

W.A.M.Y. COMMUNITY ACTION, INC.
FINANCIAL STATEMENTS AND COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2021



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

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Independent Auditor's Report

To the Board of Directors
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) (the "Agency"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to W.A.M.Y. Community Action, Inc.'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 W.A.M.Y. Community Action, Inc.'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, 2021, 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 revenues and expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 April 1, 2022, 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.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 1, 2022

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Financial Position
June 30, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$ 541,818
Grants receivable, net	223,564
Notes receivable, current	8,801
Other receivables, current	20,495
Prepaid expenses	4,049
Total current assets	<u>798,727</u>

Non-Current Assets:

Restricted cash	36,488
Notes receivable, long term	315,735
Property and equipment, net	701,462
Total non-current assets	<u>1,053,685</u>

Total assets \$ 1,852,412

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 32,096
Accrued payroll and benefit liabilities	100,359
Accrued interest	19,717
Agency funds held for others	49,342
Current portion of notes payable	39,704
Total current liabilities	<u>241,218</u>

Long-Term Liabilities:

Notes payable, less current portion	<u>671,684</u>
Total liabilities	<u>912,902</u>

Net Assets:

Without donor restrictions	845,038
With donor restrictions	94,472
Total net assets	<u>939,510</u>

Total liabilities and net assets \$ 1,852,412

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue:			
Revenue from federal and state grants	\$ 999,176	\$ -	\$ 999,176
Contributions and private grants	435,156	94,472	529,628
General program revenues	11,525	-	11,525
Rental income	34,990.00	-	34,990
Interest income	21,656	-	21,656
Net Assets Released From Restrictions:			
Satisfaction of program restrictions	145,001	(145,001)	-
Total Support and Revenue, and Net Assets Released From Restrictions	1,647,504	(50,529)	1,596,975
Expenses:			
Program Services	1,438,966	-	1,438,966
Supporting Services:			
Administrative expenses	29,896	-	29,896
Fundraising	61,192	-	61,192
Total Expenses	1,530,054	-	1,530,054
Changes in Net Assets	117,450	(50,529)	66,921
Net Assets:			
Net assets, beginning of year	727,588	145,001	872,589
Net assets, end of year	\$ 845,038	\$ 94,472	\$ 939,510

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services										Support Services			
	Community Service Program(s)	Weatherization Assistance Program(s)	Community Learning Centers	Housing Preservation Program	Housing Coalition Program	Other Housing Assistance Programs	Other Educational Services Programs	Other Community Service Programs	Facilities Related Program	Emergency COVID Assistance	Program Services Total	Administrative Expenses	Fundraising	Agency Totals
Functional Expenses:														
Salaries	\$ 132,469	\$ 84,448	\$ 102,667	\$ 5,428	\$ 59,545	\$ -	\$ -	\$ -	\$ 52,918	\$ -	\$ 437,475	\$ 35,502	\$ 26,068	\$ 499,045
Fringe benefits	30,548	17,301	17,323	1,584	11,698	-	-	-	7,811	-	86,265	2,728	2,858	91,851
Advertising	226	1,438	-	-	-	-	88	-	-	-	1,752	1,921	5,866	9,539
Client expense	38,070	-	4,643	-	519	-	2,685	371	81,789	125,255	253,332	12,996	1,625	267,953
Copier expense	346	389	5,274	-	-	-	-	-	-	-	6,009	1,752	-	7,761
Equipment	-	667	-	-	-	-	-	-	-	-	667	940	300	1,907
Insurance	-	4,107	-	-	-	-	-	6,527	-	-	10,634	1,686	-	12,320
Interest	-	-	-	-	-	-	-	36,421	-	-	36,421	-	-	36,421
Materials	2,859	53,903	719	55,233	4,823	10,181	-	(1,112)	12,096	121	138,823	(171)	427	139,079
Contracted and professional	5,141	50,339	12,091	65,542	1,480	8,279	-	-	23,277	-	166,149	2,905	3,555	172,609
Postage and delivery	40	384	430	-	19	-	-	-	4	-	877	918	574	2,369
Facilities and occupancy	18,020	14,862	2,193	2,334	-	-	-	18,903	-	-	56,312	962	4,458	61,732
Repairs and maintenance	237	679	297	34	172	-	4,646	7,039	275	-	13,379	2,691	-	16,070
Training and meetings	5,865	5,329	736	-	875	-	(679)	662	2,782	-	15,570	5,159	4,748	25,477
Travel	151	1,061	1,297	-	1,452	-	-	-	101	-	4,062	1,095	2,777	7,934
Telephone	9,299	2,150	1,459	473	7,080	-	-	19,405	-	-	39,866	868	378	41,112
Utilities	-	-	-	-	-	-	-	544	-	-	544	-	-	544
Depreciation	-	-	-	-	-	-	-	31,858	-	-	31,858	-	-	31,858
Indirect cost	50,452	24,514	29,797	1,576	17,285	-	-	-	15,347	-	138,971	(42,056)	7,558	104,473
Total Expenses	<u>\$ 293,723</u>	<u>\$ 261,571</u>	<u>\$ 178,926</u>	<u>\$ 132,204</u>	<u>\$ 104,948</u>	<u>\$ 18,460</u>	<u>\$ 6,740</u>	<u>\$ 120,618</u>	<u>\$ 196,400</u>	<u>\$ 125,376</u>	<u>\$ 1,438,966</u>	<u>\$ 29,896</u>	<u>\$ 61,192</u>	<u>\$ 1,530,054</u>

