

W.A.M.Y. COMMUNITY ACTION, INC.
FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

W.A.M.Y. COMMUNITY ACTION, INC.
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SINGLE AUDIT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
W.A.M.Y. Community Action, Inc.
Boone, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of W.A.M.Y. Community Action, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 W.A.M.Y. Community Action, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. (*Continued on the next page*)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenues and functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. 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 also 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 November 9, 2018, on our consideration of W.A.M.Y. Community Action, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 W.A.M.Y. Community Action, Inc.’s internal control over financial reporting and compliance.

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Rock Hill, South Carolina
November 9, 2018

W.A.M.Y. COMMUNITY ACTION, INC.
Statements of Financial Position
June 30, 2018 and 2017

ASSETS	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 457,702	\$ 427,442
Grants receivable, net	137,173	108,735
Notes receivable, current	7,184	6,908
Other receivables, current	17,539	2,476
Total current assets	619,598	545,561
Non-current Assets:		
Restricted cash	36,488	36,488
Note receivable, long term	340,925	351,201
Property and equipment, net of accumulated depreciation of \$313,426 and \$286,767	741,264	771,507
Total non-current assets	1,118,677	1,159,196
Total assets	\$ 1,738,275	\$ 1,704,757
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 37,549	\$ 144
Accrued payroll and benefit liabilities	18,582	15,345
Accrued interest	20,427	21,386
Current portion of notes payable	33,754	31,970
Total current liabilities	110,312	68,845
Long-term liabilities:		
Notes payable, less current portion	783,890	817,396
Total liabilities	894,202	886,241
Net assets:		
Unrestricted	807,585	782,028
Temporarily restricted	36,488	36,488
Total net assets	844,073	818,516
Total liabilities and net assets	\$ 1,738,275	\$ 1,704,757

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Activities
Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Revenue from federal and state grants	\$ -	\$ 910,802	\$ 910,802
Net revenue from federal and state grants	-	910,802	910,802
Contributions and support	65,033	3,245	68,278
General grants and other revenues	-	242,225	242,225
Interest income	23,307	-	23,307
Net assets released from restrictions:			
Satisfaction of program restrictions	1,156,272	(1,156,272)	-
Total support and revenue	1,244,612	-	1,244,612
Expenses			
Program services	1,039,642	-	1,039,642
Support services			
Administrative Services	129,539	-	129,539
Fundraising	49,874	-	49,874
Total expenses	1,219,055	-	1,219,055
Change in net assets	25,557	-	25,557
Net assets			
Net assets, beginning of year	782,028	36,488	818,516
Net assets, end of year	\$ 807,585	\$ 36,488	\$ 844,073

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

W.A.M.Y. COMMUNITY ACTION, INC.

**Statement of Activities
Year ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Revenue from federal and state grants	<u>\$ -</u>	<u>\$ 699,331</u>	<u>\$ 699,331</u>
Net revenue from federal and state grants	-	699,331	699,331
Contributions and support	76,412	26,753	103,165
General grants and other revenues	-	305,685	305,685
Interest income	21,192	-	21,192
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,029,366</u>	<u>(1,029,366)</u>	<u>-</u>
Total support and revenue	1,126,970	2,403	1,129,373
Expenses			
Program services	952,362	-	952,362
Support services			
Administrative expenses	119,229	-	119,229
Fundraising	<u>37,441</u>	<u>-</u>	<u>37,441</u>
Total expenses	<u>1,109,032</u>	<u>-</u>	<u>1,109,032</u>
Change in net assets	17,938	2,403	20,341
Net assets			
Net assets, beginning of year	785,476	40,936	826,412
Transfer contingency reserves to co-owner	-	(6,851)	(6,851)
Prior period adjustments	<u>(21,386)</u>	<u>-</u>	<u>(21,386)</u>
Net assets, end of year	<u>\$ 782,028</u>	<u>\$ 36,488</u>	<u>\$ 818,516</u>

The accompanying notes are an integral part of these financial statements

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Functional Expenses
Year Ended June 30, 2018

Program Services

Functional Expenses	Community Service Program(s)	Weatherization Assistance Program(s)	Community Learning Centers	Housing Preservation Program	Helping Homes Program	4-H Program	Page Sub-total
Salaries	\$ 123,314	\$ 51,784	\$ 210,163	\$ 930	\$ 570	\$ 61,295	\$ 448,056
Fringe benefits	22,615	7,884	26,783	155	95	6,855	64,387
Advertising	486	4,090	10	-	-	-	4,586
Client expense	44,104	28,193	10,703	6,503	1,844	4,416	95,763
Copier expense	972	500	1,877	-	-	-	3,349
Equipment	613	84	613	-	-	-	1,310
Insurance	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	7,362	7,028	50,951	-	-	40	65,381
Materials	-	75,145	4,364	-	-	-	79,509
Contracted	-	44,487	-	-	-	-	44,487
Postage	291	183	69	-	-	-	543
Rent	15,582	8,254	5,598	-	-	-	29,434
Repairs & Maintenance	722	115	13	-	-	-	850
Supplies	4,771	4,194	1,138	-	-	-	10,103
Training	2,816	5,322	6,829	-	-	88	15,055
Travel	6,699	1,327	11,960	-	-	418	20,404
Telephone	5,798	2,136	4,723	-	-	708	13,365
Utilities	6,390	3,469	2,934	-	-	-	12,793
Annual Leave Adjustment	-	-	-	-	-	-	-
Depreciation & loss on disposal	-	-	-	-	-	-	-
Totals	\$ 242,535	\$ 244,195	\$ 338,728	\$ 7,588	\$ 2,509	\$ 73,820	\$ 909,375

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Functional Expenses (Continued)
Year Ended June 30, 2018

