of the years ended June 30, 2016 and 2015.

Action Resources, Inc. owns a 67.55% Limited Liability Company membership interest in Plaza Building Associates, LLC (PBA). **COMMUNITY ACTION SOUTHWEST** has no direct ownership or control of PBA. PBA is the owner of the real estate utilized by **COMMUNITY ACTION SOUTHWEST** in Washington, Pennsylvania. During the years ended June 30, 2016 and 2015, **COMMUNITY ACTION SOUTHWEST** leased office space from Plaza Building Associates, LLC. (See Note 14.) Total rent, including escalations, amounted to approximately \$314,000 and \$309,000 for the years ended June 30, 2016 and 2015, respectively. In addition, at June 30, 2016 and 2015, **COMMUNITY ACTION SOUTHWEST** had a receivable from Plaza Building Associates in the amounts of \$739 and \$100, respectively.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2016 and 2015

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTINUED)

Try Again Homes, Inc. (Continued)

For the fiscal year ended June 30, 2015, **COMMUNITY ACTION SOUTHWEST** provided management services to **Try Again Homes** under an agreement which required **Try Again Homes** to pay **COMMUNITY ACTION SOUTHWEST** \$20,835 per month. The services provided included financial, human resources, information technology, administrative and planning. These amounts were eliminated through consolidation in the prior year statement of activities. Upon the final merger of **Try Again Homes** into **COMMUNITY ACTION SOUTHWEST** on July 1, 2015, the management fees were discontinued.

NOTE 17 - TRY AGAIN HOMES MERGER

Effective July 1, 2015, as described in Note 1, an articles of merger was executed between **Try Again Homes** (Merged Corporation) and **COMMUNITY ACTION SOUTHWEST** (Surviving Corporation). Operating licenses were transferred to **COMMUNITY ACTION SOUTHWEST** and contracts for each of **Try Again Homes's** programs were transferred to **COMMUNITY ACTION SOUTHWEST** for the fiscal year ending June 30, 2016. Each **Try Again Homes** employee became an employee of **COMMUNITY ACTION SOUTHWEST** effective July 1, 2015.

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule I - Consolidating Schedule of Financial Position

June 30, 2016

	<u>COMMUNITY ACTION SOUTHWEST</u>	<u>DOCSOLUTIONS</u>	<u>COMBINED BALANCES</u>	<u>ELIMINATING ENTRIES</u>	<u>CONSOLIDATED BALANCES</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,290,248	\$ 59,853	\$ 3,350,101	\$ 0	\$ 3,350,101
Grants and fees receivable	1,665,746	0	1,665,746	0	1,665,746
Other receivables	24,803	0	24,803	(1,064)	23,739
Inventory	40,700	0	40,700	0	40,700
Prepaid expenses	174,924	9,672	184,596	0	184,596
Current portion of notes receivable	40,273	0	40,273	0	40,273
Total Current Assets	5,236,694	69,525	5,306,219	(1,064)	5,305,155
PROPERTY AND EQUIPMENT - net	2,571,185	29,447	2,600,632	0	2,600,632
OTHER ASSETS					
Notes receivable - net	290,352	0	290,352	0	290,352
Endowments	28,478	0	28,478	0	28,478
Total Other Assets	318,830	0	318,830	0	318,830
TOTAL ASSETS	\$ 8,126,709	\$ 98,972	\$ 8,225,681	\$ (1,064)	\$ 8,224,617
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 741,452	\$ 1,288	\$ 742,740	\$ (1,064)	\$ 741,676
Due to funding sources	0	0	0	0	0
Accrued and withheld expenses	637,290	0	637,290	0	637,290
Deferred revenue	396,693	750	397,443	0	397,443
Total Current Liabilities	1,775,435	2,038	1,777,473	(1,064)	1,776,409
NET ASSETS					
Unrestricted:					
Undesignated	6,322,796	96,934	6,419,730	0	6,419,730
Permanently restricted	28,478	0	28,478	0	28,478
Total Net Assets	6,351,274	96,934	6,448,208	0	6,448,208
TOTAL LIABILITIES AND NET ASSETS	\$ 8,126,709	\$ 98,972	\$ 8,225,681	\$ (1,064)	\$ 8,224,617