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

W.A.M.Y. COMMUNITY ACTION, INC.
Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:	
Changes in net assets	\$ 66,921
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	31,858
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	(75,547)
Other receivables	7,550
Prepaid expense	1,335
Increase (decrease) in:	
Accounts payable	1,171
Accrued payroll and benefit liabilities	74,286
Accrued interest	(6,572)
Net cash provided by operating activities	<u>101,002</u>
Cash flows from investing activities:	
Principal payments on notes receivable	<u>8,314</u>
Net cash provided by investing activities	<u>8,314</u>
Cash flows from financing activities:	
Principal payments on notes payable	<u>(37,401)</u>
Net cash used in financing activities	<u>(37,401)</u>
Net increase in cash	71,915
Cash and cash equivalents, beginning	<u>506,391</u>
Cash and cash equivalents, ending	<u><u>\$ 578,306</u></u>
Supplementary information:	
Interest paid during year	<u><u>\$ 36,227</u></u>

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

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

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND 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 programs work 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. The Agency also provide programs to complete repairs and replace appliances and make homes safer.

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, summer camp and care. The programs include tutoring, mentoring, social enrichment, and health/nutrition resources.

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

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Operations (Continued)

Food and Nutrition Program(s)

These programs support families in self-sustaining methods of growing their own produce. The Agency has a garden in every county that they donate produce to the public. The garden are run by volunteers.

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

The Agency is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets with donor restrictions - These are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. Net assets with donor restrictions that have their restrictions satisfied in the same year of receipt are classified as net assets without donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the board of directors.

Use of Estimates

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

Property and Equipment

Property and equipment costing \$5,000 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.

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

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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.

Buildings	39 years
Building improvements	15 to 39 years
Vehicles	5 years

Donated Services, Materials and Facilities

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 is not recorded because there is no objective basis with which to value the volunteer time. The operation 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.

Income Taxes

The Agency is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying statements. The Agency files an annual tax return for information purposes.

It is the Agency's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during the year.

Support and Revenue

The Agency is generally funded by federal, State, and other nongovernmental grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, grants and contracts receivable and the related revenues are recorded when the applicable expenses to grant awards have been incurred.

The Agency reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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

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

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the reporting of expenses by nature and function. Accordingly, certain costs have been allocated among programs and supporting services benefited based on a specific identification of expenditures and management's estimates of time and resources devoted to those functions.

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.

Restrictions

Restricted cash consists of an internally designated maintenance and repair reserve for the Family Resource Center and a required reserve for annual principal and interest payments on its USDA Loans. Restricted cash balance at year end was \$36,488.

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.

Notes Receivable

Loans are recorded at their historical value when funds are disbursed or when 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.