	Program Services				Support Services		Agency Totals
	Family Resource Center	Other Discretionary Unencumbered	Other Discretionary Encumbered	Program Services Total	Admin	Fundraising	
Functional Expenses							
Salaries	\$ -	\$ -	\$ 15,694	\$ 463,750	\$ 64,019	\$ 23,941	\$ 551,710
Fringe benefits	-	-	1,492	65,879	6,597	2,388	74,864
Advertising	-	-	-	4,586	1,888	260	6,734
Client expense	-	-	16,318	112,081	-	405	112,486
Copier expense	-	-	-	3,349	(3,786)	-	(437)
Equipment	-	-	-	1,310	-	-	1,310
Insurance	-	-	-	-	13,382	-	13,382
Interest	33,386	4,904	-	38,290	-	-	38,290
Miscellaneous	1,648	636	11,075	78,740	11,933	13,637	104,310
Materials	-	-	1,786	81,295	-	-	81,295
Contracted	-	-	210	44,697	15,000	-	59,697
Postage	-	-	-	543	(277)	59	325
Rent	-	-	-	29,434	6,502	3,502	39,438
Repairs & Maintenance	-	50	-	900	111	59	1,070
Supplies	-	-	79	10,182	6,715	2,662	19,559
Training	-	-	120	15,175	578	96	15,849
Travel	-	-	461	20,865	1,294	13	22,172
Telephone	-	-	-	13,365	2,243	1,053	16,661
Utilities	-	3,226	-	16,019	3,340	1,799	21,158
Annual Leave Adjustment	-	4,723	-	4,723	-	-	4,723
Depreciation & loss on disposal	22,880	11,579	-	34,459	-	-	34,459
Totals	<u>\$ 57,914</u>	<u>\$ 25,118</u>	<u>\$ 47,235</u>	<u>\$ 1,039,642</u>	<u>\$ 129,539</u>	<u>\$ 49,874</u>	<u>\$ 1,219,055</u>

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Functional Expenses
Year Ended June 30, 2017

Program Services

	Community Service Program(s)	Weatherization Assistance Program(s)	Community Learning Centers	Housing Preservation Program	Helping Homes Program	4-H Program	Page Sub-total
Functional Expenses							
Salaries	\$ 160,551	\$ 50,974	\$ 99,575	\$ 1,425	\$ 1,013	\$ 106,999	\$ 420,537
Fringe benefits	30,899	9,332	14,425	258	179	8,990	64,083
Advertising	114	847	-	-	-	-	961
Client expense	20,356	28,439	1,797	21,229	18,272	4,112	94,205
Copier expense	1,248	1,061	1,189	-	-	-	3,498
Insurance	-	2,954	-	-	-	-	2,954
Interest	-	-	-	-	-	-	-
Miscellaneous	27	3,822	936	-	-	999	5,784
Materials	-	50,460	-	-	-	-	50,460
Contracted	7,826	48,935	-	-	-	-	56,761
Postage	304	726	1	-	-	-	1,031
Rent	31,229	6,992	-	-	-	-	38,221
Repairs & Maintenance	620	-	-	-	-	-	620
Supplies	4,257	1,021	46	-	-	26	5,350
Training	2,726	4,679	5,828	-	-	288	13,521
Travel	4,273	580	4,422	-	-	-	9,275
Telephone	8,321	1,607	706	-	-	2,322	12,956
Utilities	8,541	1,588	-	-	-	-	10,129
Annual Leave Adjustment	-	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-
Depreciation & loss on disposal	-	-	-	-	-	-	-
Totals	\$ 281,292	\$ 214,017	\$ 128,925	\$ 22,912	\$ 19,464	\$ 123,736	\$ 790,346

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Functional Expenses (Continued)
Year Ended June 30, 2017

	Program Services				Support Services		Agency Totals
	Family Resource Center	Other Discretionary Unencumbered	Other Discretionary Encumbered	Total Program Services	Admin	Fundraising	
Functional Expenses							
Salaries	\$ -	\$ -	\$ 17,403	\$ 437,940	\$ 59,745	\$ 21,826	\$ 519,511
Fringe benefits	-	-	920	65,003	10,472	2,308	77,783
Advertising	-	-	480	1,441	271	-	1,712
Client expense	-	-	16,897	111,102	-	-	111,102
Copier expense	-	-	-	3,498	(3,581)	-	(83)
Insurance	-	-	-	2,954	15,648	-	18,602
Interest	38,077	5,125	-	43,202	-	-	43,202
Miscellaneous	420	182	10,186	16,572	9,372	6,829	32,773
Materials	-	-	31,208	81,668	-	-	81,668
Contracted	-	-	367	57,128	14,085	906	72,119
Postage	-	-	-	1,031	(983)	-	48
Rent	-	-	-	38,221	5,984	3,174	47,379
Repairs & Maintenance	-	-	-	620	-	-	620
Supplies	-	-	20	5,370	1,684	890	7,944
Training	-	-	-	13,521	2,336	-	15,857
Travel	-	35	-	9,310	335	-	9,645
Telephone	-	-	-	12,956	2,185	624	15,765
Utilities	8	3,801	-	13,938	1,676	884	16,498
Annual Leave Adjustment	-	(2,004)	-	(2,004)	-	-	(2,004)
Bad Debt Expense	-	-	12,487	12,487	-	-	12,487
Depreciation & loss on disposal	22,880	3,524	-	26,404	-	-	26,404
Totals	\$ 61,385	\$ 10,663	\$ 89,968	\$ 952,362	\$ 119,229	\$ 37,441	\$ 1,109,032

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statements of Cash Flows
Years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,557	\$ 20,341
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense & loss on disposal	34,459	26,404
Bad debt expense	-	12,487
Receipt of overpaid payroll expenses from prior period	-	4,187
Receipt of non-accrued revenue from prior periods	-	20,026
(Increase) Decrease in grants receivable	(28,438)	44,831
(Increase) Decrease in other receivables	(15,063)	9,388
(Increase) Decrease in note receivable	10,000	8,534
Increase (Decrease) in accounts payable	37,405	(28,884)
Increase (Decrease) in accrued interest	(959)	-
Increase (Decrease) in accrued payroll and benefit liabilities	3,237	3,594
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	66,198	120,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	2,700	-
Purchases of property and equipment	(6,916)	(10,500)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,216)	(10,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(31,722)	(30,035)
Transfer of contingency reserve to co-owner	-	(6,851)
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	(31,722)	(36,886)
Net increase (decrease) in cash	30,260	73,522
Cash and cash equivalents, beginning of year	463,930	390,408
Cash and cash equivalents, end of year	\$ 494,190	\$ 463,930
Supplementary information:		
Interest paid during year	\$ 38,811	\$ 43,705

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

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The mission of W.A.M.Y. Community Action, Inc. (the Agency), is to promote the social, educational, and economic well-being of area residents (particularly those who are of low income) through the development of programs and services which address those issues. The Agency was organized in 1964 as a nonprofit corporation to serve the western North Carolina counties of Watauga, Avery, Mitchell and Yancey. The Agency is primarily supported by revenue from federal and state grants.

