

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
Hiawatha, Kansas

YEAR ENDED MARCH 31, 2016

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.

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MCBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' 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, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, 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 Schedule (Schedule 8) is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information in Schedules 1, 2, 4, 5, 6, 7, 9, 10 and 11 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, 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 13, 2016, 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

McBride, Lock & Associates, LLC
Kansas City, Missouri
September 13, 2016

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016
(with summarized financial information at March 31, 2015)

| <u>ASSETS</u> | 2016 | 2015 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash (Note 2) | \$ 252,935 | \$ 369,999 |
| Investments (Note 3) | 43,553 | 56,712 |
| Grant Funds Receivable | 763,534 | 465,953 |
| Accounts Receivable | 7,821 | 1,820 |
| Inventory | 123 | - |
| Prepaid Expenses (Note 5) | 10,714 | 25,752 |
| Total Current Assets | \$ 1,078,680 | \$ 920,236 |
| Fixed Assets (Note 4): | | |
| Property and Equipment | \$ 2,649,285 | \$ 2,343,130 |
| Accumulated Depreciation | (1,606,571) | (1,691,216) |
| Total Fixed Assets | \$ 1,042,714 | \$ 651,914 |
| Other Assets: | | |
| Restricted Cash - FSS Participants (Note 2) | \$ 12,939 | \$ 6,643 |
| Total Other Assets | \$ 12,939 | \$ 6,643 |
| TOTAL ASSETS | \$ 2,134,333 | \$ 1,578,793 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 330,830 | \$ 178,086 |
| Accrued Payroll and Related Expenses | 270,239 | 256,528 |
| Accrued Compensated Absences | 55,215 | 44,413 |
| Current Portion of Long-Term Debt (Note 6) | 37,545 | 35,734 |
| Reserve Accounts (Note 7) | 25,219 | 25,219 |
| Total Current Liabilities | \$ 719,048 | \$ 539,980 |
| Notes Payable (Note 6) | 233,392 | 270,356 |
| TOTAL LIABILITIES | \$ 952,440 | \$ 810,336 |
| <u>NET ASSETS</u> | | |
| Unrestricted | \$ 1,042,656 | \$ 625,546 |
| Temporarily Restricted (Note 10) | 139,237 | 142,911 |
| Permanently Restricted | - | - |
| TOTAL NET ASSETS | \$ 1,181,893 | \$ 768,457 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,134,333 | \$ 1,578,793 |

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 STATEMENT OF ACTIVITIES
 YEAR ENDED MARCH 31, 2016
 (with summarized financial information at March 31, 2015)

| | Unrestricted | Temporarily Restricted | 2016 Total | (Restated - Note 15) 2015 Total |
|---|---------------------|---------------------------|---------------------|---------------------------------------|
| <u>REVENUE</u> | | | | |
| Federal Grants | \$ 6,638,695 | \$ 21,911 | \$ 6,660,606 | \$ 6,493,008 |
| State/Local Grants | 10,462 | 244 | 10,706 | 101,593 |
| Donations | 34,168 | 7,200 | 41,368 | 11,978 |
| Reimbursements | 3,564 | - | 3,564 | 68,487 |
| Other | 708 | - | 708 | 32,205 |
| In-kind Contributions | 936,628 | - | 936,628 | 894,784 |
| Net Assets Released from Restrictions | 33,029 | (33,029) | - | - |
| TOTAL REVENUE | \$ 7,657,254 | \$ (3,674) | \$ 7,653,580 | \$ 7,602,055 |
| <u>EXPENDITURES</u> | | | | |
| Child Care | \$ 5,205,374 | \$ - | \$ 5,205,374 | \$ 5,346,271 |
| Community Services | 489,293 | - | 489,293 | 607,343 |
| Housing | 995,236 | - | 995,236 | 744,479 |
| Other Services | 14,125 | - | 14,125 | 65,842 |
| In-kind Expenditures | 936,628 | - | 936,628 | 894,784 |
| Total Program Services | \$ 7,640,656 | \$ - | \$ 7,640,656 | \$ 7,658,719 |
| General Fund | (412,218) | - | (412,218) | 97,623 |
| TOTAL EXPENSES | \$ 7,228,438 | \$ - | \$ 7,228,438 | \$ 7,756,342 |
| CHANGE IN NET ASSETS FROM OPERATIONS | \$ 428,816 | \$ (3,674) | \$ 425,142 | \$ (154,287) |
| <u>OTHER REVENUE/(EXPENSE)</u> | | | | |
| Unrealized Gain/(Loss) on Investments | \$ (13,159) | \$ - | \$ (13,159) | \$ - |
| Investment Income | 1,453 | - | 1,453 | 4,968 |
| TOTAL OTHER REVENUE/(EXPENSE) | \$ (11,706) | \$ - | \$ (11,706) | \$ 4,968 |
| CHANGE IN NET ASSETS | \$ 417,110 | \$ (3,674) | \$ 413,436 | \$ (149,319) |
| NET ASSETS, BEGINNING OF YEAR | \$ 625,546 | \$ 142,911 | \$ 768,457 | \$ 917,776 |
| NET ASSETS, END OF YEAR | \$ 1,042,656 | \$ 139,237 | \$ 1,181,893 | \$ 768,457 |

