

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
Hiawatha, Kansas

YEAR ENDED MARCH 31, 2019

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northeast Kansas Community Action Program, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Kansas Community Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, 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 Northeast Kansas Community Action Program, Inc. as of March 31, 2019, 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

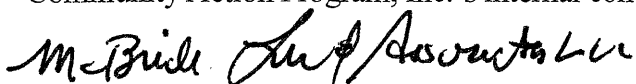
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Financial Data Schedules (Schedules 9 and 10) are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information in Schedules 1 and 3-8 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Northeast Kansas Community Action Program, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated September 11, 2019, on our consideration of Northeast Kansas Community Action Program, 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 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 Northeast Kansas Community Action Program, Inc.'s internal control over financial reporting and compliance.



McBride, Lock & Associates, LLC
Kansas City, Missouri
September 11, 2019

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2019
(with summarized financial information at March 31, 2018)

<u>ASSETS</u>	2019	(Restated) 2018
Current Assets:		
Cash (Note 3)	\$ 453,500	\$ 289,935
Investments (Note 4)	55,410	67,245
Grant Funds Receivable	391,346	463,656
Accounts Receivable	2,532	32
Inventory	247	63
Prepaid Expenses (Note 6)	24,621	16,886
Total Current Assets	<u>\$ 927,656</u>	<u>\$ 837,817</u>
Fixed Assets (Note 5):		
Property and Equipment	\$ 2,914,477	\$ 2,914,686
Accumulated Depreciation	(1,836,609)	(1,781,182)
Total Fixed Assets	<u>\$ 1,077,868</u>	<u>\$ 1,133,504</u>
Other Assets:		
Restricted Cash - FSS Participants (Note 3)	\$ 21,419	\$ 9,843
Total Other Assets	<u>\$ 21,419</u>	<u>\$ 9,843</u>
TOTAL ASSETS	<u>\$ 2,026,943</u>	<u>\$ 1,981,164</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 236,721	\$ 148,052
Accrued Payroll and Related Expenses	232,636	280,914
Deferred Revenue	14,272	823
Accrued Compensated Absences	56,769	53,469
Current Portion of Long-Term Debt (Note 7)	12,579	24,589
Reserve Accounts (Note 8)	19,332	19,332
Total Current Liabilities	<u>\$ 572,309</u>	<u>\$ 527,179</u>
Notes Payable (Note 7)	128,564	141,202
TOTAL LIABILITIES	<u>\$ 700,873</u>	<u>\$ 668,381</u>
 <u>NET ASSETS</u>		
Net Assets Without Donor Restrictions:		
Undesignated	\$ 1,053,848	\$ 1,093,918
Board-designated (Note 11)	186,160	186,160
Total Net Assets Without Donor Restrictions	<u>1,240,008</u>	<u>1,280,078</u>
Net Assets With Donor Restrictions (Note 12)	86,062	32,705
TOTAL NET ASSETS	<u>\$ 1,326,070</u>	<u>\$ 1,312,783</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,026,943</u>	<u>\$ 1,981,164</u>

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019
(with summarized financial information at March 31, 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
<u>REVENUE</u>				
Federal Grants	\$ 6,942,303	\$ 54,332	\$ 6,996,635	\$ 6,614,994
Donations	31,947	5,054	37,001	28,726
Reimbursements	2,297	-	2,297	46,154
Other	23,367	-	23,367	6,428
In-kind Contributions	978,284	-	978,284	1,023,645
Net Assets Released from Restrictions	6,029	(6,029)	-	-
TOTAL REVENUE	\$ 7,984,227	\$ 53,357	\$ 8,037,584	\$ 7,719,947
<u>EXPENDITURES</u>				
Child Care	\$ 5,481,157	\$ -	\$ 5,481,157	\$ 5,498,866
Community Services	570,228	-	570,228	531,141
Housing	1,097,370	-	1,097,370	969,955
Other Services	28,302	-	28,302	26,033
 Total Program Services	 \$ 7,177,057	 \$ -	 \$ 7,177,057	 \$ 7,025,995
Management and General	790,397	-	790,397	771,338
Fixed Assets	54,767	-	54,767	(65,666)
 Total Support Expenses	 \$ 845,164	 \$ -	 \$ 845,164	 \$ 705,672
TOTAL EXPENSES	\$ 8,022,221	\$ -	\$ 8,022,221	\$ 7,731,667
CHANGE IN NET ASSETS FROM OPERATIONS	\$ (37,994)	\$ 53,357	\$ 15,363	\$ (11,720)
<u>OTHER REVENUE/(EXPENSE)</u>				
Unrealized Gain/(Loss) on Investments	\$ (11,835)	\$ -	\$ (11,835)	\$ (2,429)
Investment Income	1,623	-	1,623	1,097
Gain/(Loss) on Disposal of Assets	8,136	-	8,136	-
Other Revenue/(Expense)	-	-	-	567
TOTAL OTHER REVENUE/(EXPENSE)	\$ (2,076)	\$ -	\$ (2,076)	\$ (765)
CHANGE IN NET ASSETS	\$ (40,070)	\$ 53,357	\$ 13,287	\$ (12,485)
NET ASSETS, BEGINNING OF YEAR (RESTATED)	\$ 1,280,078	\$ 32,705	\$ 1,312,783	\$ 1,325,268
NET ASSETS, END OF YEAR	\$ 1,240,008	\$ 86,062	\$ 1,326,070	\$ 1,312,783

