

**Organized Community  
Action Program, Inc.**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2017**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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**Organized Community Action Program, Inc.**  
**Table of Contents**  
**September 30, 2017**

**REPORT**

Independent Auditors' Report	1
------------------------------	---

**FINANCIAL STATEMENTS**

Statement of Financial Position	3
---------------------------------	---

Statement of Activities	4
-------------------------	---

Statement of Cash Flows	5
-------------------------	---

Notes to Financial Statements	6
-------------------------------	---

**SUPPLEMENTAL INFORMATION**

Schedule of Expenditures of Federal Awards	17
--	----

Notes to Schedule of Expenditures of Federal Awards	19
---	----

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 <u>Government Auditing Standards</u>	22
---	----

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	24
---	----

Schedule of Findings and Questioned Costs	26
---	----

Summary Schedule of Prior Audit Findings	27
--	----

**INTERNAL CONTROL RECOMMENDATIONS**

Management Letter	28
-------------------	----

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Organized Community Action Program, Inc.  
Troy, Alabama

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Organized Community Action Program, Inc. (a nonprofit organization) (the Agency), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 the Agency as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the Agency'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 the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 27, 2018

**Organized Community Action Program, Inc.**  
**Statement of Financial Position**

September 30,

2017

**Assets**

Current assets

Cash and cash equivalents	\$	478,673
Investments		175,000
Accounts receivable - grants		380,564
Accounts receivable - others		36,579
Accrued support		65,947
Prepaid items		41,734

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Total current assets		1,178,497
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Noncurrent assets

Accounts receivable - related party partnerships, net of \$270,000 allowance		380,729
Property and equipment, net		1,487,198

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Total noncurrent assets		1,867,927
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Total assets	\$	3,046,424
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**Liabilities and Net Assets**

Current liabilities

Accounts payable	\$	274,357
Accrued expenses		196,198
Deferred support		67,633
Due to grantor		18,035

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Total liabilities		556,223
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Net assets - unrestricted		2,490,201
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Total liabilities and net assets	\$	3,046,424
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*The accompanying notes are an integral part of these financial statements.*

**Organized Community Action Program, Inc.**  
**Statement of Activities**

*Year ended September 30,*

**2017**

**Unrestricted Net Assets  
Support**

Grant revenue	\$	10,880,992
Donations		92,145
In-kind		1,035,384
Interest earned		2,857
Lease income		6,762
Development fees		84,995
Miscellaneous income		76,616
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Increase in unrestricted net assets		12,179,751

**Expenses**

Program services		
Community Services Block Grant		491,780
LIHEAP		2,551,027
Weatherization		260,958
Head Start		6,386,197
U.S.D.A.		594,801
Alabama Business Charitable Trust		37,008
Emergency Food and Shelter		75,314
General Fund		9,879
Local Funds		55,014
HUD		13,290
Fatherhood		76,659
DCA Pre-K		561,433
Support services		
Administration		1,074,617
<hr/>		
Decrease in unrestricted net assets		12,187,977

**Net Decrease in Unrestricted Net Assets** (8,226)

**Net Assets - beginning** 2,498,427

**Net Assets - ending** \$ 2,490,201

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

**Organized Community Action Program, Inc.**  
**Statement of Cash Flows**

<i>Year ended September 30,</i>	<b>2017</b>
<b>Operating Activities</b>	
Decrease in net assets	\$ (8,226)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	136,804
(Increase) decrease in operating assets:	
Accounts receivable - grants	144,135
Accounts receivable - others	(30,056)
Accrued support	54,079
Prepaid items	(14,902)
Increase (decrease) in operating liabilities:	
Accounts payable	42,112
Due to grantor	1,661
Accrued expenses	840
Deferred support	36,414
<b>Net cash provided by operating activities</b>	<b>362,861</b>
<b>Investing Activities</b>	
Advances to related parties	(20,112)
Purchase of property and equipment	(50,736)
<b>Net cash used in investing activities</b>	<b>(70,848)</b>
Net increase in cash and cash equivalents	292,013
<b>Cash and Cash Equivalents - beginning</b>	<b>186,660</b>
<b>Cash and Cash Equivalents - ending</b>	<b>\$ 478,673</b>

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

## Organized Community Action Program, Inc. Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Organization***

Organized Community Action Program, Inc. (the “Agency”) is a non-profit agency engaged in the administration of federal, state, and local grants intended to aid in the reduction of the effects of poverty on the economically disadvantaged. The Agency is organized on a non-stock basis and is dependent on contributions and grants as its sources of funds.