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016
(with summarized financial information for March 31, 2015)

| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Change in Net Assets | \$ 413,436 | \$ (149,319) |
| Adjustments to Reconcile Change in Net | | |
| Assets to Cash Flows from Operating Activities: | | |
| Depreciation | 67,654 | 88,509 |
| (Increase)/Decrease in Grants Receivable | (297,581) | (72,878) |
| (Increase)/Decrease in Accounts Receivable | (6,001) | (1,755) |
| (Increase)/Decrease in Inventory | (123) | 128 |
| (Increase)/Decrease in Prepaid Expenses | 15,038 | (14,517) |
| (Increase)/Decrease in Restricted Cash - FSS Participants | (6,296) | (5,046) |
| Increase/(Decrease) in Accounts Payable | 152,744 | (31,122) |
| Increase/(Decrease) in Accrued Payroll and Related Expenses | 13,711 | (6,998) |
| Increase/(Decrease) in Accrued Compensated Absences | 10,802 | (2,519) |
| Net Cash Used in Operating Activities | <u>\$ 363,384</u> | <u>\$ (195,517)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Unrealized (Gain)/Loss on Investments | \$ 13,159 | \$ (4,967) |
| Acquisition of Property and Equipment | (458,454) | (35,472) |
| Net Cash Used in Investing Activities | <u>\$ (445,295)</u> | <u>\$ (40,439)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u> | | |
| Payment of Long-Term Debt | \$ (35,153) | \$ (41,189) |
| Net Cash Used in Financing Activities | <u>\$ (35,153)</u> | <u>\$ (41,189)</u> |
| NET INCREASE (DECREASE) IN CASH | \$ (117,064) | \$ (277,145) |
| CASH, BEGINNING OF YEAR | <u>369,999</u> | <u>647,144</u> |
| CASH, END OF YEAR | <u>\$ 252,935</u> | <u>\$ 369,999</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, 2016

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 three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets 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. Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes or periods. Permanently restricted net assets include 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. The building is classified as a temporarily restricted net asset, and the yearly depreciation is released from temporarily restricted net assets to unrestricted net assets. Permanent improvements to the building are recorded as a transfer from unrestricted net assets to temporarily restricted net assets.

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 |

Contributions

NEKCAP recognizes the full amount of the contributions and grants received in the period that they were made as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The organization reports gifts of cash and other assets as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support. 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 \$208,463 for the year ended March 31, 2016.

Advertising Costs

Advertising costs are expensed to operations when incurred. Total advertising cost for the year ended March 31, 2016 and 2015 were \$6,063 and \$4,924, 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 2013. During the fiscal year ending March 31, 2016, 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.