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule II - Consolidating Schedule of Activities

for the year ended June 30, 2016

	COMMUNITY ACTION SOUTHWEST	DOCSOLUTIONS	COMBINED BALANCES	ELIMINATING ENTRIES	CONSOLIDATED BALANCES
UNRESTRICTED NET ASSETS					
Support and revenues:					
Grants from governmental agencies	\$18,493,418	\$ 0	\$18,493,418	\$ 0	\$18,493,418
Program service fees	403,801	0	403,801	0	403,801
Inkind contributions	294,169	0	294,169	0	294,169
Contributions and private grants	132,260	0	132,260	0	132,260
Special events	99,394	0	99,394	0	99,394
Interest income	21,171	0	21,171	0	21,171
Other income	21,084	17,000	38,084	0	38,084
Total Unrestricted Support and Revenues Before Release of Current Year Restrictions	19,465,297	17,000	19,482,297	0	19,482,297
Net assets released from restrictions	0	0	0	0	0
Total Unrestricted Support and Revenues	19,465,297	17,000	19,482,297	0	19,482,297
EXPENSES					
Program expenses:					
Education services	9,541,461	0	9,541,461	0	9,541,461
Senior services	663,464	0	663,464	0	663,464
Family economic success	1,426,358	0	1,426,358	0	1,426,358
Nutrition services	753,671	0	753,671	0	753,671
Try Again Homes	4,759,356	0	4,759,356	0	4,759,356
Total Program Expenses	17,144,310	0	17,144,310	0	17,144,310
Management and general	1,950,621	30,072	1,980,693	0	1,980,693
Fundraising	47,970	0	47,970	0	47,970
Total Expenses	19,142,901	30,072	19,172,973	0	19,172,973

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule II - Consolidating Schedule of Activities (Continued)

for the year ended June 30, 2016

	<u>COMMUNITY ACTION SOUTHWEST</u>	<u>DOCSOLUTIONS</u>	<u>COMBINED BALANCES</u>	<u>ELIMINATING ENTRIES</u>	<u>CONSOLIDATED BALANCES</u>
<u>Increase (Decrease) in Unrestricted Net Assets</u>	322,396	(13,072)	309,324	0	309,324
<u>PERMANENTLY RESTRICTED NET ASSETS</u>					
Contributions and earnings	956	0	956	0	956
Distributions and fees	(1,160)	0	(1,160)	0	(1,160)
<u>Increase (Decrease) in Permanently Restricted Net Assets</u>	(204)	0	(204)	0	(204)
<u>Increase (Decrease) in Net Assets</u>	322,192	(13,072)	309,120	0	309,120
Net assets beginning of year	<u>6,029,082</u>	<u>110,006</u>	<u>6,139,088</u>	<u>0</u>	<u>6,139,088</u>
<u>NET ASSETS END OF YEAR</u>	<u>\$ 6,351,274</u>	<u>\$ 96,934</u>	<u>\$ 6,448,208</u>	<u>\$ 0</u>	<u>\$ 6,448,208</u>

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule III - Pennsylvania Headstart Program
Schedule of Grant Expenditures

for the year ended June 30, 2016

Salaries and wages	\$ 536,443
Payroll taxes and fringes	184,361
Transportation and travel	8,617
Rent and space costs	95,323
Contracted services	10,763
Inkind expense	0
Supplies	55,460
IT expense	5,530
Education and training	3,312
Food expense	7,210
Maintenance and repairs	504
Telephone and utilities	7,938
Program activities	2,147
Insurance	2,539
Client assistance	0
Office expense	2,793
Vehicle expense	329
Equipment	0
Depreciation	0
Tax expense	0
Miscellaneous expense	1,435
<u>TOTAL EXPENSES</u>	<u>\$ 924,704</u>