#### ***Basis of Accounting***

“The FASB Accounting Standards Codification” (“FASB ASC”) establishes the source of authoritative standards generally accepted in the United States of America (GAAP) recognized by the Financial Accounting Standards Board (FASB) to be applied by nongovernmental entities. The FASB amends the FASB ASC through Accounting Standards Updates (ASUs). We refer to ASCs and ASUs throughout these financial statements.

The financial statements of the Agency have been prepared on the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of the Agency’s funds are included on the statement of financial position. The statement of activities presents increases (e.g., revenues and support) and decreases (e.g., expenses) in net total assets. Generally, grant revenues are earned as qualified expenses are made and performance occurs.

The Agency reports deferred revenue, if applicable, on its statement of financial position. Deferred revenues arise when resources generated by exchange transactions are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

#### ***Income Taxes***

The Agency has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3), as a non-profit corporation. As required by Internal Revenue Service regulations, the Agency annually files Form 990, "Return of Organization Exempt from Income Tax" with the Internal Revenue Service.

The Agency's policy is to record interest and penalties related to taxes in interest expense on the financial statements; however the Agency did not have any interest or penalties related to taxes in fiscal year 2017.

The Agency follows the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being



## Organized Community Action Program, Inc. Notes to Financial Statements

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Agency believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities, if any, are adequate for all open tax years (after 2013 for federal and state) based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. The Agency has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

#### ***Cash and Cash Equivalents***

The Agency considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### ***Investments***

The Agency's investments consist of certificates of deposit with original maturities of more than three months from the date of acquisition. Investments are reported at fair market value.

#### ***Grants Receivable/Accrued Support***

Grants receivable and accrued support consist of state and federal grants and are considered to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when the determination is made. Grants receivable represents pending reimbursement of program expenses incurred and billed prior to September 30, 2017. Accrued support represents pending reimbursement of program expenses incurred prior to yearend that were billed subsequent to September 30, 2017.

#### ***Partnership Receivable***

Partnership receivable consists of advancement of funds to two partnerships, The Heatherton, Ltd. and Woodmere, Ltd. with no defined repayment terms. See Note 6 for receivable balance per partnership and allowance for doubtful accounts established.

#### ***Property and Equipment***

Fixed assets purchased with federal funds are reported to the grantors as program expenses in the period purchased in order to obtain reimbursement under grant agreements. For financial reporting, these assets, with an initial cost over \$5,000 are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets, typically three to twenty years. Although grantor agencies may hold a reversionary interest in these assets, title rests with the Agency. The historical cost of assets that the grantor holds title or reversionary interest was \$2,241,697 at September 30, 2017. The only restrictions on these assets are that they should be used to benefit the program which purchased the asset.

## Organized Community Action Program, Inc. Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment purchased with non-federal operating funds are recorded at cost and depreciated on the straight-line basis over the estimated useful lives of the assets, typically three to twenty years. Donated property and equipment are recorded at fair value at the date of donation. Ordinary repairs and maintenance are expensed as incurred.

#### ***Recognition of Grantor/Donor Restrictions***

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

#### ***Management Estimates and Assumptions***

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.

#### ***Budgets/Budgetary Accounting***

The Agency's annual budget is a management tool that assists its users in analyzing financial activity for the fiscal year.

The Agency's funding sources are grants and contracts, which have periods that may or may not coincide with the Agency's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

The Agency's Board of Directors formally approves the annual budget, but greater emphasis is placed on complying with the grant and contract budget terms and conditions. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions and allowances.