The Agency has been serving disadvantaged people in its service area for over fifty years. The Board of Directors at the Agency is made up of people from all areas of Watauga, Avery, Mitchell, and Yancey counties. One-third of the board members represent public officials, one-third represent community groups and organizations, and one-third represent the poor. The board is an official body that governs the Agency, receives grants, and makes board policy, which directs the program operations.

Basis of Operations

The Agency, for financial statement presentation purposes, is a hybrid of a Voluntary Health and Welfare Organization and a government entity established by legislative fiat.

Legally the Agency is a non-profit corporation and is exempt from federal and state income taxes, under IRC 501(c)(3). All contributions are tax deductible within the limitations provided in the code. The Agency has been classified as a publicly supported organization that is not a private foundation under Section 509(a).

Its principal activities consist of administering programs funded by grants from various government agencies, the acceptance of which requires compliance prescribed by each grant's conditions and other requirements including, but not limited to, the furnishing of certain amounts of cash or non-cash contributions to the programs from non-federal sources. The Agency's major classes of programs include the following:

Housing Services Program(s)

These program works to make homes more energy efficient, usually through the installation of insulation, air and duct sealing. It also includes cleaning, repairing, and possibly replacing the house's current heating and cooling systems.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Operations (continued)

Family Services Program(s)

These programs help families increase their income by assisting them with educational or employment goals. Concerning education, staff work with clients to create an individualized plan of action to increase their education or ascertain that the client be provided with short-term training to achieve gainful employment. Concerning employment, staff work with clients to identify skills, provide assistance with employer contacts, and other unique techniques to achieve employment.

Youth Services Program(s)

These programs support youth in afterschool activities and care. The programs include tutoring, mentoring, social enrichment, and health / nutrition resources.

Food and Nutrition Program(s)

These programs support families in self-sustaining methods of growing their own produce. Vouchers are used to obtain seeds, fertilizers, tools, plants, and preservation supplies.

Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, support and revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which a liability is incurred.

Basis of Presentation

W.A.M.Y. Community Action, Inc. reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, the Agency is required to present a statement of financial position, a statement of activities, a statement of functional expenses, and a statement of cash flows.

Contributions

The Agency records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Property, Equipment, and Non-expendable Property

Property and equipment costing \$1,000 or more are recorded at cost or at estimated value at the date of the gift, if donated. Non-expendable property for financial statement purposes is property having a useful life of more than one year and costing above a certain dollar limit, which varies by funding source. Property acquired is considered to be owned by the Agency while used in the program for which it was purchased or in future authorized programs; however, the grantor has a reversionary interest in the property and its disposition is subject to federal regulations. Depending on the grant's requirements, assets acquired with restricted federal or state funds are either shown as temporarily restricted until returned or capitalized, depreciated, and kept indefinitely. All property is stated at cost, net of accumulated depreciation. Depreciation is calculated on all major classes using the straight-line method for a period based on the asset's estimated useful life.

<u>Class</u>	<u>Years</u>
Buildings	39
Building improvements	15 to 39
Vehicles	5

Donated Services and Materials

It is the policy of the Agency to record the value of donated services, materials and facilities usage provided there is an objective basis with which to value such donations. The value of general volunteer services are not recorded, because there is no objective basis with which to value the volunteer time, although the operations of the Agency is supported by volunteer time of the members of its Board of Directors. In addition, used goods and materials are donated to the Agency for resale, but the value of such donations is considered to be immaterial and is, therefore, not recorded in the financial statements. The Agency did not receive any in-kind support during 2018 nor 2017.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

W.A.M.Y. Community Action, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Agency has also been classified by the Internal Revenue Service as being an organization “Other than a private foundation”. The Agency’s information returns are subject to review and examination by federal and state authorities. The Agency is not aware of any activities that would jeopardize its tax-exempt status.

Functional Allocation of Expenses

The cost of providing the Agency’s various programs and supporting services have been reported on a functional basis in the statement of functional expenses. Expenses are charged to each program based on direct expenses incurred. Any program expenses not directly chargeable to a program are allocated based on square footage and/or on a prescribed indirect cost allocation.

Cash and Cash Equivalents

Cash and cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from customers. The Agency’s customers consist namely of tenants leasing unused space or for the management of the surrounding counties’ 4H programs. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance account based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable efforts are written off through a charge to the valuation allowance.

Grants Receivable

Grants receivable consist mainly of grant funds from the U.S. Department of Health and Human Services, U.S. Department of Energy, U.S. Department of Education, and U.S. Department of Agriculture. These grants are passed through various agencies from the state of North Carolina. These grant receivables are made up of reimbursable expenses not yet received by the Agency. The Agency determines the allowance for doubtful accounts by identifying troubled accounts, considering the grantor’s financial condition, current economic conditions, and using historical experience applied to an aging of grants receivable.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes Receivable

Loans are recorded at their historical value when funds are disbursed or credit is extended to the borrower. The credit quality indicator is performance determined by repayment status and delinquency status. Loans are evaluated on a regular basis by management for collectability based on the terms of the note agreement. If management determines that it is probable that it will be unable to collect all amounts due under the note agreement, the loan will be considered to be impaired. In this case the value would be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. However, management reserves the ability, as a practical expedient, to base the loan's value on either the loan's observable market price or the fair value of the loan's collateral, less discounted estimated cost to sell, if the collateral is expected to be the sole source of repayment. Management reserves the right to place its notes on non-accrual status at any time after default has occurred. Loans are stated at unpaid principal balances less an allowance for loan losses.

Recently Issued Accounting Pronouncements

In August 2016, the FASB amended the Not-for-Profit Entities Topic of the Accounting Standards Codification to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments will be effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the effect that implementation of the new standard will have on the Agency's financial statements.

In May 2014, the FASB added Topic 606, "Revenue from Contracts with Customers" to establish principles to report useful information about the nature, amount, timing and uncertainty of revenue from contracts with customers. This standard will be effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the effect that implementation of the new standard will have on the Agency's financial statements.