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019

	Child Care	Community Services	Housing	Other Services	Total Programs	Management and General	Fixed Assets	Total	2018 Total
<u>EXPENDITURES:</u>									
Personnel	\$ 2,558,651	\$ 284,087	\$ 90,824	\$ -	\$ 2,933,562	\$ 482,143	\$ -	\$ 3,415,705	\$3,212,850
Fringe Benefits	768,251	92,227	27,756	-	888,234	123,434	-	1,011,668	1,035,684
Equipment	108,012	30,746	-	-	138,758	-	(138,758)	-	-
Computer	62,244	9,379	-	-	71,623	38,106	-	109,729	83,719
Supplies	347,211	7,692	7,880	1,135	363,918	30,773	-	394,691	405,272
Rent/Utilities	166,362	17,334	2,354	-	186,050	10,748	-	196,798	189,754
Facility Repair/Maintenance	48,608	3,130	1,632	-	53,370	8,990	-	62,360	38,313
Mortgage	32,053	245	-	-	32,298	-	(32,298)	-	-
Professional Fees	1,779	28	-	-	1,807	32,234	-	34,041	61,338
Communications	94,713	14,157	5,110	(24)	113,956	13,677	-	127,633	123,625
Vehicle	130,725	8,785	2,382	-	141,892	11,195	-	153,087	147,244
Insurance	29,870	2,790	869	-	33,529	3,103	-	36,632	37,876
Travel	56,381	11,112	505	1,421	69,419	14,713	-	84,132	61,201
Registration	43,636	8,161	665	-	52,462	11,671	-	64,133	49,308
Tuition and Books	5,196	-	-	-	5,196	-	-	5,196	10,963
Depreciation	-	-	-	-	-	-	218,173	218,173	190,588
Interest	-	-	-	-	-	-	7,650	7,650	8,848
Other Operating Expense	37,969	10,625	804	1,894	51,292	6,979	-	58,271	44,160
Support to Other Programs	-	514	-	12	526	-	-	526	-
Direct Customer Services	42,542	38,098	956,377	23,864	1,060,881	2,631	-	1,063,512	1,007,279
In-kind Contributions	946,954	31,118	212	-	978,284	-	-	978,284	1,023,645
Total Expenses	\$ 5,481,157	\$ 570,228	\$ 1,097,370	\$ 28,302	\$ 7,177,057	\$ 790,397	\$ 54,767	\$ 8,022,221	\$7,731,667
Indirect Expense	687,382	87,131	15,120	-	789,633	(789,633)	-	-	-
TOTAL EXPENDITURES	\$ 6,168,539	\$ 657,359	\$ 1,112,490	\$ 28,302	\$ 7,966,690	\$ 764	\$ 54,767	\$ 8,022,221	\$7,731,667

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019
(with summarized financial information for March 31, 2018)

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 13,287	\$ (12,485)
Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities:		
Depreciation	218,173	190,588
(Increase)/Decrease in Grants Receivable	72,310	171,312
(Increase)/Decrease in Accounts Receivable	(2,500)	9,816
(Increase)/Decrease in Inventory	(184)	296
(Increase)/Decrease in Prepaid Expenses	(7,735)	7,442
Increase/(Decrease) in Accounts Payable	88,669	(219,313)
Increase/(Decrease) in Accrued Payroll and Related Expenses	(48,278)	24,038
Increase/(Decrease) in Deferred Revenue	13,449	(30,531)
Increase/(Decrease) in Accrued Compensated Absences	3,300	(2,589)
Increase/(Decrease) in Reserve Accounts	-	(46,505)
Net Cash Used in Operating Activities	<u>\$ 350,491</u>	<u>\$ 92,069</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Unrealized (Gain)/Loss on Investments	\$ 11,835	\$ 2,428
Acquisition of Property and Equipment	<u>(162,537)</u>	<u>(244,900)</u>
Net Cash Used in Investing Activities	<u>\$ (150,702)</u>	<u>\$ (242,472)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payment of Long-Term Debt	<u>\$ (24,648)</u>	<u>\$ (22,369)</u>
Net Cash Used in Financing Activities	<u>\$ (24,648)</u>	<u>\$ (22,369)</u>
NET INCREASE (DECREASE) IN CASH	\$ 175,141	\$ (172,772)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>299,778</u>	<u>472,550</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 474,919</u></u>	<u><u>\$ 299,778</u></u>
Cash	\$ 453,500	\$ 289,935
Restricted Cash - FSS Participants (Note 3)	<u>21,419</u>	<u>9,843</u>
Total Cash and Restricted Cash	<u><u>\$ 474,919</u></u>	<u><u>\$ 299,778</u></u>

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northeast Kansas Community Action Program, Inc. (NEKCAP or the organization) is a non-profit community service organization incorporated under the laws of the State of Kansas serving a sixteen county area. The sixteen counties include Atchison, Brown, Doniphan, Jackson, Jefferson, Jewell, Leavenworth, Marshall, Mitchell, Nemaha, Osborne, Pottawatomie, Republic, Riley, Smith and Washington. The purpose of NEKCAP is to stimulate a better focus of all available local, state, private and federal resources with the goal of enabling low-income families and low-income individuals of all ages, in rural and urban areas, to attain the skills, knowledge, attitudes and motivations to secure the opportunities needed for them to become self-sufficient.

NEKCAP receives grant funds and donations from the federal government, State of Kansas, county and local governments and the public sector.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

To facilitate observance of limitations and restrictions placed on the use of resources available, the accounts of NEKCAP are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. NEKCAP combines the financial statements of individual grants by funding objective. These statements are then aggregated to provide the overall financial statements.

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 represent funds which are fully available at the discretion of management and the Board of Directors for the organization to utilize in any of its programs or supporting services. Net assets with donor restrictions consist of funds which are restricted by donors for specific purposes or periods and contributions that donors have specified must be maintained in perpetuity.

Budgetary Accounting

Budgets are adopted for each grant/contract based on that grant's/contract's fiscal grant period and the specific purposes and terms of that grant/contract. Budget revisions are determined in accordance with applicable federal regulations on grant administration.