#### ***Grants***

All grants received are renewable on an annual basis and the Agency is dependent on these grants for continued activity.

#### ***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs for fiscal year 2017 were not considered material to the financial statements.

**Organized Community Action Program, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subsequent Events***

The Agency has evaluated subsequent events through June 27, 2018, the date of issuance of these financial statements, and has determined that no events occurring subsequent to year end warranted recognition or disclosure.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Agency may, from time to time, maintain amounts in excess of the Federal Deposit Insurance Corporation (“FDIC”) maximum coverage.

**NOTE 3 – INVESTMENTS**

**Custodial Risk** – The custodial risk for investments is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency has limited its custodial risk by investing in certificates of deposit that are fully insured by FDIC.

**Credit Risk** – Although the Agency has no formal investment policy addressing credit risk, it has limited its exposure as noted above. Concentration of credit risk is the risk of loss attributable to the quantity of the Agency’s investments in a single issuer. The Agency has limited its credit risk by investing in investment quality certificates of deposit.

**NOTE 4 – ACCOUNTS RECEIVABLE – GRANTS**

Accounts receivable – grants consists of the following:

<i>September 30,</i>	<b>Grant ID</b>	<b>2017</b>
USDA	9/30/2017	\$ 120,121
Early Head Start Child Care Partnership Grant	C5016-1735 - 17/19	48,000
Head Start	04CH9947-03-03	212,443
		<u>\$ 380,564</u>

**Organized Community Action Program, Inc.**  
**Notes to Financial Statements**

**NOTE 5 – ACCRUED SUPPORT**

Accrued support consists of the following:

<i>September 30,</i>	<b>Grant ID</b>	<b>2017</b>
Housing Counseling	HC17-0421-013	\$ 1,364
Community Services Block Grant	CS-010-17	64,583
		<u>\$ 65,947</u>

**NOTE 6 – ACCOUNTS RECEIVABLE – RELATED PARTY PARTNERSHIPS**

Accounts Receivable – related party partnerships consists of the following:

<i>September 30,</i>	<b>2017</b>
The Heatherton, Ltd.	\$ 376,013
Woodmere, Ltd.	274,716
Less: Allowance for doubtful accounts	(270,000)
Accounts receivable - Related Party Partnerships, net of allowance	<u>\$ 380,729</u>

The Agency has advanced funds to the partnerships to cover operating deficits. There are no defined repayment terms and no interest in relation to these receivables. The receivables are repayable from cash from operations or the proceeds from refinance or sale of the project as through a charge to support services and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that management deems are uncollectible are written off. The allowance for doubtful accounts totaled \$270,000 at September 30, 2017.

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

<i>September 30,</i>	<b>2017</b>
Land	\$ 119,263
Construction in progress	28,350
Buildings, improvements and equipment	2,932,814
Vehicles	271,063
	<u>3,351,490</u>
Less: accumulated depreciation	(1,864,292)
Property and equipment, net	<u>\$ 1,487,198</u>

Depreciation expense for the year ended September 30, 2017 was \$136,804.

**Organized Community Action Program, Inc.**  
**Notes to Financial Statements**

**NOTE 8 – DEFERRED SUPPORT**

Deferred support consists of the following:

<i>September 30,</i>	<b>Grant ID</b>	<b>2017</b>	
Alabama Business Charitable Trust Fund Emergency Assistance Program	12/31/2017	\$	16,612
Alabama Business Charitable Trust Fund Efficiency Program	2017-58763		10,000
Weatherization	DOE-010-17		15,283
EF & S	Various		25,738
		\$	67,633

**NOTE 9 – DUE TO GRANTOR**

Amounts due to grantor are from the following programs:

<i>September 30,</i>	<b>Grant ID</b>	<b>2017</b>	
Alabama Business Charitable Trust Fund Centsable Energy Program	Various	\$	7,550
Emergency Assistance Program	Various		3,364
LIHEAP	Various		38
Weatherization	Various		227
LIWAP	LIWAP-010-17		5,465
EF & S	Phase 33		1,391
		\$	18,035

**NOTE 10 – DONATED SERVICES, MATERIALS, AND FACILITIES (IN-KIND)**

Significant services, materials, and facilities are donated to the Agency by various individuals and organizations. Donated materials and facilities were recorded at fair market value at the date of donation, and have been included in support and expenses for the fiscal year. Donated professional services are valued based on the fair market value of the services donated.