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.

NOTE 2 – DEPOSITS

As of March 31, 2016 and 2015, the carrying amount of NEKCAP's deposits including restricted cash balances was \$265,874 and \$376,642, respectively. The bank balances were \$476,871 and \$428,177 as of March 31, 2016 and 2015, respectively. The difference between carrying amount and bank balance is outstanding deposits and checks. Of the bank balance for March 31, 2016, \$278,901 was covered by FDIC insurance and \$197,970 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 \$12,939 as of March 31, 2016 and \$6,643 as of March 31, 2015.

As a condition of the ALJ Center notes payable as listed in Note 5, 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 \$9,961 and \$9,949 as of March 31, 2016 and 2015, respectively, which will be applied to the final payment.

NOTE 3 – INVESTMENTS

At March 31, 2016 and 2015, the value of the organization's investments consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|-------------------|-------------|-------------|
| Equity Securities | \$ 43,553 | \$ 56,712 |

The following schedule summarized the organization's investment return for the year ended March 31, 2016:

| | |
|-------------------------|--------------------|
| Dividends | \$ 1,453 |
| Unrealized Loss | <u>(13,159)</u> |
| Total Investment Return | <u>\$ (11,706)</u> |

NOTE 4 – PROPERTY AND EQUIPMENT

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

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|---------------------|--------------------|
| Central Office Building and Equipment | \$ 344,751 | \$ 344,751 |
| ALJ Center | 707,738 | 707,738 |
| Leasehold Improvements | 29,250 | 29,250 |
| Child Care Equipment | 36,387 | 36,387 |
| Equipment - Federal | <u>1,531,159</u> | <u>1,225,004</u> |
| | | |
| Total Property and Equipment | 2,649,285 | 2,343,130 |
| | | |
| Less: Accumulated Depreciation | <u>(1,606,571)</u> | <u>(1,691,216)</u> |
| | | |
| Net Property and Equipment | <u>\$ 1,042,714</u> | <u>\$ 651,914</u> |

Depreciation expense during the years ended March 31, 2016 and 2015 were \$67,654 and \$88,509, respectively.

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consist of the following as of March 31:

| | <u>2016</u> | <u>2015</u> |
|-------------------------|------------------|------------------|
| Worker's Comp Insurance | \$ - | \$ 15,042 |
| Conference | 8,339 | 9,927 |
| Prepaid Postage | 2,150 | - |
| Travel Advances | <u>225</u> | <u>783</u> |
| | | |
| Total Prepaid Expenses | <u>\$ 10,714</u> | <u>\$ 25,752</u> |

NOTE 6 – NOTES PAYABLE

Notes payable consisted of the following at March 31:

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Notes Payable to Banks: | | |
| School bus loan: 3.65% interest, monthly installments of \$607, due 2/5/2018 | \$ 13,469 | \$ 20,119 |
| ALJ Center loan: 7.00% interest, monthly installments of \$720, due 2/12/2019 | 22,590 | 29,377 |
| ALJ Center loan: 7.00% interest, monthly installments of \$360, due 2/12/2019 | 11,295 | 14,688 |
| School bus loan: 3.65% interest, monthly installments of \$899, due 9/5/2018 | 25,716 | 35,345 |
| Note Payable to Farmers Home Administration: | | |
| ALJ Center loan: 5% interest, monthly installments of \$1,611, due 7/20/2030 | <u>197,867</u> | <u>206,561</u> |
| Total Notes Payable | \$270,937 | \$306,090 |
| Less Current Portion | 37,545 | 35,734 |
| Long-Term Notes Payable | <u>\$233,392</u> | <u>\$270,356</u> |

Interest expense paid for years ended March 31, 2016 and 2015 was \$13,786 and \$16,547, respectively.