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule IV - Pre-K Counts Program
Schedule of Grant Expenditures

for the year ended June 30, 2016

Salaries and wages	\$ 1,095,252
Payroll taxes and fringes	418,837
Transportation and travel	6,641
Rent and space costs	211,533
Contracted services	478,138
Inkind expense	0
Supplies	167,588
IT expense	12,291
Education and training	19,106
Food expense	64,949
Maintenance and repairs	0
Telephone and utilities	3,484
Program activities	1,713
Insurance	5,120
Client assistance	0
Office expense	7,815
Vehicle expense	55
Equipment	0
Depreciation	0
Tax expense	0
Miscellaneous expense	1,478
<u>TOTAL EXPENSES</u>	<u>\$ 2,494,000</u>

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule V - Schedule of Revenues and Functional Expenses
 Pennsylvania Foster Care Program

for the year ended June 30, 2016

	<u>Washington County Foster Care Contract</u>	<u>Allegheny County Foster Care Contract</u>	<u>Other County Foster Care Contracts</u>	<u>Total Foster Care</u>
<u>SUPPORT AND REVENUE</u>				
Grants from governmental Agencies	\$2,237,851	\$ 31,928	\$ 20,339	\$2,290,118
Inkind contributions	500	7	5	512
Other income	782	11	7	800
<u>Total Support and Revenue</u>	2,239,133	31,946	20,351	2,291,430
<u>FUNCTIONAL EXPENSES</u>				
Salaries and wages	365,894	5,205	3,332	374,431
Payroll taxes and fringes	57,053	812	520	58,385
Transportation and travel	60,410	859	550	61,819
Rent and space costs	85,020	1,209	774	87,003
Contracted services	1,085	15	10	1,110
Inkind expense	500	7	5	512
Supplies	18,832	268	172	19,272
IT expense	7,657	109	70	7,836
Education and training	2,392	34	22	2,448
Food expense	223	3	2	228
Telephone and utilities	29,408	418	268	30,094
Program activities	1,038,563	14,773	9,459	1,062,795
Insurance	7,205	102	66	7,373
Client assistance	69,761	992	635	71,388
Office expense	9,445	134	86	9,665
Equipment	58,908	838	537	60,283
Depreciation	14,794	211	135	15,140
Administrative costs	238,279	3,400	2,165	243,844
Miscellaneous expense	2,068	29	19	2,116
<u>Total Functional Expenses</u>	2,067,497	29,418	18,827	2,115,742
<u>EXCESS OF SUPPORT AND REVENUE OVER FUNCTIONAL EXPENSES</u>				
	<u>\$ 171,636</u>	<u>\$ 2,528</u>	<u>\$ 1,524</u>	<u>\$ 175,688</u>

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule VI - Schedule of Revenues and Functional Expenses
West Virginia Foster Care Program

for the year ended June 30, 2016

	Total West Virginia Foster Care
<u>SUPPORT AND REVENUE</u>	
Grants from governmental agencies:	
West Virginia Department of Human Services	\$ 1,631,813
Medicaid revenue	87,285
Medicaid socially necessary revenue	17,685
Inkind contributions	5,107
Contributions and private grant	1,870
Other income	72
	<hr/>
<u>Total Support and Revenue</u>	1,743,832
<u>FUNCTIONAL EXPENSES</u>	
Salaries and wages	506,405
Payroll taxes and fringes	82,062
Transportation and travel	77,079
Rent and space costs	22,508
Contracted services	15,049
Inkind expense	5,107
Supplies	9,551
IT expense	246
Education and training	4,476
Food expense	1,463
Maintenance and repairs	459
Telephone and utilities	26,379
Program activities	705,396
Insurance	10,489
Client assistance	178
Office expense	14,593
Equipment	26,021
Depreciation	16,193
Tax expense	4,749
Administrative costs	206,012
Miscellaneous expense	8,875
	<hr/>
<u>Total Functional Expenses</u>	1,743,290
<u>EXCESS OF SUPPORT AND REVENUE OVER FUNCTIONAL EXPENSE</u>	\$ 542

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE



GUTHRIE, BELCZYK & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
COMMUNITY ACTION SOUTHWEST

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 consolidated financial statements of **COMMUNITY ACTION SOUTHWEST** (a nonprofit organization) **AND SUBSIDIARIES, (COMMUNITY ACTION SOUTHWEST)** which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered **COMMUNITY ACTION SOUTHWEST'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of **COMMUNITY ACTION SOUTHWEST'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 Organization's consolidated 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.