Cash Equivalents

For purposes of the Statement of Cash Flows, NEKCAP considers all instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist entirely of equity securities with readily determinable fair values that are reported at their fair value based on quoted market prices in the statement of financial position.

Property and Equipment

NEKCAP capitalizes equipment purchases greater than \$5,000 at cost or estimated fair value, if donated. In accordance with grant agreements, the organization maintains a listing of property and equipment purchased with federal funds, recording its date of purchase, description, location, cost and source of funding used to make purchase. The grantor retains a reversionary interest in the property and equipment purchased with federal funds. The disposition of equipment and any sale proceeds are subject to grant requirements. Donated buildings are recorded at fair market value at the time of donation. Constructed buildings are recorded at cost.

NEKCAP's central office was donated in December 1986, with the stipulation that when the building is no longer needed by the organization, it will be deeded back to the donor. The building was valued at \$154,000 at the date of donation.

Property and equipment are depreciated on the straight line basis over their estimated lives as follows:

Buildings	25-45 years
Equipment	3 years
Vehicles	5 years

Inventory

Inventory represents balances of supplies on-hand and are stated at cost, which approximates market, using the first-in/first-out (FIFO) method.

Contributions

NEKCAP recognizes the full amount of the contributions and grants received in the period that they were made as either net assets with donor restrictions or net assets without donor restrictions depending on the existence of any donor restrictions. The organization reports gifts of cash and other assets as net assets with restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The organization records donor-restricted contributions whose restrictions are met in the same reporting period as net assets without donor

restrictions. The Organization records non-cash contributions at their estimated fair market value at the date of the contribution.

Grants Receivable

Grants receivable represent expenditures of grant funds that are to be reimbursed to the organization by federal and state grantor agencies. The organization considers grants receivable to be fully collectible, and therefore, no allowance for doubtful accounts is required.

Donated Use of Space, Materials, and Services

Donated use of facilities is recorded as the difference in the fair market value rent and the actual rental payments made by NEKCAP in accordance with FASB ASC 958-605-25. Donated supplies are recognized at their estimated fair value. In accordance with generally accepted accounting principles, donated services are recognized at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The organization receives donated services from a variety of unpaid volunteers assisting the organization in its charitable programs, primarily the Head Start and Early Head Start programs. The value of these services that did not meet the requirements for recognition under GAAP is \$514,280 for the year ended March 31, 2019.

Advertising Costs

Advertising costs are expensed to operations when incurred. Total advertising cost for the year ended March 31, 2019 and 2018 were \$16,692 and \$17,927, respectively.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all NEKCAP programs, but which cannot be readily identified. Cost allocation methods are as follows:

Personnel: Organization administrative and financial personnel (executive director, fiscal director, bookkeepers, personnel director, purchasing agent, planner and executive secretary) salaries and wages leave and fringe benefits, and related administrative expenses (audit, travel, supplies, etc.) are accumulated in the indirect cost pool. The actual indirect costs included are allocated to each program based upon direct salaries and wages including all fringe benefits of each grant or activity in accordance with the Indirect Cost Negotiation Agreement with the Department of Health and Human Services.

Central Office Facility: Space costs (maintenance costs, supplies, utilities, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated through the indirect cost pool described above.

Supplies: Certain supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis. General supplies are allocated based on direct salaries and wages of each grant activity.

Copy Costs, Telephone System and Postage Meter: A record is maintained of usage (copies made, number of phones, etc.) for each program. These costs are charged to programs based on the usage during the month. Other general copy, telephone and postage costs are allocated based on direct salaries and wages of each grant activity.

Insurance: Insurance is allocated to benefiting programs depending on the type of insurance. Workers' compensation and general liability are allocated based on salaries and wages of personnel covered. Vehicle insurance is allocated based on the amount of vehicle usage by each program.

Income Tax Status

NEKCAP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes under the laws of the State of Kansas. The organization has not been classified as a private foundation.

As required by FASB ASC No. 740, *Income Taxes*, the organization evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the organization's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The organization is no longer subject to United States federal or state examinations by tax authorities for the years before 2016. During the fiscal year ending March 31, 2019, the organization did not recognize any interest or penalties associated with any positions.

Concentration of Risk

The organization is supported primarily through grants from federal, state, and local governments. Historically, a significant portion of grants were provided by a few major grantors, including the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. It is always considered reasonably possible that grantors or donors might be lost in the near term. In addition, NEKCAP's ability to generate resources via grants is primarily dependent upon the economic health and prosperity of the Federal government and to a much smaller extent upon the prosperity and health of the State of Kansas. As a result, there is the potential that an economic downturn or changes in federal and state policy or priorities could result in a decrease in contributions and grants. This in turn could potentially negatively impact the organization's ability to provide the same level of high quality service that NEKCAP currently provides to its program participants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Net Assets From Operations

NEKCAP's change in net assets from operations includes revenues and expenses directly related to carrying out the organization's mission. Unrealized gains and losses and dividend revenue on investments are considered nonoperating.

New Accounting Pronouncements

NEKCAP adopted the requirements of ASU 2016-14 for the year ended March 31, 2019. As a result of the adoption of the new standard, the beginning balance of Net Assets Without Donor Restrictions has been increased by \$46,402 and the beginning balance of Net Assets With Donor Restrictions has been decreased by \$46,402. Under the new standard, organizations can no longer imply a time restriction on contributions of real property whose use is not restricted for a specified time period. Therefore, the undepreciated portion of the NEKCAP central office building is no longer considered to be restricted, as the restriction would have been considered to be expired when the building was placed in service under the new standards.