As of March 31, 2016, notes payable mature as follows:

| Year Ended March 31: | |
|----------------------|-------------------|
| 2017 | \$ 37,545 |
| 2018 | 38,851 |
| 2019 | 27,239 |
| 2020 | 11,248 |
| 2021 | 11,823 |
| Thereafter | 144,231 |
| Total | <u>\$ 270,937</u> |

NOTE 7 – 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, 2016 and 2015.

The organization accrued a liability as of March 31, 2014 as a result of a program audit of the State Early Head Start grant by the Kansas Department of Children and Families. The program audit questioned \$5,887 of costs which must be returned to the grantor as a result of actual costs for Taxes & Benefits exceeding the budgeted amount for that line item. The reserve will remain on the books until the issue is resolved with the state agency.

NOTE 8 – 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> |
|-------------------------|-----------------------|
| 0-3 | 1 |
| 4-6 | 1.25 |
| 7-10 | 1.5 |
| 11-15 | 1.75 |
| 16+ | 2 |

Employees may not carryover more than 120 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, 2016 and 2015 was \$55,215 and \$44,413, respectively.

NOTE 9 – 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, 2016 and 2015 was \$190,655 and \$139,351, respectively. Operating leases for the next five years are as follows:

| Year Ended March 31: | |
|----------------------|-----------|
| 2017 | \$ 85,636 |
| 2018 | 71,570 |
| 2019 | 71,070 |

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at March 31:

| | <u>2016</u> | <u>2015</u> |
|-------------------------|-------------------|-------------------|
| Child Care | \$ 9,236 | \$ 22,557 |
| Community Services | 69,999 | 59,219 |
| Other | 7,466 | 1,254 |
| Central Office Building | <u>52,536</u> | <u>59,881</u> |
| Total | <u>\$ 139,237</u> | <u>\$ 142,911</u> |

NOTE 11 – 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, 2016 and 2015 was \$40,661 and \$48,047, 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 12 – 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, 2016, 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 13 – SUBSEQUENT EVENTS

NEKCAP evaluated subsequent events through September 13, 2016, the date the financial statements were available to be issued.

NOTE 14 – 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 15 – 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.

The summarized 2015 revenues have been restated to reclassify the revenues of the Kansas Early Head Start fund from State/Local Grants to Federal Grants. The organization elected to change the classification of these revenues during the year ended March 31, 2016. The prior year amounts have been reclassified for comparability.

SUPPLEMENTARY INFORMATION

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION BY FUND
YEAR ENDED MARCH 31, 2016