Internal Control Over Financial Reporting (Continued)

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 **COMMUNITY ACTION SOUTHWEST's** consolidated 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 consolidated 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 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.

Guthrie, Belezzyk & Associates, P.C.

Eighty Four, Pennsylvania
January 9, 2017



GUTHRIE, BELCZYK & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
COMMUNITY ACTION SOUTHWEST

Report on Compliance for Each Major Federal Program

We have audited **COMMUNITY ACTION SOUTHWEST'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 **COMMUNITY ACTION SOUTHWEST's** major federal programs for the year ended June 30, 2016. **COMMUNITY ACTION SOUTHWEST's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **COMMUNITY ACTION SOUTHWEST'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 **COMMUNITY ACTION SOUTHWEST's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditors' Responsibility (Continued)

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 **COMMUNITY ACTION SOUTHWEST's** compliance.

Opinion on Each Major Federal Program

In our opinion, **COMMUNITY ACTION SOUTHWEST** 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, 2016.

Report on Internal Control Over Compliance

Management of **COMMUNITY ACTION SOUTHWEST** 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 **COMMUNITY ACTION SOUTHWEST'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 **COMMUNITY ACTION SOUTHWEST'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.

Report on Internal Control Over Compliance (Continued)

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 be 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.

Guthrie, Belezuk & Associates, P.C.

Eighty Four, Pennsylvania
January 9, 2017

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

for the year ended
June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with The Uniform Guidance? yes no

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule of Findings and Questioned Costs (Continued)

for the year ended
June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Federal Awards (Continued)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.558	Child and Adult Care Food Program
93.600	Head Start
93.658	Foster Care-Title IV-E

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

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The results of our tests disclosed no findings or questioned costs that are required to be reported under *Government Auditing Standards* and the Uniform Guidance.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Summary Schedule of Prior Audit Findings

for the year ended
June 30, 2016

PRIOR YEAR FINDINGS

None reported.

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

July 1, 2015 to June 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR OR PASS-THROUGH NUMBER</u>	<u>GRANT PERIOD BEGINNING/ ENDING DATES</u>	<u>FEDERAL EXPENDITURES 07-01-15 TO 06-30-16</u>	<u>FEDERAL FUNDS RECEIVED 07-01-15 TO 06-30-16</u>	<u>AWARD AMOUNT</u>	<u>BEGINNING RECEIVABLE</u>	<u>BEGINNING DEFERRED REVENUE</u>	<u>ENDING RECEIVABLE</u>	<u>ENDING DEFERRED REVENUE</u>
<u>U.S. Department Agriculture:</u>										
Passed through Pennsylvania Department of Health:										
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	4100067498	10/01/14-09/30/15	\$ 288,820	\$ 411,443	\$ 931,393	\$ 122,623	\$ 0	\$ 0	\$ 0
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	4100064628	10/01/15-09/30/16	540,906	575,478	928,692	0	0	42,819	77,391
<u>Total Passed through Pennsylvania Department of Health</u>				829,726	986,921					
Passed through Pennsylvania Department of Education:										
Child and Adult Care Food Program	10.558	300-63-351-0	10/01/14-09/30/15	43,107	74,485	N/A	31,378	0	0	0
Child and Adult Care Food Program	10.558	300-63-351-0	10/01/15-09/30/16	225,484	221,576	N/A	0	0	3,908	0
<u>Total Passed through Pennsylvania Department of Education</u>				268,591	296,061					
WIC Farmers Nutrition Program	10.572	4100056591	10/1/15-9/30/16	4,646	4,646	N/A	0	0	0	0
<u>Total U.S. Department of Agriculture</u>				1,102,963	1,287,628					
<u>U.S. Department of Housing and Urban Development:</u>										
Direct Funding:										
Supportive Housing Assistance Grant	14.235	PA0297L3F011306	07/01/14-06/30/15	0	2,709	33,881	2,709	0	0	0
Supportive Housing Assistance Grant	14.235	PA0297L3F011407	07/01/15-06/30/16	31,151	25,537	33,881	0	0	5,614	0
				31,151	28,246					
Resident Opportunity and Supportive Services-Service Coordinators	14.870	PA017RFS109A013	05/19/14-05/18/17	49,996	26,641	158,704	4,948	0	28,303	0
<u>Total Direct Funding</u>				81,147	54,887					