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

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable (Continued)

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.

Agency Funds Held for Others

The Agency holds funds for a separate not for profit entity and processes their receipts and disbursements through the Agency's accounting system. Unspent funds held for this entity is recorded as a liability on the Agency's financial statements since the funds belong to another agency.

Subsequent Events

Management has performed an evaluation of subsequent events through April 1, 2022, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The following represents the Agency's financial assets at June 30, 2021:

Financial assets at year end:	
Unrestricted cash and cash equivalents	\$ 541,818
Grants receivable, net	223,564
Notes receivable, current	8,801
Other receivables	20,495
Total Financial Assets	<u>794,678</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>94,472</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 700,206</u></u>

The Agency's goal is generally to maintain financial assets to meet 180 days of its average operating expenses which the Agency estimates to be approximately \$300,000.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances in a reputable financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"), which provides \$250,000 of insurance coverage on each customer's cash balances. Periodically, the Agency may have cash balances in excess of FDIC insured limits.

W.A.M.Y. COMMUNITY ACTION, INC.**Notes to Financial Statements**

NOTE 4 - NOTES RECEIVABLE

Notes receivable consisted of:

Mortgage note receivable	\$ 324,536
Less current portion	8,801
Long-term notes receivable	<u>\$ 315,735</u>

The Agency obtained a note from local not for profit entity with monthly payments of \$2,338, including interest at 6% and due in full in August 2044.

Collectability and Non-accrual Status on Notes Receivable

Management evaluated the collectability of its sole mortgage note receivable at year end and deemed 100% of its outstanding accounts to be collectible. The borrower continued to make timely routine monthly installments subsequent to year end. As of year end, the mortgage note has approximately 24 more years remaining.

NOTE 5 - GRANT RECEIVABLE

Grants receivable consisted of:

US Dept. of Education	\$ 43,872
US Dept. of Health and Human Services	52,481
US Dept. of Agriculture	104,108
US Dept. of Energy	21,338
Other grantors	1,765
Grants receivable	<u>\$ 223,564</u>

Allowance for Doubtful Accounts

Management evaluated the collectability of its grant receivables at year end and believes all grants receivable will be fully collected.

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 ended.

<u>Grantor</u>	<u>Concentrations in Credit</u>	
	<u>Grants Receivable</u>	<u>Percent of Total Grants Receivable</u>
US Dept. of Education	\$ 43,872	20%
US Dept. of Health and Human Services	52,481	23%
US Dept. of Agriculture	104,108	47%
US Dept. of Energy	21,338	10%
Total	<u>\$ 221,799</u>	<u>99%</u>

W.A.M.Y. COMMUNITY ACTION, INC.**Notes to Financial Statements**

NOTE 5 - GRANT RECEIVABLE (Continued)

Concentrations in Credit and Revenue (Continued)

Grantor	Concentrations in Revenue	
	Grant Revenue	Percent of Total Revenue
US Dept. of Education	\$ 137,255	9%
US Dept. of Health and Human Services	472,496	30%
US Dept. of Agriculture	133,137	8%
US Dept. of Energy	254,218	16%
Total	<u>\$ 997,106</u>	<u>62%</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment of the Agency are listed below by major class.

Land	\$ 40,000
Buildings	1,007,774
Building improvements	22,763
Vehicles	32,904
Total property and equipment cost	<u>1,103,441</u>
Less accumulated depreciation	<u>401,979</u>
Total property and equipment, net	<u>\$ 701,462</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Program purpose	\$ 32,706
Repair and maintenance	61,766
Total net assets with donor restrictions	<u>\$ 94,472</u>

NOTE 8 - 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 year ended was \$11,793.

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

Notes to Financial Statements

NOTE 9 - 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 10 - 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 \$88,060 and accrued interest payable of \$4,183 at year end. 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 Agency 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 \$426,075 and accrued interest payable of \$15,534 at year end. The note is secured by an assignment and pledge of revenue from the Agency's operations.