| | Child Care | Community Services | Housing | Other Services | General Fund | Total |
|--|-------------------|-----------------------|-------------------|-------------------|---------------------|---------------------|
| <u>ASSETS</u> | | | | | | |
| Current Assets: | | | | | | |
| Cash | \$ (200,349) | \$ 88,573 | \$ (26,544) | \$ 25,364 | \$ 365,891 | \$ 252,935 |
| Investments | - | - | - | 43,553 | - | 43,553 |
| Grant Funds Receivable | 732,150 | 4,726 | 26,658 | - | - | 763,534 |
| Accounts Receivable | - | - | - | - | 7,821 | 7,821 |
| Inventory | - | - | - | - | 123 | 123 |
| Prepaid Expenses | 5,895 | 76 | 156 | - | 4,587 | 10,714 |
| Total Current Assets | \$ 537,696 | \$ 93,375 | \$ 270 | \$ 68,917 | \$ 378,422 | \$ 1,078,680 |
| Fixed Assets: | | | | | | |
| Property and Equipment | \$ - | \$ - | \$ - | \$ - | \$ 2,649,285 | \$ 2,649,285 |
| Accumulated Depreciation | - | - | - | - | (1,606,571) | (1,606,571) |
| Total Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ 1,042,714 | \$ 1,042,714 |
| Restricted Cash - FSS Participants | - | - | 12,939 | - | - | 12,939 |
| TOTAL ASSETS | \$ 537,696 | \$ 93,375 | \$ 13,209 | \$ 68,917 | \$ 1,421,136 | \$ 2,134,333 |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | | |
| Current liabilities: | | | | | | |
| Accounts Payable | \$ 287,209 | \$ 1,859 | \$ 14,455 | \$ - | \$ 27,307 | \$ 330,830 |
| Accrued Payroll and Related Expenses | 220,152 | 18,230 | 4,861 | - | 26,996 | 270,239 |
| Accrued Compensated Absences | - | - | - | - | 55,215 | 55,215 |
| Current Portion of Long-Term Debt | - | - | - | - | 37,545 | 37,545 |
| Reserve Accounts | - | - | - | - | 25,219 | 25,219 |
| Total current liabilities | \$ 507,361 | \$ 20,089 | \$ 19,316 | \$ - | \$ 172,282 | \$ 719,048 |
| Notes Payable | - | - | - | - | 233,392 | 233,392 |
| TOTAL LIABILITIES | \$ 507,361 | \$ 20,089 | \$ 19,316 | \$ - | \$ 405,674 | \$ 952,440 |
| <u>NET ASSETS</u> | | | | | | |
| Unrestricted | \$ 21,099 | \$ 3,287 | \$ (6,107) | \$ 61,451 | \$ 962,926 | \$ 1,042,656 |
| Temporarily Restricted | 9,236 | 69,999 | - | 7,466 | 52,536 | 139,237 |
| TOTAL NET ASSETS | \$ 30,335 | \$ 73,286 | \$ (6,107) | \$ 68,917 | \$ 1,015,462 | \$ 1,181,893 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 537,696 | \$ 93,375 | \$ 13,209 | \$ 68,917 | \$ 1,421,136 | \$ 2,134,333 |

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2016

| EXPENDITURES: | Child Care | Community Services | Housing | Other Services | Total Programs | General Fund | Total |
|-----------------------------|---------------------|--------------------|-------------------|------------------|---------------------|---------------------|---------------------|
| Personnel | \$ 2,240,259 | \$ 219,361 | \$ 84,365 | \$ - | \$ 2,543,985 | \$ - | \$ 2,543,985 |
| Fringe Benefits | 849,928 | 67,294 | 28,080 | - | 945,302 | 10,876 | 956,178 |
| Equipment | 476,523 | - | - | - | 476,523 | (475,095) | 1,428 |
| Computer | 44,693 | 20,349 | 1 | - | 65,043 | - | 65,043 |
| Supplies | 283,066 | 15,863 | 7,326 | 167 | 306,422 | - | 306,422 |
| Rent/Utilities | 161,124 | 26,465 | 2,167 | - | 189,756 | (1,791) | 187,965 |
| Facility Repair/Maintenance | 32,835 | 3,790 | 853 | - | 37,478 | - | 37,478 |
| Mortgage | 26,389 | 3,218 | - | - | 29,607 | (29,607) | - |
| Professional Fees | 9,365 | (3,269) | 27 | - | 6,123 | 322 | 6,445 |
| Communications | 61,055 | 12,462 | 2,237 | - | 75,754 | (11) | 75,743 |
| Vehicle | 117,479 | 5,937 | (51) | - | 123,365 | - | 123,365 |
| Insurance | 33,139 | 2,129 | 263 | - | 35,531 | - | 35,531 |
| Travel | 35,969 | 4,900 | (435) | 390 | 40,824 | - | 40,824 |
| Registration | 42,593 | 3,360 | 179 | 65 | 46,197 | - | 46,197 |
| Tuition and Books | 6,753 | - | - | - | 6,753 | - | 6,753 |
| Depreciation | - | - | - | - | - | 67,654 | 67,654 |
| Interest | - | - | - | - | - | 13,786 | 13,786 |
| Other Operating Expense | 20,059 | 1,820 | 3,596 | 580 | 26,055 | 771 | 26,826 |
| Support to Other Programs | - | 1,063 | - | 33 | 1,096 | (293) | 803 |
| Direct Customer Services | 110,463 | 36,776 | 855,841 | 12,890 | 1,015,970 | 1,170 | 1,017,140 |
| In-kind Contributions | 936,628 | - | - | - | 936,628 | - | 936,628 |
| Total Expenses | \$ 5,488,320 | \$ 421,518 | \$ 984,449 | \$ 14,125 | \$ 6,908,412 | \$ (412,218) | \$ 6,496,194 |
| Indirect Expense | 653,682 | 67,775 | 10,787 | - | 732,244 | - | 732,244 |
| TOTAL EXPENDITURES | \$ 6,142,002 | \$ 489,293 | \$ 995,236 | \$ 14,125 | \$ 7,640,656 | \$ (412,218) | \$ 7,228,438 |