Donated non-professional services have not been recognized in the statement of activities because the criteria for recognition under FASB ASC 958 have not been satisfied. This value is based on time sheets maintained on the volunteers, using reasonable rates.

**Organized Community Action Program, Inc.**  
**Notes to Financial Statements**

**NOTE 10 – DONATED SERVICES, MATERIALS, AND FACILITIES (IN-KIND) (Continued)**

Donated materials, facilities, and services per grant for the year ended September 30, 2017 are as follows:

	Fatherhood	Pre-K	Head Start	Total
Facilities	\$ 6,300	\$ -	\$ 329,888	\$ 336,188
Professional services	12,795	-	29,014	41,809
Supplies and other	1,564	-	655,823	657,387
Total recognized in statement of activities	20,659	-	1,014,725	1,035,384
Non-professional services	1,145	148,795	468,716	618,656
Total non-cash donations	\$ 21,804	\$ 148,795	\$ 1,483,441	\$ 1,654,040

**NOTE 11 – PARTNERSHIP INVESTMENTS/RELATED PARTY TRANSACTIONS**

The Agency is a partner in Troy Housing Partners, Ltd., Ozark Housing Partners, Ltd., Heatherton, Ltd., Woodmere, Ltd., OCAP Housing Development, Inc., Westgate Partners, Inc., Veranda Partners, Inc., Grady's Walk GP I, Inc., and Jubilee GP II, Inc. The Agency's investment costs in these partnerships are minimal. The Agency received \$84,995 in development fees from these partnerships during the fiscal year ended September 30, 2017. The Agency used development fees received to advance cash to Heatherton, Ltd and Woodmere, Ltd to perform repairs and to pay property taxes during the fiscal year ended September 30, 2017. See Note 6 for accounts receivable related party partnerships.

**NOTE 12 – LEASES**

The Agency is a party to various leases, all of which are classified as operating leases. Total rent for all leases totaled \$83,807 for the fiscal year ended September 30, 2017.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

2018	\$ 68,276
2019	67,287
2020	47,870
2021	33,780
2022	6,680

**Organized Community Action Program, Inc.  
Notes to Financial Statements**

**NOTE 13 – DEFINED BENEFIT PENSION PLAN**

***Plan Description:***

The Agency contributes to the Teachers’ Retirement System of Alabama, a cost sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees are members of the Employees' Retirement Systems of Alabama. Membership is mandatory for covered or eligible employees of the Agency. Benefits vest after 10 years of creditable service for all employees. Vested employees may retire with full benefits as follows:

	<b>Tier 1 (members hired before January 1, 2013)</b>	<b>Tier 2 (members hired on or after January 1, 2013)</b>
Eligibility for retirement benefits	Age 60 with at least 10 years of service <b>or</b> after 25 years of service at any age	Age 62 with at least 10 years of service
Average final salary (AFS)	Average of the highest 3 fiscal years (Oct – Sept) out of the last 10 fiscal years the member made contributions	Average of the highest 5 fiscal years (Oct – Sept) out of the last 10 fiscal years the member made contributions
Benefit factor (BF)	2.01%	1.65%
Maximum monthly benefit	$(AFS \times \text{years of service} \times BF) / 12$	$(AFS \times \text{years of service} \times BF) / 12$

Disability retirement benefits are calculated in the same manner as retirement benefits. Pre-retirement death benefits are payable to the member’s beneficiaries in varying amounts dependent upon years of service and whether the member was vested (10 years or more of service).

The Teachers’ Retirement System was established as of September 15, 1939, pursuant to the Code of Alabama 1975 Title 16, Chapter 25 (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for general administration and operation of the Teachers’ Retirement System is vested in its Board of Control.