In February 2016, the FASB amended the Leases Topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the effect that implementation of the new standard will have on the Agency's financial statements.

NOTE 2 – CASH

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Agency maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At June 30, 2018 and 2017, the Agency's cash balances were uninsured in the amount of \$175,658 and \$77,198, respectively.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 2 – CASH (continued)

Restrictions

Restricted cash consists of an internally designated maintenance and repair reserve for Family Resource Center and a required reserve for annual principal and interest payments on its USDA Loans. Restricted cash balances at June 30, 2018 and 2017 were \$36,488 and \$36,488, respectively.

NOTE 3 – NOTES RECEIVABLE

Notes receivable at June 30, 2018 and 2017 consisted of:

	2018	2017
Mortgage note receivable	\$ 348,109	\$ 358,109
Total notes receivable	348,109	358,109
Allowance for uncollectible accounts	(-)	(-)
Total notes receivable, net	348,109	358,109
Less current portion	(7,184)	(6,908)
Long-term notes receivable	\$ 340,925	\$ 351,201

Collectability and Non-accrual Status on Notes Receivable

Management evaluated the collectability of its sole mortgage note receivable at June 30, 2018 and 2017, and deemed 100% of its outstanding accounts to be collectible. Therefore, no impairment adjustment was considered necessary. The borrower continued to make timely routine monthly installments subsequent to year end. As of June 30, 2018 the mortgage note has approximately 26 more years remaining. There were no loans on non-accrual status at June 30, 2018 and 2017.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable at June 30, 2018 and 2017 consisted of:

	2018	2017
US Dept. of Education	\$ 101,952	\$ 45,867
US Dept. of Health and Human Services	7,421	31,471
US Dept. of Agriculture	8,838	23,515
US Dept. of Energy	15,717	7,882
Other grantors	3,245	-
	137,173	108,735
Allowance for Doubtful Accounts	(-)	(-)
Grants receivable	\$ 137,173	\$ 108,735

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 4 – GRANTS RECEIVABLE (continued)

Allowance for Doubtful Accounts

Management evaluated the collectability of its grants receivable at June 30, 2018 and 2017. The Agency believes all grants receivable will be fully collected. Accordingly, no allowances for doubtful accounts are required.

Concentrations in Credit and Revenue

The Agency depends on four major program grant providers to support its operations. If certain federal grants were to cease funding through its federal grantors' programs, the agency's operations could be jeopardized. The Agency had the following credit and revenue concentrations for the year ending June 30, 2018 and 2017.

Concentrations in Credit

<u>Grantor</u>	2018		2017	
	<u>Grants Receivable</u>	Percent of Total Grants Receivable	<u>Grants Receivable</u>	Percent of Total Grants Receivable
US Dept. of Education	\$ 101,952	74 %	\$ 45,867	42 %
US Dept. of Energy	15,717	11	7,882	7
US Dept. of Health and Human Services	7,421	6	31,471	29
US Dept. of Agriculture	8,838	6	23,515	22
Total	\$ 133,928	97 %	\$ 108,735	100 %

The Agency collected 100% of the outstanding grant receivables subsequent to both year ends.

Concentrations in Revenue

<u>Grantor</u>	2018		2017	
	<u>Grant Revenue</u>	Percent of Total Revenue	<u>Grant Revenue</u>	Percent of Total Revenue
US Dept. of Education	\$ 348,605	28 %	\$ 127,577	11 %
US Dept. of Health and Human Services	521,709	43	447,105	40
Total	\$ 870,314	71 %	\$ 574,682	51 %

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment of the Agency are listed below by major class at June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Land	\$ 40,000	\$ 40,000
Buildings	947,344	947,344
Building improvements	60,430	60,430
Vehicles	6,916	10,500
Total property and equipment cost	<u>1,054,690</u>	<u>1,058,274</u>
Less accumulated depreciation	<u>(313,426)</u>	<u>(286,767)</u>
Total property and equipment, net	<u>\$ 741,264</u>	<u>\$ 771,507</u>

Depreciation expense inclusive of losses on disposals for 2018 and 2017 was \$34,459 and \$26,404, respectively.

NOTE 6 – RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following at June 30, 2018 and 2017:

<u>Description</u>	<u>2018</u>	<u>2017</u>
USDA Reserve on a loan dated July 9, 2002	\$ 9,798	\$ 9,798
USDA Reserve on a loan dated September 12, 2008	<u>26,690</u>	<u>26,690</u>
Total temporarily restricted net assets	<u>\$ 36,488</u>	<u>\$ 36,488</u>

The Agency did not have any permanently restricted net assets at June 30, 2018 and 2017.

NOTE 7 – RETIREMENT BENEFITS

The Agency maintains a retirement plan for which all permanent full-time employees are eligible to participate after one year of service. The plan is established under Section 403(b) of the Internal Revenue Code and is often referred to as a TSA plan. The plan provides for each eligible employee to receive a contribution from the Agency of 3% of the employee's annual compensation into their retirement fund. Also, an additional discretionary matching contribution up to 3% may be made by the employer. The Agency's contributions for the years ended June 30, 2018 and 2017 were \$8,676 and \$20,663, respectively.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 8 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The Agency has received proceeds from several federal and state grants. Periodic audits of these grants may be required and certain costs may be disallowed thus requiring the Agency to refund the grant monies to the grantor agencies. Management is not aware of any disallowed costs and believes that refunds, if any, will be immaterial.

NOTE 9 – NOTES PAYABLE

The Agency obtained a loan from the U.S.D.A. in July 2002 for the Avery building located at 725 Cranberry Street, Newland, NC 28657. The loan provided proceeds of \$155,000 and requires an annual principal and interest payment of \$9,798 at an interest rate of 4.75%. The note matures December 2032 and has an outstanding balance of \$103,424 and accrued interest payable of \$4,792 at June 30, 2018. The note is secured by an assignment and pledge of revenue from the Agency’s operations. This has been achieved by temporarily restricting the Agency’s net assets in the amount of \$9,798 which equates to one annual note payment.

In January 2007, the Agency obtained two loans for the purposes of purchasing office space known as the Family Resource Center to be shared with another nonprofit organization. The loans were refinanced with two new loans in September 2008.