NOTE 2 – LIQUIDITY AND AVAILABILITY

NEKCAP is substantially supported by donor restricted grants and to a lesser extent some unrestricted grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, NEKCAP must maintain sufficient resources to meet those requirements. Thus, financial assets may not be available for general expenditure within one year. As part of NEKCAP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. NEKCAP maintains its funds in FDIC insured accounts and amounts in excess of FDIC insurance are collateralized by pledged securities held under joint custody receipts issued by the Federal Reserve Bank in NEKCAP's name (See Note 3 – Deposits). NEKCAP operates primarily on three types of grants: 1) reimbursement-type grants where the expenditures are reimbursed within a short time of disbursement by drawing down funds to meet current disbursement needs; 2) reimbursement-type grants where the expenditures are reimbursed within a short time of filing a disbursement/reimbursement request; and 3) front-loaded grants that advance all or a portion of grant funding. Additionally, the NEKCAP's Multi-County Board of Directors has established a reserve of \$186,160 (See Note 11 – Board-Designated Net Assets). This is a board-designated reserve with the objective of setting funds aside to be drawn upon by the NEKCAP Multi-County Board of Directors in the event of organizational financial distress. The reserves balance is available to draw upon to temporarily fund current operational needs until reimbursement is

received by funding sources. This ensures that the agency is not using funds from one federal funding source to pay for operations of another federal funding source. In addition, NEKCAP maintains a short-term investment with a value of \$55,410 as of March 31, 2019 (See Note 4 – Investments) that could be liquidated by the NEKCAP Multi-County Board of Directors to fund operations, if the need arises.

The following reflects NEKCAP’s financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date. Amounts not available include amounts set aside for board-designated reserves as needed for providing future programs and services.

Total Current Assets	\$ 927,656
Less:	
Prepaid Expenses	(24,621)
Inventory	<u>(247)</u>
Current Financial Assets	\$ 902,788
Less Those Unavailable for General Expenditures Within One Year:	
Board-designated funds	<u>(186,160)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 716,628</u></u>

NOTE 3 – DEPOSITS

As of March 31, 2019 and 2018, the carrying amount of NEKCAP’s deposits including restricted cash balances was \$474,919 and \$299,778, respectively. The bank balances were \$708,794 and \$538,998 as of March 31, 2019 and 2018, respectively. The difference between carrying amount and bank balance is outstanding deposits and checks. Of the bank balance for March 31, 2019, \$336,112 was covered by FDIC insurance and \$372,682 was collateralized by pledged securities held under joint custody receipts issued by the Federal Reserve Bank in the organization’s name.

The U.S. Department of Housing and Urban Development has a program in which persons receiving rent subsidies can save the difference between the original rent subsidy and the change in that subsidy as their personal income increases. These savings are maintained by NEKCAP until these persons have met the time requirement. The funds are then remitted to the qualified individual. The funds are in a separate bank account and amounted to \$21,419 as of March 31, 2019 and \$9,843 as of March 31, 2018.

As a condition of the ALJ Center notes payable as listed in Note 6, management was required to establish a separate cash account into which monthly payments are deposited. The bank then withdraws these deposits to make the note payments. The bank requires a balance be maintained in the account of \$7,303 and \$7,292 as of March 31, 2019 and 2018, respectively, which will be applied to the final payment.

NOTE 4 – INVESTMENTS

At March 31, 2019 and 2018, the value of the organization's investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Equity Securities	\$ 55,410	\$ 67,245

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31:

	<u>2019</u>	<u>2018</u>
Central Office Building and Equipment	\$ 335,499	\$ 335,499
ALJ Center	790,355	779,253
Leasehold Improvements	29,250	29,250
Equipment - Federal	<u>1,759,373</u>	<u>1,770,684</u>
Total Property and Equipment	2,914,477	2,914,686
Less: Accumulated Depreciation	<u>(1,836,609)</u>	<u>(1,781,182)</u>
Net Property and Equipment	<u>\$ 1,077,868</u>	<u>\$ 1,133,504</u>

Depreciation expense during the years ended March 31, 2019 and 2018 were \$218,173 and \$190,588, respectively.

NOTE 6 – PREPAID EXPENSES

Prepaid expenses consist of the following as of March 31:

	<u>2019</u>	<u>2018</u>
Prepaid Postage	\$ 3,114	\$ 129
Travel Advances	1,130	166
Other Prepaids	<u>20,377</u>	<u>16,591</u>
Total Prepaid Expenses	<u>\$ 24,621</u>	<u>\$ 16,886</u>

NOTE 7 – NOTES PAYABLE

Notes payable consisted of the following at March 31:

	<u>2019</u>	<u>2018</u>
Note Payable to Farmers Home Administration:		
ALJ Center loan: 5% interest, monthly installments of \$1,611, due 7/20/2030	<u>141,143</u>	<u>165,791</u>
Total Notes Payable	\$ 141,143	\$ 165,791
Less Current Portion	12,579	24,589
Long-Term Notes Payable	<u>\$ 128,564</u>	<u>\$ 141,202</u>

Interest expense paid for years ended March 31, 2019 and 2018 was \$7,650 and \$8,848, respectively.

During fiscal year 2017, the organization decided to accelerate the repayment of the above loan by making payments of \$2,691 per month, although the terms of the loan did not change. As of April 2019, the organization decided to make only the required minimum payment of \$1,611 each month. The loan now has an anticipated maturity date of February 2028. The future payments schedule below reflects the required minimum monthly payments.