Benefit provisions are established by the Code of Alabama 1975. Sections 16-25-1 through 16-25-113, as amended, Sections 36-27B-1 through 36-27B-6, as amended. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Agency authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

**Organized Community Action Program, Inc.  
Notes to Financial Statements**

**NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)**

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers’ Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

***Funding Policy***

Tier 1 employees are required by statute to contribute 7.50 percent of their earnable compensation and tier 2 employees are required to contribute 6.00 percent of their earnable compensation to the Teachers’ Retirement System. The Agency is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers’ Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentage of the contributions and the amount of contributions made by the Agency and its employees equal the required contributions for each year as follows:

<i>Fiscal years ended September 30,</i>	<b>2017</b>	2016	2015
Total percentage of covered payroll Tier 1	<b>19.51%</b>	19.44%	19.21%
Total percentage of covered payroll Tier 2	<b>16.82%</b>	16.84%	17.08%
Contributions:			
Percentage contributed by employer Tier 1	<b>12.01%</b>	11.94%	11.71%
Percentage contributed by employer Tier 2	<b>10.82%</b>	10.84%	11.05%
Percentage contributed by employees Tier 1	<b>7.50%</b>	7.50%	7.50%
Percentage contributed by employees Tier 2	<b>6.00%</b>	6.00%	6.00%
Contributed by the employer Tier 1	<b>\$ 353,077</b>	\$ 342,854	\$ 350,726
Contributed by the employer Tier 2	<b>94,104</b>	98,431	82,890
Contributed by the employees Tier 1	<b>220,489</b>	215,361	224,632
Contributed by the employees Tier 2	<b>52,183</b>	54,482	45,008
<b>Total contributions</b>	<b>\$ 719,853</b>	\$ 711,128	\$ 703,256

**NOTE 14 – COMPENSATED ABSENCES**

The Agency's policy and procedures, adopted by the Board of Directors, states that upon separation from service an employee shall be paid for the actual number of days annual leave the person has earned, up to a maximum of twenty days (160 hours). The compensated absence liability included in the accrued expenses total at September 30, 2017 was \$73,233.



## Organized Community Action Program, Inc. Notes to Financial Statements

### NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A (ACT 83-455) to provide a uniform plan of health insurance for employees and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively eligible employees) and to provide a method for funding the benefits related to the plan. As such, for accounting purposes, it is treated as a multi-employer plan. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Public Employees' Health Insurance Board (PEEHIB) members. The PEEHIB is a body corporate for purposes of management of the health insurance plan. All assets of the PEEHIF are held in trust for payment of health insurance benefits.

Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust established under the Alabama Retiree Health Care Funding Act of 2007 which authorized PEEHIB to create an irrevocable trust fund to fund postemployment healthcare benefits to retirees. It is also treated as a multi-employer plan for accounting purposes. Assets of the Trust may not be used for any purpose other than to acquire permitted investments, pay administrative expenses and provide post-employment health care benefits to or for retired employees and their dependents. The Alabama Legislature has no authority or power to appropriate the assets of the Trust. Responsibility for the general administration and operations of the Trust is vested in its trustees who consist of the PEEHIB members. Active and retiree health insurance benefits are paid through PEEHIF as described below. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and determines if excess funds are available. If excess funds are determined to be available in the PEEHIF, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust.

The Public Education Employees' Health Insurance Plan (PEEHIP) offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician service, and prescription drugs. The Agency paid PEEHIP premiums during the fiscal year in the amount of \$1,291,200.

The PEEHIF received funds for its participation in the Medicare Part D Retiree Drug Subsidy (RDS) program and the Employer Group Waiver Plan (EGWP) during the fiscal year. The RDS program was replaced with the EGWP beginning January 1, 2013. The amounts received from these programs are a result of the PEEHIF continuing prescription drug coverage for Medicare eligible retirees and dependents.



**Organized Community Action Program, Inc.  
Notes to Financial Statements**

**NOTE 16 – ON-BEHALF PAYMENTS**

The U.S. Government makes certain retiree drug subsidy payments on-behalf of the Agency for its employees to the Retirement Systems of Alabama. The Agency records these payments as both a revenue and expenditure. The total of on-behalf payments for the fiscal year ended September 30, 2017 was \$75,513.