The first loan provided proceeds of \$500,000 and requires an annual principal and interest payment of \$26,690 for forty years beginning September 2009, at an interest rate of 4.375%. The note matures July 2048 and has an outstanding balance of \$448,254 and accrued interest payable of \$15,635 at June 30, 2018. The note is secured by an assignment and pledge of revenue from the Agency’s operations. This has been achieved by temporarily restricting the Agency’s net assets in the amount of \$26,690 which equates to one annual note payment.

The second loan provided proceeds of \$480,000, required interest only payments for the first year, and a monthly principal and interest payment of \$3,095 thereafter for twenty-four years at an interest rate of 6%, with a balloon payment of \$54,293 at term end. The note matures in August 2024 and has current outstanding balance of \$265,966 at June 30, 2018. The note is secured by all furniture, fixtures, equipment and the senior deed of trust on 345-A Deerfield Road in Boone, North Carolina.

Future maturities of the notes payable are as follows:

<u>June 30,</u>	
2019	\$ 33,754
2020	35,640
2021	37,633
2022	39,739
2023	41,967
Thereafter	628,911
Total notes payable	<u>\$ 817,644</u>

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 9 – NOTES PAYABLE (Continued)

The amounts of interest paid on these notes for the years 2018 and 2017 were \$38,811 and \$43,705, respectively.

NOTE 10 – LEASES

Lessee Related

The Agency entered into a lease for office space in Mitchell County, North Carolina effective 2014. The space is located at 261 Oak Avenue in Spruce Pine. The lease requires the Agency to pay \$325 a month to Blue Ridge Christian News and is on a month-to-month basis. Amounts paid for rent during the years 2018 and 2017 were \$3,900 and \$3,850, respectively.

Lessor Related

The Agency entered into a rental agreement on February 26, 2008 for twenty years to lease space in a building it owns at 345 Deerfield Road, Boone, North Carolina. The lease has a monthly payment amount of \$1,865. Rents collected on this lease for the years ending June 30, 2018 and 2017 were \$20,515 and \$22,380, respectively. Future rental amounts over remaining lease life are:

<u>June 30,</u>		
2019	\$	22,380
2020		22,380
2021		22,380
2022		22,380
2023		22,380
Thereafter		104,440
Total	\$	<u>216,340</u>

The Agency entered into a rental agreement on June 10, 2011 for one year to lease office space in a building it owns at 725 Cranberry Street, Newland, North Carolina. The lease has continued on a month to month basis since the end of its first year and has a monthly payment amount of \$925. Rents collected on this lease for the years ending June 30, 2018 and 2017 were \$10,175 and \$12,025, respectively.

NOTE 11 – COMPENSATED ABSENCES

According to accounting principles generally accepted in the United States of America, vested compensated absences should be accrued in the current period, if certain conditions are satisfied. Full time employees earn eight hours of annual leave per month with the exception of those who have previously been approved at a higher rate (grandfathered). Part time employees earn an equivalent number of hours based on the actual hours worked. Annual leave vests immediately, but only the amount earned in the current fiscal period is payable upon termination of employment. The vested amounts of compensated absences at June 30, 2018 and 2017 were \$14,470 and \$9,747, respectively.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 11 – COMPENSATED ABSENCES (continued)

Sick leave is accrued at the same rate as annual leave but can only be used in lieu of work days due to illness. It does not vest and is not payable on termination.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The financial statements have been restated to correct for the following error:

The Agency has not accrued interest expense in the proper period on two of its notes payable. Accounting standards require that liabilities be recorded when an expense has been incurred that remains unpaid. The effect of the restatement was a decrease to unrestricted net assets in the amount of \$21,386. The prior periods effected are unknown.

NOTE 13 – RELATED PARTIES

The Agency co-owns a building at 345-A Deerfield Road, Boone, North Carolina with OASIS, a not-for-profit entity that is controlled by a separate and independent board of directors. Each party is responsible for its proportionate costs on the facility. The Agency has its own mortgages for its proportionate cost of originally acquiring the building and does not guarantee any obligations that OASIS may have for its share of ownership.

NOTE 14 - SUBSEQUENT EVENT

The Agency has evaluated subsequent events through November 9, 2018, the date the financial statements were available to be issued.

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Revenues and Functional Expenses
Year Ended June 30, 2018

	Program Services						
	Community Service Program(s)	Weatherization Assistance Program(s)	Community Learning Centers	Housing Preservation Program	Helping Homes Program	4-H Program	Page Sub-total
Support & Revenues							
Federal & State support - cash	\$ 270,035	\$ 254,651	\$ 246,652	\$ -	\$ -	\$ -	\$ 771,338
Federal & State support - receivable	28,674	-	101,952	8,838	-	-	139,464
Interest income	-	-	-	-	-	-	-
General grants & other revenues	-	-	-	-	-	85,632	85,632
Contributions & support	-	-	-	-	3,245	-	3,245
Total Support & Revenues	298,709	254,651	348,604	8,838	3,245	85,632	999,679
Functional Expenses							
Salaries	123,314	51,784	210,163	930	570	61,295	448,056
Fringe benefits	22,615	7,884	26,783	155	95	6,855	64,387
Advertising	486	4,090	10	-	-	-	4,586
Client expense	44,104	28,193	10,703	6,503	1,844	4,416	95,763
Copier expense	972	500	1,877	-	-	-	3,349
Equipment	613	84	613	-	-	-	1,310
Insurance	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	7,362	7,028	50,951	-	-	40	65,381
Materials	-	75,145	4,364	-	-	-	79,509
Contracted	-	44,487	-	-	-	-	44,487
Postage	291	183	69	-	-	-	543
Rent	15,582	8,254	5,598	-	-	-	29,434
Repairs & Maintenance	722	115	13	-	-	-	850
Supplies	4,771	4,194	1,138	-	-	-	10,103
Training	2,816	5,322	6,829	-	-	88	15,055
Travel	6,699	1,327	11,960	-	-	418	20,404
Telephone	5,798	2,136	4,723	-	-	708	13,365
Utilities	6,390	3,469	2,934	-	-	-	12,793
Annual Leave Adjustment	-	-	-	-	-	-	-
Depreciation & loss on disposal	-	-	-	-	-	-	-
Total Functional Expenses	242,535	244,195	338,728	7,588	2,509	73,820	909,375
Indirect Cost Allocations	56,174	39,071	40,114	1,214	402	11,812	148,787
Total with Indirect Cost Allocations	298,709	283,266	378,842	8,802	2,911	85,632	1,058,162
Change in Net Assets	\$ -	\$ (28,615)	\$ (30,238)	\$ 36	\$ 334	\$ -	\$ (58,483)