As of March 31, 2019, notes payable mature as follows:

Year Ended March 31:	
2020	\$ 12,579
2021	13,222
2022	13,899
2023	14,610
2024	15,357
Thereafter	71,476
Total	<u>\$ 141,143</u>

NOTE 8 – RESERVE ACCOUNTS

The organization has established a reserve of funds as required by the terms of a Loan Resolution Security Agreement with the U.S. Department of Agriculture for a loan to construct the ALJ Center Head Start facility. These reserve funds may be used for paying the costs of repairs to the facility or making extensions or improvements to the facility. The value of the reserve funds was required to be \$19,332 as of March 31, 2019 and 2018.

NOTE 9 – COMPENSATED ABSENCES

Employees of NEKCAP are entitled to paid vacation depending on length of service as described below.

<u>Years of Service</u>	<u>Days Per Month</u>
0-4	1
5-9	1.25
10-14	1.5
15+	2

Employees may not carryover more than 180 hours to the next fiscal year and upon termination an employee will only be paid for 90 hours maximum. The liability for vacation leave as of March 31, 2019 and 2018 was \$56,769 and \$53,469, respectively.

NOTE 10 – OPERATING LEASES

NEKCAP has operating leases for classroom and office space for Head Start Programs. The rental agreements are generally for nine months to one year in duration and are eligible for renewal on an annual basis. It is NEKCAP’s intention to continue renewing these leases indefinitely. The rental agreements contain provisions for rent and/or utility reimbursement. Rent expense for the years ended March 31, 2019 and 2018 was \$186,050 and \$180,283, respectively. Operating leases for the next five years are as follows:

Year Ended March 31:	
2020	\$ 22,820
2021	3,000
2022	3,000
2023	3,000
2024	3,000

NOTE 11 – BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

The organization has \$186,160 in the General Fund remaining from CHDO housing programs which were discontinued several years ago. The Board established a reserve using these remaining funds which will be used for future purposes at the discretion of the Board.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted for the following purposes at March 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Child Care	\$ 13,324	\$ 2,790
Community Services	42,463	15,456
Housing	20,615	6,579
Other	9,660	7,880
Total Net Assets With Donor Restrictions	<u>\$ 86,062</u>	<u>\$ 32,705</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donors as follows for the year ended March 31:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Child Care	\$ -	\$ -
Community Services	3,364	69,728
Housing	-	18,736
Other	<u>2,665</u>	<u>2,850</u>
Total Net Assets Released From Restrictions	<u>\$ 6,029</u>	<u>\$ 91,314</u>

NOTE 13 – EMPLOYEE BENEFIT PLANS

NEKCAP has a deferred compensation arrangement in which all employees who are at least 21 years of age with a minimum of one year of service are eligible to participate. The voluntary salary reduction amount may not exceed the maximum percentage of a participant's compensation allowable by Internal Revenue Code Section 401(k). Employer matching contributions are made equal to 50% of a participant's salary reduction up to 8% of a participant's compensation. The related program cost is recorded as an expense when incurred. A participant's salary deferrals and employer matching contributions are 100% vested upon the participant's entrance into the plan. NEKCAP's matching contribution for the years ended March 31, 2019 and 2018 was \$46,278 and \$46,113, respectively.

NEKCAP has a plan which qualifies as a cafeteria plan under Section 125 of the Internal Revenue Code of 1954, as amended. The plan is open to employees whose employment is at least 1,000 hours per year and who have completed at least 30 days of service. The purpose of the plan is to provide employees a choice between cash and benefits under the dependent care assistance plan and medical care plans maintained by the organization.

NOTE 14 – CONTINGENCIES

NEKCAP participates in Federal and state programs that are fully or partially funded by grants received from governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the organization may be required to reimburse the grantor agency. As of March 31, 2019, significant amounts of program expenditures have not been audited by grantor agencies, but the NEKCAP believes that disallowed expenditures, if any, based upon subsequent audits by the grantor agencies will not have a material effect on any of the individual funds or the overall financial position of the organization.

NOTE 15 – SUBSEQUENT EVENTS

NEKCAP evaluated subsequent events through September 11, 2019, the date the financial statements were available to be issued.

NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques that measure fair market value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements).

NEKCAP uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents – The carrying amount approximates fair value because of the short maturity of those instruments.

Investments – The carrying value reflects the fair value of the equity shares as traded on financial markets.

Accounts receivable – The carrying value of accounts receivable approximates fair value due to their short-term nature and the fact they have been collectible historically.

Accounts payable – The carrying value of accounts payable approximates fair value due to the short-term nature of the obligations.

Accrued expenses – The carrying value of accrued expenses approximates fair value due to the short-term nature of the obligations.

Long-term debt – The fair value of the NEKCAP's long-term debt approximates fair value due to the fact the entity is current and the remaining life of the debt does not justify a re-negotiation of the terms of the debt.

NOTE 17 – PRIOR-YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended March 31 of the prior year, from which the summarized information was derived.

SUPPLEMENTARY INFORMATION

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION BY FUND
YEAR ENDED MARCH 31, 2019