**NOTE 17 – CONTINGENT LIABILITIES**

Various legal claims may arise from time to time in the normal course of operations which, in the opinion of management, will have no material effect on the Agency's financial statements.

**Organized Community Action Program, Inc.  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA No.	Pass-Through Grantor No.	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Health and Human Services</b>				
Direct programs				
Head Start Grant No. 04CH9947-02-01	93.600	N/A	\$ -	\$ 3,785,866
Head Start Grant No. 04CH9947-03-03	93.600	N/A	-	1,930,243
				5,716,109
Passed through Alabama Department of Human Resources				
Early Head Start Child Care Partnership Grant	93.600	C5016-1735 - 15/17	-	125,973
Early Head Start Child Care Partnership Grant	93.600	C5016-1735 - 17/19	-	189,162
				315,135
Subtotal for 93.600				6,031,244
Passed through Alabama Department of Economic and Community Affairs				
Community Services Block Grant	93.569	CS-010-16	-	68,640
Community Services Block Grant	93.569	CS-010-17	-	513,551
Subtotal for 93.569				582,191
Low Income Home Energy Assistance				
Low Income Home Energy Assistance	93.568	LI-010-17	-	2,571,114
Low Income Home Energy Assistance	93.568	LIWAP-010-17	-	97,328
Subtotal for 93.568				2,668,442
Passed through Alabama Department of Child Abuse and Neglect Prevention				
Fatherhood Grant	93.558	TANF 2017-206	-	61,000
Total U.S. Department of Health and Human Services				9,342,877
<b>U.S. Department of Energy</b>				
Passed through Alabama Department of Economic and Community Affairs				
Weatherization Assistance for Low Income Persons				
Weatherization Assistance for Low Income Persons	81.042	DOE-010-16	-	152,768
Weatherization Assistance for Low Income Persons	81.042	DOE-010-17	-	19,050
Total U.S. Department of Energy				171,818
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education				
Child and Adult Care Food Program (CACFP)	10.558	AA8	-	594,801

-Continued-

*See independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.*

**Organized Community Action Program, Inc.  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended September 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA No.	Pass-Through Grantor No.	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Homeland Security</b>				
Passed through United Way of America				
Emergency Food and Shelter Program				
Emergency Food and Shelter	97.024	Phase 32	-	75,314
<b>U.S. Department of Education</b>				
Passed through Alabama Department of Early Childhood Education				
Preschool Development Grants - First Class				
Pre-K Salary Enhancement Grant	84.419A	N/A	-	29,981
<b>U.S. Department of Housing and Urban Development</b>				
Direct program				
Housing Counseling Assistance Program	14.169	HC16-0421-043	-	12,988
Housing Counseling Assistance Program	14.169	HC17-0421-013	-	1,364
Total U.S. Department of Housing and Urban Development			-	14,352
<b>Total Federal Expenditures</b>			\$ -	<b>\$ 10,229,143</b>

*See independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.*

## **Organized Community Action Program, Inc. Notes to Schedule of Expenditures of Federal Awards**

### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the schedule) summarizes the federal expenditures of the Agency under programs of the federal government for the year ended September 30, 2017. The amounts reported as federal expenditures were obtained from the Agency's general ledger. Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets and cash flows of the Agency.

For purposes of the schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the schedule. The Agency has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the schedule. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. No clusters are identified in the schedule.

### **NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and the schedule may differ. Some of the factors that may account for any difference include the following:

- The Agency's fiscal year end may differ from the program's year end.
- Accruals recognized in the schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the Agency's financial statements and as expenditures in the program financial reports.

### **NOTE 3 – FEDERAL PASS-THROUGH FUNDS**

The Agency is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-throughs are considered to be direct.

### **NOTE 4 – BASIS OF ACCOUNTING**

This schedule was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Agency's federal grants.