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

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Revenues and Functional Expenses (Continued)
Year Ended June 30, 2018

	Program Services				Support Services		Agency Totals
	Family Resource Center	Other Discretionary Unencumbered	Other Discretionary Encumbered	Program Services Total	Admin	Fundraising	
Support & Revenues							
Federal & State support - cash	\$ -	\$ -	\$ -	\$ 771,338	\$ -	\$ -	\$ 771,338
Federal & State support - receivable	-	-	-	139,464	-	-	139,464
Interest income	-	23,307	-	23,307	-	-	23,307
General grants & other revenues	49,033	-	107,560	242,225	-	-	242,225
Contributions & support	-	19,636	-	22,881	-	45,397	68,278
Total Support & Revenues	<u>49,033</u>	<u>42,943</u>	<u>107,560</u>	<u>1,199,215</u>	<u>-</u>	<u>45,397</u>	<u>1,244,612</u>
Functional Expenses							
Salaries	-	-	15,694	463,750	64,019	23,941	551,710
Fringe benefits	-	-	1,492	65,879	6,597	2,388	74,864
Advertising	-	-	-	4,586	1,888	260	6,734
Client expense	-	-	16,318	112,081	-	405	112,486
Copier expense	-	-	-	3,349	(3,786)	-	(437)
Equipment	-	-	-	1,310	-	-	1,310
Insurance	-	-	-	-	13,382	-	13,382
Interest	33,386	4,904	-	38,290	-	-	38,290
Miscellaneous	1,648	636	11,075	78,740	11,933	13,637	104,310
Materials	-	-	1,786	81,295	-	-	81,295
Contracted	-	-	210	44,697	15,000	-	59,697
Postage	-	-	-	543	(277)	59	325
Rent	-	-	-	29,434	6,502	3,502	39,438
Repairs & Maintenance	-	50	-	900	111	59	1,070
Supplies	-	-	79	10,182	6,715	2,662	19,559
Training	-	-	120	15,175	578	96	15,849
Travel	-	-	461	20,865	1,294	13	22,172
Telephone	-	-	-	13,365	2,243	1,053	16,661
Utilities	-	3,226	-	16,019	3,340	1,799	21,158
Annual Leave Adjustment	-	4,723	-	4,723	-	-	4,723
Depreciation & loss on disposal	22,880	11,579	-	34,459	-	-	34,459
Total Functional Expenses	<u>57,914</u>	<u>25,118</u>	<u>47,235</u>	<u>1,039,642</u>	<u>129,539</u>	<u>49,874</u>	<u>1,219,055</u>
Indirect Cost Allocations	651	626	7,448	157,512	(165,570)	8,058	-
Total with Indirect Cost Allocations	<u>58,565</u>	<u>25,744</u>	<u>54,683</u>	<u>1,197,154</u>	<u>(36,031)</u>	<u>57,932</u>	<u>1,219,055</u>
Change in Net Assets	<u>\$ (9,532)</u>	<u>\$ 17,199</u>	<u>\$ 52,877</u>	<u>\$ 2,061</u>	<u>\$ 36,031</u>	<u>\$ (12,535)</u>	<u>\$ 25,557</u>

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

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Revenues and Functional Expenses
Year Ended June 30, 2017

	Program Services						Page Sub-total
	Community Service Program(s)	Weatherization Assistance Program(s)	Community Learning Centers	Housing Preservation Program	Helping Homes Program	4-H Program	
Support & Revenues							
Federal & State support - cash	\$ 284,937	\$ 219,175	\$ 81,710	\$ 4,774	\$ -	\$ -	\$ 590,596
Federal & State support - receivable	31,471	7,882	45,867	23,515	-	-	108,735
Interest income	-	-	-	-	-	-	-
General grants & other revenues	-	-	-	-	-	136,156	136,156
Contributions & support	-	-	-	-	26,753	-	26,753
Total Support & Revenues	316,408	227,057	127,577	28,289	26,753	136,156	862,240
Functional Expenses							
Salaries	160,551	50,974	99,575	1,425	1,013	106,999	420,537
Fringe benefits	30,899	9,332	14,425	258	179	8,990	64,083
Advertising	114	847	-	-	-	-	961
Client expense	20,356	28,439	1,797	21,229	18,272	4,112	94,205
Copier expense	1,248	1,061	1,189	-	-	-	3,498
Equipment	-	-	-	-	-	-	-
Insurance	-	2,954	-	-	-	-	2,954
Interest	-	-	-	-	-	-	-
Miscellaneous	27	3,822	936	-	-	999	5,784
Materials	-	50,460	-	-	-	-	50,460
Contracted	7,826	48,935	-	-	-	-	56,761
Postage	304	726	1	-	-	-	1,031
Rent	31,229	6,992	-	-	-	-	38,221
Repairs & Maintenance	620	-	-	-	-	-	620
Supplies	4,257	1,021	46	-	-	26	5,350
Training	2,726	4,679	5,828	-	-	288	13,521
Travel	4,273	580	4,422	-	-	-	9,275
Telephone	8,321	1,607	706	-	-	2,322	12,956
Utilities	8,541	1,588	-	-	-	-	10,129
Annual Leave Adjustment	-	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-
Depreciation & loss on disposal	-	-	-	-	-	-	-
Total Functional Expenses	281,292	214,017	128,925	22,912	19,464	123,736	790,346
Indirect Cost Allocations	35,118	34,243	20,959	3,666	3,114	19,798	116,898
Total with Indirect Cost Allocations	316,410	248,260	149,884	26,578	22,578	143,534	907,244
Change in Net Assets	\$ (2)	\$ (21,203)	\$ (22,307)	\$ 1,711	\$ 4,175	\$ (7,378)	\$ (45,004)

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

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Revenues and Functional Expenses (Continued)
Year Ended June 30, 2017