<u>ASSETS</u>	<u>Child Care</u>	<u>Community Services</u>	<u>Housing</u>	<u>Other Services</u>	<u>Management and General</u>	<u>Fixed Assets</u>	<u>Total</u>
Current Assets:							
Cash	\$ 244,765	\$ 88,430	\$ 33,997	\$ 29,460	\$ 56,848	\$ -	\$ 453,500
Investments	-	-	-	55,410	-	-	55,410
Grant Funds Receivable	340,340	-	51,006	-	-	-	391,346
Accounts Receivable	150	306	-	98	1,978	-	2,532
Inventory	-	-	-	-	247	-	247
Prepaid Expenses	2,533	1,783	1,005	-	19,300	-	24,621
Interfund Receivable	26,821	-	-	1,800	252,533	-	281,154
Total Current Assets	\$ 614,609	\$ 90,519	\$ 86,008	\$ 86,768	\$ 330,906	\$ -	\$ 1,208,810
Fixed Assets:							
Property and Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,914,477	\$ 2,914,477
Accumulated Depreciation	-	-	-	-	-	(1,836,609)	(1,836,609)
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,077,868	\$ 1,077,868
Restricted Cash - FSS Participants	-	-	21,419	-	-	-	21,419
TOTAL ASSETS	\$ 614,609	\$ 90,519	\$ 107,427	\$ 86,768	\$ 330,906	\$ 1,077,868	\$ 2,308,097
<u>LIABILITIES AND NET ASSETS</u>							
Current liabilities:							
Accounts Payable	\$ 178,938	\$ 2,512	\$ 22,854	\$ 111	\$ 32,306	\$ -	\$ 236,721
Accrued Payroll and Related Expenses	186,121	16,123	5,890	-	24,502	-	232,636
Interfund Payable	210,333	27,483	43,338	-	-	-	281,154
Deferred Revenue	-	-	14,272	-	-	-	14,272
Accrued Compensated Absences	-	-	-	-	56,769	-	56,769
Current Portion of Long-Term Debt	-	-	-	-	-	12,579	12,579
Reserve Accounts	-	-	-	-	19,332	-	19,332
Total Current Liabilities	\$ 575,392	\$ 46,118	\$ 86,354	\$ 111	\$ 132,909	\$ 12,579	\$ 853,463
Notes Payable	-	-	-	-	-	128,564	128,564
TOTAL LIABILITIES	\$ 575,392	\$ 46,118	\$ 86,354	\$ 111	\$ 132,909	\$ 141,143	\$ 982,027
<u>NET ASSETS</u>							
Net Assets Without Donor Restrictions:							
Undesignated	\$ 25,893	\$ 1,938	\$ 458	\$ 76,997	\$ 11,837	\$ 936,725	\$ 1,053,848
Board-designated	-	-	-	-	186,160	-	186,160
Total Net Assets Without Donor Restrictions	\$ 25,893	\$ 1,938	\$ 458	\$ 76,997	\$ 197,997	\$ 936,725	\$ 1,240,008
Net Assets With Donor Restrictions	13,324	42,463	20,615	9,660	-	-	86,062
TOTAL NET ASSETS	\$ 39,217	\$ 44,401	\$ 21,073	\$ 86,657	\$ 197,997	\$ 936,725	\$ 1,326,070
TOTAL LIABILITIES AND NET ASSETS	\$ 614,609	\$ 90,519	\$ 107,427	\$ 86,768	\$ 330,906	\$ 1,077,868	\$ 2,308,097

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAMS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019

Federal CFDA Number	Federal Program	Pass-Through Entity Identifying Number	Federal Expenditures
U.S DEPARTMENT OF AGRICULTURE			
Passed through Kansas Department of Education:			
10.558	Child and Adult Care Food Program	P0006-CTR-2018/2019	\$ 97,122
		P0006-CTR-2017/2018	47,341
		Total	<u>\$ 144,463</u>
10.574	Team Nutrition Grants	168KS151N3503	1,250
		168KS1513503	257
		Total	<u>\$ 1,507</u>
	Total U.S. Department of Agriculture		<u>\$ 145,970</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Kansas Housing Resources Corporation:			
14.231	Emergency Shelter Grant Program - Homeless Prevention	ESG-FFY2018	10,563
	Emergency Shelter Grant Program - Rapid Re-housing	ESG-FFY2018	5,180
	Emergency Shelter Grant Program - HMIS	ESG-FFY2018	375
	Emergency Shelter Grant Program - Homeless Prevention	ESG-FFY2017	565
	Emergency Shelter Grant Program - Rapid Re-housing	ESG-FFY2017	2,131
	Emergency Shelter Grant Program - HMIS	ESG-FFY2017	61
	Emergency Shelter Grant Program - Admin Funds	ESG-FFY2017	514
		Total	<u>\$ 19,389</u>
Passed through Kansas Housing Resources Corporation:			
14.239	Home Investment Partnerships Program	M-16-SG-20-0150	100,906
		M-17-SG-20-0150	122,071
		Total	<u>\$ 222,977</u>
Direct Program:			
14.267	Continuum of Care Program	KS0057LP071607	\$ 82,981
		KS0057LP071708	113,579
		Total	<u>\$ 196,560</u>
14.896	Family Self-Sufficiency Program	FSS18KS2493-01-00	\$ 5,125
		FSS17KS0472-01-00	39,799
		Total	<u>\$ 44,924</u>
14.871	Section 8 Housing Choice Vouchers (Housing Voucher Cluster)	KS168	\$ 660,783
		Total	<u>\$ 660,783</u>
	Total U.S. Department of Housing and Urban Development		<u>\$ 1,144,633</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Kansas Housing Resources Corporation:			
93.569	Community Service Block Grant	17 CSBG 05	\$ 102,458
		18 CSBG 05	499,319
		Total	<u>\$ 601,777</u>
Direct Program:			
93.600	Head Start	07CH7068/05	\$ 3,785,949
	Early Head Start	07CH7068/05	1,290,242
		Total	<u>\$ 5,076,191</u>
	Total U.S. Department of Health and Human Services		<u>\$ 5,677,968</u>
	Total Expenditures of Federal Awards		<u>\$ 6,968,571</u>

The accompanying notes are an integral part of this statement.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019**

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Northeast Kansas Community Action Program, Inc. for the year ended March 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B: Summary of Significant Accounting Policies

Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Organization has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C: Grants to Subrecipients

There were no federal funds passed through to sub-recipients during the fiscal year.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
FEDERAL HEAD START/EARLY HEAD START GRANT 07CH7068/05
STATEMENT OF REVENUES AND EXPENSES
TWELVE MONTHS ENDED MARCH 31, 2019