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, 2016

| 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 | N/A | \$ 156,373 |
| 10.579 | Child Nutrition Discretionary Grants Ltd. Avail. | N/A | <u>5,893</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 162,266</u> |
| U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed through Catholic Charities: | | | |
| 14.231 | Emergency Shelter Grant Program - Homeless Prevention | N/A | \$ 87 |
| | Emergency Shelter Grant Program - Rapid Re-housing | N/A | 3,447 |
| | Emergency Shelter Grant Program - HMIS | N/A | <u>30</u> |
| Total | | | <u>\$ 3,564</u> |
| Passed through Kansas Housing Resources Corporation: | | | |
| 14.239 | Home Investment Partnerships Program | M-13-SG-20-0160 | 18,465 |
| | | M-14-SG-20-0170 | <u>75,518</u> |
| Total | | | <u>\$ 93,983</u> |
| Direct Program: | | | |
| 14.267 | Continuum of Care Program | KS0057LP071304 | \$ 82,709 |
| | | KS0057LP071405 | <u>97,801</u> |
| Total | | | <u>\$ 180,510</u> |
| 14.896 | Family Self-Sufficiency Program | KS168FSH245A014 | \$ 40,627 |
| | | KS168FSH245A015 | <u>10,562</u> |
| Total | | | <u>\$ 51,189</u> |
| 14.871 | Section 8 Housing Choice Vouchers | KS168 (PY14) | \$ 314,619 |
| | | KS168 (PY15) | <u>354,934</u> |
| Total | | | <u>\$ 669,553</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 998,799</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through Kansas Department of Children and Families: | | | |
| 93.575 | Child Care and Development Block Grant | EHS/HS-14-15-CH6173 | \$ 149,617 |
| | | EHS/HS-15-16-CH6173 | <u>536,294</u> |
| Total | | | <u>\$ 685,911</u> |
| Passed through Kansas Housing Resources Corporation: | | | |
| 93.569 | Community Service Block Grant | 14 CSBG 05 | \$ 32,613 |
| | | 15 CSBG 05 | 429,093 |
| | | 14 DISC 05A | <u>12,281</u> |
| Total | | | <u>\$ 473,987</u> |
| Direct Program: | | | |
| 93.600 | Head Start | 07CH7068/02 | \$ 3,116,816 |
| | Early Head Start | 07CH7068/02 | <u>1,233,304</u> |
| Total | | | <u>\$ 4,350,120</u> |
| Total U.S. Department of Health and Human Services | | | <u>\$ 5,510,018</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 6,671,083</u></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, 2016**

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, 2016. 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*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

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 07CH7068/02
 STATEMENT OF REVENUES AND EXPENSES
 TWELVE MONTHS ENDED MARCH 31, 2016**

REVENUE

| | |
|-----------------------|------------------|
| Grant Income | \$ 4,350,120 |
| In-Kind Contributions | <u>1,145,091</u> |

| | |
|----------------------|-----------------------------------|
| TOTAL REVENUE | <u><u>\$ 5,495,211</u></u> |
|----------------------|-----------------------------------|