	Program Services				Support Services		Agency Totals
	Family Resource Center	Other Discretionary Unencumbered	Other Discretionary Encumbered	Total Program Services	Admin	Fundraising	
Support & Revenues							
Federal & State support - cash	\$ -	\$ -	\$ -	\$ 590,596	\$ -	\$ -	\$ 590,596
Federal & State support - receivable	-	-	-	108,735	-	-	108,735
Interest income	-	21,192	-	21,192	-	-	21,192
General grants & other revenues	56,684	-	112,845	305,685	-	-	305,685
Contributions & support	-	22,472	-	49,225	-	53,940	103,165
Total Support & Revenues	<u>56,684</u>	<u>43,664</u>	<u>112,845</u>	<u>1,075,433</u>	<u>-</u>	<u>53,940</u>	<u>1,129,373</u>
Functional Expenses							
Salaries	-	-	17,403	437,940	59,745	21,826	519,511
Fringe benefits	-	-	920	65,003	10,472	2,308	77,783
Advertising	-	-	480	1,441	271	-	1,712
Client expense	-	-	16,897	111,102	-	-	111,102
Copier expense	-	-	-	3,498	(3,581)	-	(83)
Equipment	-	-	-	-	-	-	-
Insurance	-	-	-	2,954	15,648	-	18,602
Interest	38,077	5,125	-	43,202	-	-	43,202
Miscellaneous	420	182	10,186	16,572	9,372	6,829	32,773
Materials	-	-	31,208	81,668	-	-	81,668
Contracted	-	-	367	57,128	14,085	906	72,119
Postage	-	-	-	1,031	(983)	-	48
Rent	-	-	-	38,221	5,984	3,174	47,379
Repairs & Maintenance	-	-	-	620	-	-	620
Supplies	-	-	20	5,370	1,684	890	7,944
Training	-	-	-	13,521	2,336	-	15,857
Travel	-	35	-	9,310	335	-	9,645
Telephone	-	-	-	12,956	2,185	624	15,765
Utilities	8	3,801	-	13,938	1,676	884	16,498
Annual Leave Adjustment	-	(2,004)	-	(2,004)	-	-	(2,004)
Bad Debt Expense	-	-	12,487	12,487	-	-	12,487
Depreciation & loss on disposal	22,880	3,524	-	26,404	-	-	26,404
Total Functional Expenses	<u>61,385</u>	<u>10,663</u>	<u>89,968</u>	<u>952,362</u>	<u>119,229</u>	<u>37,441</u>	<u>1,109,032</u>
Indirect Cost Allocations	-	1,464	24,881	143,243	(149,234)	5,991	-
Total with Indirect Cost Allocations	<u>61,385</u>	<u>12,127</u>	<u>114,849</u>	<u>1,095,605</u>	<u>(30,005)</u>	<u>43,432</u>	<u>1,109,032</u>
Change in Net Assets	<u>\$ (4,701)</u>	<u>\$ 31,537</u>	<u>\$ (2,004)</u>	<u>\$ (20,172)</u>	<u>\$ 30,005</u>	<u>\$ 10,508</u>	<u>\$ 20,341</u>

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

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

To the Board of Directors of
W.A.M.Y. Community Action, Inc.
Boone, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of W.A.M.Y. Community Action, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered W.A.M.Y. Community Action, 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 W.A.M.Y. Community Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of W.A.M.Y. Community Action, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiencies.

(Continued on next page)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether W.A.M.Y. Community Action, 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.

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Rock Hill, South Carolina
November 9, 2018



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

To the Board of Directors of
W.A.M.Y. Community Action, Inc.
Boone, North Carolina

Report on Compliance for Each Major Federal Program

We have audited W.A.M.Y. Community Action, 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 W.A.M.Y. Community Action, Inc.'s major federal programs for the year ended June 30, 2018. W.A.M.Y. Community Action, 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 W.A.M.Y. Community Action, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about W.A.M.Y. Community Action, 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 W.A.M.Y. Community Action, Inc.'s compliance. (*Continued on the next page*)

Opinion on Each Major Federal Program

In our opinion, W.A.M.Y. Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of W.A.M.Y. Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered W.A.M.Y. Community Action, 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 W.A.M.Y. Community Action, Inc.'s internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be significant deficiencies.

W.A.M.Y. Community Action, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying correction action plan. W.A.M.Y. Community Action, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. (*Continued on next page*)

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.

Burkett Burkett & Burkett

BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.
Rock Hill, South Carolina
November 9, 2018

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
<u>U.S. Department of Health And Human Services</u>			
Pass-through NC Department of Health and Human Services Community Services Block Grant (CSBG)	93.569	G-17BINCOSR	\$ 298,709
Pass-through NC Department of Environmental Quality			
Low-Income Home Energy Assistance (LIHEAP WAP)	93.568	17B1NCLIEA / 560816296A	162,168
Low-Income Home Energy Assistance (HARRP)	93.568	18B1NCLIEA / 560816296A	60,832
Total U.S. Department of Health and Human Services			521,709
<u>U.S. Department of Energy</u>			
Pass-Through the NC Department of Environmental Quality			
Weatherization Assistance for Low-Income Persons	81.042	DE-EE0007939 / 560816296A	31,651
Total U.S. Department of Energy			31,651
<u>U.S. Department of Agriculture</u>			
Rural Housing Preservation Grants	10.433		8,838
Total U.S. Department of Agriculture			8,838
<u>U.S. Department of Education</u>			
Passed through NC Department of Public Instruction Twenty-First Century Community Learning Centers	84.287	A74	348,604
Total U.S. Department of Education			348,604
Total Expenditures of Federal Awards			<u>\$ 910,802</u>

See accompanying notes to schedule of expenditures of federal awards.

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of W.A.M.Y. Community Action, Inc. under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of W.A.M.Y. Community Action, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of W.A.M.Y. Community Action, Inc.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

W.A.M.Y. Community Action, Inc. has not elected to use the 10% De Minimis indirect cost rate as allowed under the Uniform Guidance.