<u>REVENUE</u>	
Grant Income	\$ 5,076,191
In-Kind Contributions	1,458,189
	<hr/>
TOTAL REVENUE	\$ 6,534,380
	<hr/> <hr/>
<u>EXPENSES</u>	
Personnel	\$ 2,554,115
Fringe Benefits	766,445
Travel	56,402
Equipment	109,532
Supplies	277,072
Contractual	71,786
Other	554,767
Indirect Costs	686,072
In-Kind Expenses	1,458,189
	<hr/>
TOTAL EXPENSES	\$ 6,534,380
	<hr/> <hr/>

Detail of Expenditures by CAN Number:

<u>CAN NO.</u>	
8-G074120	\$ 45,309
8-G074121	29,667
8-G074122	3,740,640
8-G074125	1,260,575
In-Kind Expenses (Required)	1,269,048
In-Kind Expenses (Excess Over Required)	189,141
	<hr/>
TOTAL EXPENSES	\$ 6,534,380
	<hr/> <hr/>

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SUPPLEMENTAL CSBG PROGRAM SCHEDULE 17 CSBG05
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2018**

<u>Expenditure Accounts</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance (Over)/Under</u>
Personnel	\$ 327,818	\$ 361,621	\$ 33,803
Non-Personnel	116,499	85,299	(31,200)
Administration:			
Fair Share	68,784	75,651	6,867
Shortfall	27,771	15,436	(12,335)
TOTAL EXPENDITURES	<u>\$ 540,872</u>	<u>\$ 538,007</u>	<u>\$ (2,865)</u>

NOTES:

Expenditures include \$2,865 of healthcare reimbursement, which is considered program income and was expended in addition to the \$538,007 of grant income.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE 18 CSBG 05
 TWELVE MONTHS ENDED MARCH 31, 2019**

<u>Expenditure Accounts</u>	<u>Expenditures</u>	<u>Budget</u>	Variance <u>(Over)/Under</u>
Personnel	\$ 304,077	\$ 339,422	\$ 35,345
Non-Personnel	123,072	116,202	(6,870)
Administration:			
Fair Share	62,770	70,396	7,626
Shortfall	9,400	12,560	3,160
TOTAL EXPENDITURES	<u><u>\$ 499,319</u></u>	<u><u>\$ 538,580</u></u>	<u><u>\$ 39,261</u></u>

NOTES:

Grants period ends September 30, 2019.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
CHILD AND ADULT CARE FOOD PROGRAM KS168 - PROGRAM YEAR 17
STATEMENT OF REVENUES AND EXPENSES
TWELVE MONTHS ENDED SEPTEMBER 31, 2018**

	Current Six Month Period <u>4/1/2018-9/31/2018</u>	Twelve Month Grant Period <u>10/1/2017-9/31/2018</u>
<u>REVENUE</u>		
Grant Income	\$ 50,687	\$ 156,734
TOTAL REVENUE	\$ 50,687	\$ 156,734
<u>EXPENSES</u>		
Personnel	\$ 3,998	\$ 16,457
Supplies	42,515	136,813
Indirect Costs	829	3,464
TOTAL EXPENSES	\$ 47,342	\$ 156,734
REVENUE LESS EXPENSE	\$ 3,345	\$ -

*Note: Grant period is for twelve months from 10/1/2017-9/31/2018

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
CHILD AND ADULT CARE FOOD PROGRAM KS168 - PROGRAM YEAR 18
STATEMENT OF REVENUES AND EXPENSES
SIX MONTHS ENDED MARCH 31, 2019**

	Current Six Month Period <u>10/1/2018-3/31/2019</u>
<u>REVENUE</u>	
Grant Income	\$ 104,310
TOTAL REVENUE	<u>\$ 104,310</u>
<u>EXPENSES</u>	
Personnel and Fringe Benefits	\$ 2,345
Supplies	94,296
Indirect Costs	<u>481</u>
TOTAL EXPENSES	<u>\$ 97,122</u>
REVENUE LESS EXPENSE	<u>\$ 7,188</u>

*Note: Grant period is for twelve months from 10/1/2018-9/31/2019

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SPRING 2018 FAMILY FUN, FOOD & FITNESS SUBGRANT 168KS15IN3503
STATEMENT OF REVENUES AND EXPENSES
TWELVE MONTHS ENDED DECEMBER 31, 2018

	Current Nine Month Period <u>4/1/2018-12/31/2018</u>	Twelve Month Grant Period <u>1/1/2018-12/31/2018</u>
<u>REVENUE</u>		
Grant Income	\$ -	\$ 1,250
TOTAL REVENUE	\$ -	\$ 1,250
<u>EXPENSES</u>		
Supplies	\$ 88	\$ 88
Other	1,162	1,162
TOTAL EXPENSES	\$ 1,250	\$ 1,250
REVENUE LESS EXPENSE	\$ (1,250)	\$ -

*Note: Grant period is for twelve months from 1/1/2018-12/31/2018

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
POWER PANTHER PRESCHOOL SUBGRANT 168KS1513503
STATEMENT OF REVENUES AND EXPENSES
FOUR MONTHS ENDED MARCH 31, 2019

	Current Four Month Period <u>12/1/2018-3/31/2019</u>
<u>REVENUE</u>	
Grant Income	\$ <u>1,734</u>
TOTAL REVENUE	\$ <u>1,734</u>
<u>EXPENSES</u>	
Supplies	\$ <u>257</u>
TOTAL EXPENSES	\$ <u>257</u>
REVENUE LESS EXPENSE	\$ <u>1,477</u>

*Note: Grant period is for twelve months from 12/1/2018-9/29/2019

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. HOUSING CHOICE VOUCHERS KS168
FINANCIAL DATA SCHEDULE
BALANCE SHEET
PROGRAM YEAR ENDED MARCH 31, 2019**