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 a current outstanding balance of \$197,253 at year end. 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>Year Ending June 30,</u>	
2022	\$ 39,704
2023	41,929
2024	44,281
2025	129,823
2026	16,313
Thereafter	439,338
	<u>\$ 711,388</u>

Subsequent to year end, the Agency refinanced all outstanding debt with a bank for \$640,000 that matures on July 8, 2036. Interest rate is fixed at 3% for the first five years and then switches to a variable rate based on prime plus 0%. Monthly installments are \$4,433, including interest and is secured by the deed of trust on the building.

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

Notes to Financial Statements

NOTE 11 - LEASES

Lessee Related

The Agency entered into a lease for office space in Mitchell County, North Carolina. The space is located at 496 A Balsam Avenue in Spruce Pine. The lease requires the Agency to pay \$600 a month on a month-to-month basis. Amounts paid for rent during the year was \$7,200.

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 \$1,961. Rents collected on this lease for the year was \$23,530. Future rental amounts over the remaining lease life are:

<u>Year Ending June 30,</u>	
2022	\$ 23,530
2023	23,530
2024	23,530
2025	23,530
2026	23,530
Thereafter	39,220
	<u>\$ 156,870</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 year was \$11,460.

NOTE 12 - 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 year end was \$17,352.

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 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.

SUPPLEMENTARY INFORMATION

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grant or Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through the North Carolina Department of Health and Human Services:			
Community Services Block Grant (CSBG)	93.569	G-17BINCOSR	\$ 292,021
Community Services Block Grant (CSBG) - COVID	93.569		178,824
			<u>470,845</u>
Passed Through the N.C. Department of Environmental Quality:			
Low-Income Home Energy Assistance (LIHEAP WAP)	93.568	560816296A	140,070
Low-Income Home Energy Assistance (HARRP)	93.568	560816296A	61,310
			<u>201,380</u>
U.S. Department of Energy			
Passed Through the N.C. Department of Environmental Quality:			
Weatherization Assistance for Low Income Persons	81.042	560816296A	60,496
Total U.S. Department of Energy			<u>60,496</u>
U.S. Department of Agriculture			
Rural Housing Preservation Grants	10.433		131,913
Total U.S. Department of Agriculture			<u>131,913</u>
U.S. Department of Education			
Passed Through the N.C. Department of Public Inspection:			
Twenty-First Century Community Learning Centers	84.287	A74	128,722
Total U.S. Department of Education			<u>128,722</u>
Total Expenditures of Federal Awards			<u>\$ 993,356</u>

W.A.M.Y. COMMUNITY ACTION, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of revenues and 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, 2021. 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 wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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



**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
W.A.M.Y. Community Action, Inc.
Boone, North Carolina

We have audited, 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, the financial statements of W.A.M.Y. Community Action, Inc. (a nonprofit organization) (the "Agency"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2022.

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 Agency'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*.

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.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 1, 2022



**Independent Auditor's Report on Compliance
For The Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for The Major Federal Program

We have audited W.A.M.Y. Community Action, 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 each of the Agency's major federal programs for the year ended June 30, 2021. 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, contracts, 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 the Agency's compliance.

Opinion on The 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 above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

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 above. 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.

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.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 1, 2022

W.A.M.Y. COMMUNITY ACTION, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Items required to be reported under 2 CFR section 200.515(d):

Section I - Summary of Auditor's Results

Financial Statements

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:
- (a) Material weakness(es) identified? yes no
- (b) Significant deficiency(ies)? yes none reported
- (iii) Noncompliance material to financial statements noted? yes no

Federal Awards

- (i) Internal control over major programs:
- (a) Material weakness(es) identified yes no
- (b) Significant deficiency(ies) identified? yes none reported
- (ii) Type of auditor's report issued on compliance for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no
- (iv) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.568	Community Services Block Grant (CSBG)
93.568	Community Services Block Grant (CSBG) - COVID

- (v) Dollar threshold used to distinguish between type A and type B programs: 750,000
- (vi) Auditee qualified as low-risk auditee? yes no

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:

A. Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

Section III - Findings and questioned costs relating to the major programs which are required to be reported as defined by the Uniform Guidance [2 CFR 200.516(a)]:

Findings and Questioned Costs

None reported

W.A.M.Y. COMMUNITY ACTION, INC.
Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2021

None