**Organized Community Action Program, Inc.  
Notes to Schedule of Expenditures of Federal Awards**

**NOTE 5 – FACILITIES AND ADMINISTRATIVE COSTS (F&A COSTS)**

The Agency operates under predetermined fixed indirect cost rates that are effective through September 30, 2017. The base rate for indirect cost recoveries is 16.59% for the year ended September 30, 2017.

**NOTE 6 – CONTINGENCIES**

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the Agency does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of September 30, 2017, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE 7 – NONCASH ASSISTANCE**

The Agency did not receive any federal noncash assistance for the fiscal year ended September 30, 2017.

**NOTE 8 – DE MINIMIS**

The Agency has elected to not use the 10% de Minimis indirect cost rate.

**NOTE 9 – SUBRECIPIENTS**

The Agency did not provide federal funds to subrecipients for the fiscal year ended September 30, 2017.

**NOTE 10 – LOANS AND LOAN GUARANTEES**

The Agency did not have any loans or loan guarantee programs required to be reported on the schedule.

**Organized Community Action Program, Inc.  
Notes to Schedule of Expenditures of Federal Awards**

**NOTE 11 – RECONCILIATION BETWEEN SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND GRANT REVENUE ON STATEMENT OF ACTIVITIES**

Grant revenue reported on the Statement of Activities includes all state, local, and federal grant revenue earned by the Agency for the fiscal year ending September 30, 2017. The schedule of expenditures of federal awards only includes federal grant revenue earned by the Agency based on expenditures for the fiscal year ending September 30, 2017.

A reconciliation for the year ended September 30, 2017 is as follows:

	<b>2017</b>
Federal expenses per schedule of expenses of federal awards	\$ 10,229,143
Plus non-federal grant revenue:	
DCA Pre-K	565,200
Alabama Business Charitable Trust	37,008
State General Fund	9,879
Plus unspent federal grant revenue:	
ECCP Grant Funds - 2015/2017	39,762
Grant revenue per statement of activities	\$ 10,880,992

**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**

Board of Directors  
Organized Community Action Program, Inc.  
Troy, Alabama

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 Organized Community Action Program, Inc. (a nonprofit Organization) (the Agency), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency'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*.

We noted certain matters that we reported to management of the Agency in a separate letter dated June 27, 2018.

### ***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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 27, 2018

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

Board of Directors  
Organized Community Action Program, Inc.  
Troy, Alabama

***Report on Compliance for Each Major Federal Program***

We have audited Organized Community Action Program, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended September 30, 2017. The Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

### ***Report on Internal Control Over Compliance***

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 27, 2018





**Organized Community Action Program, Inc.  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2017**

There were no audit findings reported in the prior year

## MANAGEMENT LETTER

Board of Directors  
Organized Community Action Program, Inc.  
Troy, Alabama

In planning and performing our audit of the financial statements of Organized Community Action Program, Inc. (the "Agency") as of and for the year ended September 30, 2017, we considered the Agency's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Agency's internal control in our reports dated June 27, 2018. This letter does not affect our reports dated June 27, 2018 on the financial statements of the Agency.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Agency personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**2017-001 Payroll Controls** – Four employees pay rate change forms were missing the approval signature of the Executive Director. The pay rate changes were approved by the Fiscal Officer and HR Director signifying that the pay rates did go through 2 levels of approval before being processed. We recommend that the Agency exercise greater care when updating pay rates to ensure that pay rate changes have all appropriate approvals.

**2017-002 ACH Transactions** – The Agency's ACH policies and procedures do not follow best practices. Administrators should not be able to setup users without another user receiving notification, transactions should be initiated and approved by different personnel, multifactor authentication should be used (key fob, password, call back), if key fobs are used they should be kept in a secure location, ACH files should be properly secured so that they could not be manipulated by others within the organization. We would recommend that the Agency implement policies for ACH transactions that follow best practice.

**2017-003 Password Security** – The Agency’s password security policy does not follow best practice such as having complexity and lockouts for failed attempts and expiration. We recommend that management consider implementing a password policy to include greater security concerning passwords used by employees.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 27, 2018