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SUMMARY OF THE AUDITOR'S RESULTS

<i>Financial Statements</i>		
The independent auditor's report on the financial statements expressed an unmodified opinion.		
Internal control over financial reporting:		
Material weakness(es) identified?	Yes	(✓) No
Significant deficiency(ies) identified?	(✓) Yes	None Reported
Noncompliance material to the financial statements noted?	Yes	(✓) No
<i>Federal Awards</i>		
Internal control over major federal programs:		
Material weakness(es) identified?	(✓) Yes	No
Significant deficiency(ies) identified?	(✓) Yes	None Reported
Type of auditor's report issued:		
<i>Federal Agency and Name of Major Program</i>		<i>Type of Opinion on Major Program</i>
U.S. Department of Energy – Weatherization Assistance for Low-Income Persons		Unmodified
U.S. Department of Education – Twenty-First Century Community Learning Centers		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	(✓) Yes	No
Identification of major federal programs:		
<i>CFDA Number</i>	<i>Name of Federal Program</i>	
81.042	Weatherization Assistance for Low-Income Persons	
84.287	Twenty-First Century Community Learning Centers	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	Yes	(✓) No

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES:

Finding 2018-001 – Expenditure Approval

Condition: Pre-approval Purchase Order Forms are being completed subsequent to the work being accomplished or goods being purchased and not being completed at all for the purchase of the good or service.

Criteria: Internal controls should be in place that ascertain that the goods and/or services is an allowable activity and/or cost before the goods are purchased and/or the work is performed.

Cause: Management override of the control occurred in that the work was performed by the vendor prior to the purchase order form being executed.

Effect: Because of the failure to properly complete the purchase order in advance of the work performed, an unallowable activity or cost may be incurred and possibly need to reimburse the federal program. This would eventually lead to overstatement of revenues based on the entity's recording reimbursable grant funding as revenue while also creating a liability to reimburse the federal award funding.

Recommendation: Executive Director should meet with all program directors to re-emphasize the purpose of the control (i.e. to protect the entity from incurring unallowable activities or costs for the director's respective programs being overseen.). The Finance Director, during the matching of the purchase order to the vendor invoice, should bring any expenditure to be processed for payment in which the purchase order was not completed before the work was performed, to the attention of the Executive Director.

Views of Responsible Officials and Planned Corrective Actions: Program Director did discuss with Finance Director before placing the work order in state agency's data base. To correct, the Program Director will prepare work order and send to Executive Director via email to gain authorization prior to work being performed. Executive Director will respond to email for authorization and retain as record of approval being done before work is performed.

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

DEPARTMENT OF ENERGY

Finding 2018-002

Weatherization Assistance for Low-Income Persons-CFDA No. 81.042; Grant No. [DE-EE0007939 / 560816296A]; Grant period—Year ended June 30, 2018

Significant Deficiency: As discussed in Finding 2018-001, purchase orders were not being completed and/or were not executed prior to the work being performed and/or the goods being purchased, including those related to federal awards. Because of the failure to complete and/or execute the purchase order subsequent to the work being performed or goods being purchased, unallowable activities or costs could potentially occur. The Executive Director should address the control overrides with the program directors and ascertain their understanding of the control's purpose. The Executive Director should also address with the Finance Director to not pay any expenditures in which a purchase order should have been completed and/or is completed after the work and/or goods have been purchased in order that the Executive Director may monitor any management overrides of the control.

Recommendations: See Finding 2018-001 on previous page.

Views of Responsible Officials and Planned Corrective Actions: See Finding 2018-001 above.

Finding 2018-003

Weatherization Assistance for Low-Income Persons-CFDA No. 81.042; Grant No. [DE-EE0007939 / 560816296A]; Grant period—Year ended June 30, 2018

Material Weakness:

Condition: No evidence that a search is being performed and no awareness by responsible personnel that the search needs to be performed for certain unallowable activities [see *Criteria* below] before weatherization of the property is deemed acceptable to perform the work.

Criteria: Per federal regulations, “*funds shall not be used to weatherize a dwelling unit which is designated for acquisition or clearance by a Federal, State, or local program within 12 months from the date of weatherization*” [10 CFR Section 440.18(f)(1)]

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (cont'd)

DEPARTMENT OF ENERGY (cont'd)

Finding 2018-003 (cont'd)

Cause: Client personnel involved in the program were not aware of the unallowed activity per the regulation and also did not know where to locate the relevant information.

Effect: There is the potential that weatherization assistance could occur on an unacceptable property per the regulation.

Recommendation: The entity's program personnel should collaborate with either the appropriate pass-through agency personnel or the federal agency personnel to ascertain a means of performing an adequate search for the particular unallowable activity (i.e. an unacceptable property). The entity's records should also be able to produce sufficient evidence that the search was performed in addition to the search being done for the other unallowable activity in the AR4CA state database, namely a previously weatherized property.

Views of Responsible Officials and Planned Corrective Actions: Management concurred this unallowable activity was unfamiliar and not being performed. After speaking with the pass-through agency program administrator, a step will be introduced on the application process to have the property owner verify that the property is not designated for acquisition or clearance by federal, state, or local entity within the next 12 months.

Total Questioned Costs for Department of Energy from findings above: \$0

W.A.M.Y. COMMUNITY ACTION, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

There were no prior audit findings from previous single audits.



W.A.M.Y. COMMUNITY ACTION, INC.

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Bobbie Willard, Chairperson

Melissa Soto, Executive Director

**Corrective Action Plan
For the Year Ended June 30, 2018**

Findings 2018-001 and 2018-002

- Program Director and Finance Director discussed the transactions before the work orders were sent to the contractors. We fully understand that the work needs to be allowable prior to the contractors being paid. If the work was unallowable it would not be put on the work order or paid.
- Moving forward, Program Director will prepare the work order and email it to Executive Director or Finance Director. We will review the work order and approve the expense. Program Director will then send the order to the contractors for the work to begin.

Finding 2018-003

- We reached out to our Program Manager at the state weatherization office and she stated that this had never come up before. Her response was we would use common sense and due diligence. This would be similar to making sure the home is not for sale or being repossessed. When we go to the home to do the initial audit we look to see if there is a for sale sign in the yard, or if there is an X marked on the home indicating that it is marked for demolition. There is no system for verification for this.
- We will add a statement to the application stating that the client verifies that the dwelling is not designated for acquisition or clearance within 12 months of the date of weatherization, but that is really all we can do.