EXPENSES

| | |
|------------------|------------------|
| Personnel | \$ 1,886,996 |
| Fringe Benefits | 734,436 |
| Travel | 31,942 |
| Equipment | 476,523 |
| Supplies | 142,385 |
| Contractual | 61,499 |
| Other | 456,409 |
| Indirect Costs | 559,930 |
| In-Kind Expenses | <u>1,145,091</u> |

| | |
|-----------------------|-----------------------------------|
| TOTAL EXPENSES | <u><u>\$ 5,495,211</u></u> |
|-----------------------|-----------------------------------|

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE 14 CSBG 05
 EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2015**

| <u>Expenditure Accounts</u> | <u>Expenditures</u> | <u>Budget</u> | Variance <u>(Over)/Under</u> |
|------------------------------------|--------------------------|--------------------------|---------------------------------|
| Personnel | \$ 294,203 | \$ 303,419 | \$ 9,216 |
| Non-Personnel | 130,449 | 124,607 | (5,842) |
| Administration: | | | |
| Fair Share | 60,137 | 61,291 | 1,154 |
| Shortfall | 17,714 | 13,186 | (4,528) |
| TOTAL EXPENDITURES | <u><u>\$ 502,503</u></u> | <u><u>\$ 502,503</u></u> | <u><u>\$ -</u></u> |

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE 14 DISC 05A
 EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2015**

| <u>Expenditure Accounts</u> | <u>Expenditures</u> | <u>Budget</u> | <u>Variance (Over)/Under</u> |
|------------------------------------|-------------------------|-------------------------|----------------------------------|
| Personnel | \$ - | \$ - | \$ - |
| Non-Personnel | 12,436 | 12,436 | - |
| Administration: | | | |
| Fair Share | - | - | - |
| Shortfall | - | - | - |
| TOTAL EXPENDITURES | <u>\$ 12,436</u> | <u>\$ 12,436</u> | <u>\$ -</u> |

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE 15 CSBG 05
 TWELVE MONTHS ENDED MARCH 31, 2016**

| <u>Expenditure Accounts</u> | <u>Expenditures</u> | <u>Budget</u> | <u>Variance (Over)/Under</u> |
|------------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Personnel | \$ 284,634 | \$ 315,059 | \$ 30,425 |
| Non-Personnel | 76,739 | 110,547 | 33,808 |
| Administration: | | | |
| Fair Share | 59,737 | 63,642 | 3,905 |
| Shortfall | 7,983 | 17,761 | 9,778 |
| TOTAL EXPENDITURES | <u><u>\$ 429,093</u></u> | <u><u>\$ 507,009</u></u> | <u><u>\$ 77,916</u></u> |

NOTE: Grant period ends September 30, 2016

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 NEK-CAP, INC. HOUSING CHOICE VOUCHERS KS168
 FINANCIAL DATA SCHEDULE
 PROGRAM YEAR ENDED SEPTEMBER 30, 2015

| | | |
|---------------------------------|--------------|-------------------------------|
| <u>REVENUE</u> | | |
| Grant Revenue | | \$ 563,730 |
| Other Income | | <u>3,147</u> |
| TOTAL REVENUE | | <u>\$ 566,877</u> |
| <u>EXPENDITURES</u> | | |
| Administrative: | | |
| Employee Compensation | \$ 38,703 | |
| Office Supplies | 5,443 | |
| Rent | 2,696 | |
| Communications | 1,214 | |
| Insurance | 293 | |
| Travel/vehicle maintenance | (913) | |
| Other | 2,725 | |
| Indirect costs | <u>5,721</u> | |
| Total Administrative | | \$ 55,882 |
| Direct client assistance | | <u>510,995</u> |
| TOTAL EXPENDITURES | | <u>\$ 566,877</u> |
| CHANGE IN NET ASSETS | | <u>\$ -</u> |
| BEGINNING NET ASSETS | | \$ 1,532 |
| PRIOR PERIOD ADJUSTMENTS | | - |
| FSS GRANT REPAYMENT | | <u>-</u> |
| ENDING NET ASSETS | | <u><u>\$ 1,532</u></u> |