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

July 1, 2015 to June 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR OR PASS-THROUGH NUMBER</u>	<u>GRANT PERIOD BEGINNING/ ENDING DATES</u>	<u>FEDERAL EXPENDITURES 07-01-15 TO 06-30-16</u>	<u>FEDERAL FUNDS RECEIVED 07-01-15 TO 06-30-16</u>	<u>AWARD AMOUNT</u>	<u>BEGINNING RECEIVABLE</u>	<u>BEGINNING DEFERRED REVENUE</u>	<u>ENDING RECEIVABLE</u>	<u>ENDING DEFERRED REVENUE</u>
<u>U.S. Department of Housing and Urban Development:</u>										
<u>(Continued)</u>										
Passed through Washington County:										
Emergency Solutions Grant Program	14.231	N/A	07/01/14-06/30/16	0	36,577	94,230	36,577	0	0	0
Emergency Solutions Grant Program	14.231	N/A	11/25/14-08/20/16	107,900	98,793	107,900	0	0	9,107	0
Emergency Solutions Grant Program	14.231	N/A	07/01/15-06/30/16	57,314	34,268	57,300	0	0	23,046	0
<u>Total Passed Through Washington County</u>				165,214	169,638					
Passed through Pennsylvania Housing Finance Agency:										
Housing Counseling Assistance Grant	14.169	N/A	07/01/14-06/30/15	0	10,123		10,123	0	0	0
Housing Counseling Assistance Grant	14.169	N/A	07/01/15-06/30/16	35,303	31,290		0	0	4,013	0
<u>Total Passed Through Pennsylvania Housing Finance Agency</u>				35,303	41,413					
<u>Total U.S. Department of Housing and Urban Development</u>				200,517	211,051					
<u>U.S. Department of Education:</u>										
Passed through Pennsylvania Department of Education:										
Adult Education-Basic Grants to States	84.002	FA-064-16-0012	07/01/15-06/30/16	104,560	95,847	104,560	0	0	8,713	0
<u>Total U.S. Department of Education</u>				104,560	95,847					
<u>U.S. Department of Health & Human Services:</u>										
Passed through Greene County:										
Promoting Safe and Stable Families	93.556	4100067010	07/01/14-06/30/15	0	535	122,000	535	0	0	0
Community-Based Child Abuse Prevention Grants	93.590	4100067010	07/01/14-06/30/15	0	30,522	122,000	30,522	0	0	0
<u>Total Passed Through Greene County</u>				0	31,057					