ASSETS

Current Assets:

Cash	\$ 55,379
Accounts Receivable - HUD	-
Prepaid Expenses & Other	<u>1,005</u>

TOTAL ASSETS **\$ 56,384**

LIABILITIES

Current liabilities:

Accounts Payable	\$ 1,154
Accrued Payroll Liabilities	2,912
Accrued Liabilities - Other	<u>583</u>

Total Current Liabilities \$ 4,649

Non-current Liabilities:

FSS Escrow	<u>\$ 21,419</u>
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TOTAL LIABILITIES **\$ 26,068**

NET ASSETS

Unrestricted	\$ 16,044
Restricted	<u>14,272</u>

TOTAL NET ASSETS **\$ 30,316**

TOTAL LIABILITIES AND NET ASSETS **\$ 56,384**

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. HOUSING CHOICE VOUCHERS KS168
FINANCIAL DATA SCHEDULE
INCOME STATEMENT
PROGRAM YEAR ENDED MARCH 31, 2019**

REVENUE

Grant Revenue	\$ 660,783
Fraud Recovery	3,388
Other Income	<u>6,170</u>

TOTAL REVENUE **\$ 670,341**

EXPENDITURES

Operating:

Administrative	\$ 32,121
Tenant Services	63,984
Utilities	1,873
Insurance	843
Maintenance	2,760
General	<u>444</u>

Total Operating	\$ 102,025
Direct client assistance	<u>545,793</u>

TOTAL EXPENDITURES **\$ 647,818**

CHANGE IN NET ASSETS **\$ 22,523**

BEGINNING NET ASSETS **\$ 7,793**

ENDING NET ASSETS **\$ 30,316**

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. FAMILY SELF-SUFFICIENCY PROGRAM KS168
FINANCIAL DATA SCHEDULE
BALANCE SHEET
PROGRAM YEAR ENDED MARCH 31, 2019**

ASSETS

Current Assets:

Cash	\$ 37
Accounts Receivable - HUD	5,207
Prepaid Expenses & Other	-
	<hr/>

TOTAL ASSETS **\$ 5,244**

LIABILITIES

Current liabilities:

Accrued Liabilities - other	\$ 3,396
Accrued Payroll Liabilities	1,766
	<hr/>

TOTAL LIABILITIES **\$ 5,162**

NET ASSETS

Unrestricted	\$ 82
Restricted	-
	<hr/>

TOTAL NET ASSETS **\$ 82**

TOTAL LIABILITIES AND NET ASSETS **\$ 5,244**

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. FAMILY SELF-SUFFICIENCY PROGRAM KS168
FINANCIAL DATA SCHEDULE
PROGRAM YEAR ENDED MARCH 31, 2019**

<u>REVENUE</u>		
Grant Revenue		\$ 45,006
Other Income		<u>-</u>
TOTAL REVENUE		<u>\$ 45,006</u>
<u>EXPENDITURES</u>		
Operating:		
Tenant services	44,829	
Insurance	<u>95</u>	
Total Administrative		\$ 44,924
Direct client assistance		<u>-</u>
TOTAL EXPENDITURES		<u>\$ 44,924</u>
CHANGE IN NET ASSETS		\$ 82
BEGINNING NET ASSETS		<u>\$ -</u>
ENDING NET ASSETS		<u><u>\$ 82</u></u>

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McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

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 of
Northeast Kansas Community Action Program, Inc.

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 Northeast Kansas Community Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Kansas Community Action Program, Inc.'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 Northeast Kansas Community Action Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Kansas Community Action Program, Inc.'s internal control.

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

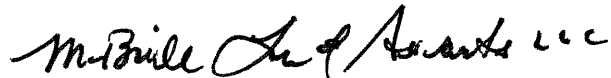
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



McBride, Lock & Associates, LLC
Kansas City, Missouri
September 11, 2019

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McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

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 of
Northeast Kansas Community Action Program, Inc.

Report on Compliance for Each Major Federal Program

We have audited Northeast Kansas Community Action Program, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Kansas Community Action Program, Inc.'s major federal programs for the year ended March 31, 2019. Northeast Kansas Community Action Program, Inc.'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 Northeast Kansas Community Action Program, Inc.'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 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 Northeast Kansas Community Action Program, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northeast Kansas Community Action Program, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Northeast Kansas Community Action Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

Report on Internal Control Over Compliance

Management of Northeast Kansas Community Action Program, Inc. 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 Northeast Kansas Community Action Program, Inc.'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 Northeast Kansas Community Action Program, Inc.'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.



McBride, Lock & Associates, LLC
Kansas City, Missouri
September 11, 2019

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended March 31, 2019

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
 Material weakness(es) identified: Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? Yes X None reported
3. Noncompliance material to financial
 statements noted? Yes X No

Federal Awards

4. Internal control over major programs:
 Material weakness(es) identified: Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? Yes X None reported
5. Type of auditor’s report issued on
 compliance for major programs? Unmodified
6. Any findings disclosed that are required
 to be reported in accordance with
 Uniform Guidance section 200.516? Yes X No

7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
14.239	Home Investments Partnerships Program

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2019
(Continued)

- | | | |
|----|--|---------------------------|
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$750,000</u> |
| 9. | Auditee qualified as a low-risk auditee? | <u>X</u> Yes <u> </u> No |

Section II – Financial Statement Findings:

There were no matters reported.

Section III – Federal Award Findings and Questioned Costs:

There were no matters reported.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019

Financial Statement Findings:

There were no prior year financial statement findings.

Federal Award Findings and Questioned Costs:

There were no prior year federal award findings or questioned costs.