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 NEK-CAP, INC. HOUSING CHOICE VOUCHERS KS168
 SCHEDULE OF REVENUES AND EXPENDITURES
 SIX MONTHS ENDED MARCH 31, 2016

| | | |
|-----------------------------|--------------|-------------------------------|
| <u>REVENUE</u> | | |
| Grant Revenue | | \$ 354,324 |
| Other Income | | <u>610</u> |
| TOTAL REVENUE | | <u>\$ 354,934</u> |
| <u>EXPENDITURES</u> | | |
| Administrative: | | |
| Employee Compensation | \$ 28,414 | |
| Office Supplies | 3,622 | |
| Rent | 1,929 | |
| Communications | 1,445 | |
| Insurance | 88 | |
| Travel/vehicle maintenance | 1,045 | |
| Other | 3,380 | |
| Indirect costs | <u>6,105</u> | |
| Total Administrative | | \$ 46,028 |
| Direct client assistance | | <u>308,906</u> |
| TOTAL EXPENDITURES | | <u>\$ 354,934</u> |
| CHANGE IN NET ASSETS | | <u>\$ -</u> |
| BEGINNING NET ASSETS | | <u>\$ 1,532</u> |
| ENDING NET ASSETS | | <u><u>\$ 1,532</u></u> |

NOTE: Program year ends September 30, 2016

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATE EARLY HEAD START GRANT EHS/HS-14-15-CH6173
STATEMENT OF REVENUES AND EXPENSES
TWELVE MONTHS ENDED JUNE 30, 2015

REVENUE

| | |
|--------------|------------|
| Grant Income | \$ 691,146 |
|--------------|------------|

| | |
|----------------------|-------------------|
| TOTAL REVENUE | \$ 691,146 |
|----------------------|-------------------|

EXPENSES

| | |
|--------------------------|------------|
| Personnel | \$ 307,099 |
| Employer Tax & Benefits | 92,602 |
| Travel | - |
| Equipment/Other Services | - |
| Supplies | 24,955 |
| Consultants/Contractual | 126,315 |
| Training | 11,492 |
| Building | 28,595 |
| Other | 22,788 |
| Indirect Costs | 77,300 |

| | |
|-----------------------|-------------------|
| TOTAL EXPENSES | \$ 691,146 |
|-----------------------|-------------------|

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATE EARLY HEAD START GRANT EHS/HS-15-16-CH6173
STATEMENT OF REVENUES AND EXPENSES
NINE MONTHS ENDED MARCH 31, 2016**

REVENUE

| | |
|--------------|------------|
| Grant Income | \$ 536,294 |
|--------------|------------|

| | |
|----------------------|-------------------|
| TOTAL REVENUE | \$ 536,294 |
|----------------------|-------------------|

EXPENSES

| | |
|--------------------------|------------|
| Personnel | \$ 261,069 |
| Employer Tax & Benefits | 86,170 |
| Travel | - |
| Equipment/Other Services | 3,729 |
| Supplies | 8,317 |
| Consultants/Contractual | 61,008 |
| Training | 7,905 |
| Building | 12,958 |
| Other | 23,504 |
| Indirect Costs | 71,634 |

| | |
|-----------------------|-------------------|
| TOTAL EXPENSES | \$ 536,294 |
|-----------------------|-------------------|

NOTE: Grant period ends June 30, 2016

MCBRIDE, LOCK & ASSOCIATES, LLC

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

To the Board of Directors of
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, 2016, 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 13, 2016.

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 13, 2016

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' 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, 2016. 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, 2016.

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 13, 2016

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended March 31, 2016

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ 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 auditors’ 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> |
|--------------------|---|
| 14.871 | Section 8 Housing Choice Vouchers |
| 93.575 | Child Care and Development Block Grant |

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2016
(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, 2016

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.