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

July 1, 2015 to June 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR OR PASS-THROUGH NUMBER</u>	<u>GRANT PERIOD BEGINNING/ ENDING DATES</u>	<u>FEDERAL EXPENDITURES 07-01-15 TO 06-30-16</u>	<u>FEDERAL FUNDS RECEIVED 07-01-15 TO 06-30-16</u>	<u>AWARD AMOUNT</u>	<u>BEGINNING RECEIVABLE</u>	<u>BEGINNING DEFERRED REVENUE</u>	<u>ENDING RECEIVABLE</u>	<u>ENDING DEFERRED REVENUE</u>
<u>U.S. Department of Health & Human Services (Continued):</u>										
Passed through Pennsylvania Department of Community and Economic Development:										
Community Services Block Grant	93.369	C000057059	01/01/14-12/31/16	321,722	503,198	1,619,189	304,066	0	122,590	0
Assets for Independence Demonstration Program	93.602	C000033797	07/01/07-06/30/12	0	0	56,940	0	4,711	0	3,711 (1)
<u>Total Passed Through Pennsylvania Department Of Community and Economic Development</u>				321,722	503,198					
Passed through Office of Community Services:										
Assets for Independence Demonstration Program	93.602	90R07029	09/30/11-09/29/16	40,221	5,749	200,000	0	115,543	1,020	82,091
Passed through Pennsylvania Department of Human Services:										
Temporary Assistance for Needy Families (TANF)	93.558	4100064839	10/01/14-09/30/15	31,475	30,476	144,044	35,012	36,011	0	0
Temporary Assistance for Needy Families (TANF)	93.558	4100057911	10/01/15-09/30/16	111,099	97,466	201,704	0	0	49,644	36,011
<u>Total Passed through Pennsylvania Department of Human Services</u>				142,574	127,942					
Passed through Pennsylvania Department of Human Services and Washington County:										
Consolidated Services Program	93.558	N/A	07/01/15-06/30/16	51,192	52,444	236,647				
PPP	93.558	N/A	07/01/15-06/30/16	7,634	7,634	59,638				
Team Dad	93.558	N/A	07/01/15-06/30/16	1,389	1,389	20,000				
<u>Total Passed through Pennsylvania Department of Human Services and Washington County</u>				60,215	61,467		13,076		11,824	0 (2)
Passed through Administration for Children and Families:										
Head Start	93.600	03CH2760/45	07/01/14-06/30/15	0	232,005	5,456,516	232,005	0	0	0
Head Start	93.600	03CH2760/46	07/01/15-06/30/16	5,830,014	5,748,164	5,830,014	0	0	81,850	0
<u>Total Passed through Administration for Children and Families</u>				5,830,014	5,980,169					

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

July 1, 2015 to June 30, 2016

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR OR PASS-THROUGH NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	FEDERAL EXPENDITURES 07-01-15 TO 06-30-16	FEDERAL FUNDS RECEIVED 07-01-15 TO 06-30-16	AWARD AMOUNT	BEGINNING RECEIVABLE	BEGINNING DEFERRED REVENUE	ENDING RECEIVABLE	ENDING DEFERRED REVENUE
U.S. Department of Health & Human Services										
(Continued):										
Passed through the West Virginia Department of Human Services:										
Title IV-E Foster Care	93.658	N/A	07/01/15-06/30/16	1,208,080	1,205,187		98,590	0	101,483	0
Passed through the Pennsylvania Department of Human Services and Washington, Somerset, Fayette and Allegheny counties:										
Title IV-E Foster Care	93.658	N/A	07/01/15-06/30/16	701,112						
TIPP Program	93.658	N/A	07/01/15-06/30/16	28,228						
Total Passed through the Pennsylvania Department of Human Services and Washington, Somerset, Greene, Fayette and Allegheny counties				729,340	757,365		141,015	0	112,990	0 (2)
Total U.S. Department of Health and Human Services				8,332,166	8,672,134					
U.S. Treasury Department										
Passed through Pennsylvania Housing Finance Agency:										
Neighbor Works	21.000	PL113-235X1350		23,400	35,250		12,000	0	0	0
Neighbor Works	21.000	PL113-76X1350		17,071	10,463		0	0	11,437	4,679
Total U.S. Treasury Department				40,471	45,713		12,000	0	11,437	4,679
TOTAL FEDERAL AWARDS				\$ 9,861,824	\$10,367,260		\$1,075,179	\$156,265	\$618,361	\$203,883

Beginning balances were adjusted as follows:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
(1) Per prior year workpaper	\$ 1,654	\$ 0
Correction to beginning balance	(1,654)	4,711
Beginning balance as adjusted	<u>\$ 0</u>	<u>\$ 4,711</u>
In addition \$2,000 was refunded to the funding source, of which \$1,000 represented federal funds.		
(2) Beginning and ending receivables represents an allocation of federal funds to total funds received based on fiscal 2016 allocation percentages.		

COMMUNITY ACTION SOUTHWEST AND SUBSIDIARIES

Notes to the Schedule of Expenditures
of Federal Awards

for the year ended
June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **COMMUNITY ACTION SOUTHWEST** and is presented on the 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Organization's consolidated financial statements.

DHHR - Finance

APR 13 2017

Daniel J. [unclear]