

**MONTGOMERY COUNTY COMMUNITY
ACTION DEVELOPMENT COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

Berkowitz & Berkowitz

Certified Public Accountants

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

We have audited the accompanying financial statements of Montgomery County Community Action Development Commission (CADCOM, a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CADCOM, as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying schedule of functional expenditures are presented for purposes of additional analysis and are 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of CADCOM's internal control over financial reporting and on our test 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 CADCOM's internal control over financial reporting and compliance.

Berkowitz & Berkowitz CPAs

Fort Washington, Pennsylvania
January 27, 2014

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

Assets

Current Assets

Cash & Cash Equivalents	\$	532,180
Accounts Receivable		436,185
Prepaid Expenditures		<u>28,668</u>

Total Current Assets 997,033

Property & Equipment net of
accumulated depreciation of \$491,797 636,204

Other Assets - Security Deposit 5,950

Total Assets \$ 1,639,187

Liabilities & Net Assets

Current Liabilities

Accounts Payable & Accrued Expenditures	\$	125,073
Refundable Advances		207,012
Line of Credit		390,000
Due to Grantor		<u>383,918</u>

Total Current Liabilities 1,106,003

Total Liabilities 1,106,003

Net Assets

Unrestricted		191,664
Temporarily Restricted		<u>341,520</u>

Total Net Assets 533,184

Total Liabilities & Net Assets \$ 1,639,187

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

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES and CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues & Other Support</u>			
Grants & Contracts	\$ 761,678	\$ 1,454,114	\$ 2,215,792
Contributions	2,322	120,150	122,472
Other Income	74,093	-0-	74,093
Special Event Income, net of			
Direct Fundraising Expenses	8,450	-0-	8,450
Gain on the Sale of Equipment	1,600	-0-	1,600
Investment Income	234	-0-	234
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>1,602,816</u>	<u>(1,602,816)</u>	<u>-0-</u>
 <u>Total Revenues & Other Support</u>	 <u>2,451,193</u>	 <u>(28,552)</u>	 <u>2,422,641</u>
 <u>Expenditures</u>			
Program Services:			
Weatherization Programs	619,941	-0-	619,941
Community Service Programs	596,079	-0-	596,079
Food Resources Programs	587,041	-0-	587,041
Other Community Programs	<u>299,291</u>	<u>-0-</u>	<u>299,291</u>
 <u>Total Program</u>	 2,102,352	 -0-	 2,102,352
Supporting Services:			
Management & General	306,104	-0-	306,104
Fund Raising	<u>30,586</u>	<u>-0-</u>	<u>30,586</u>
 <u>Total Supporting Services</u>	 <u>336,690</u>	 <u>-0-</u>	 <u>336,690</u>
 <u>Total Expenditures</u>	 <u>2,439,042</u>	 <u>-0-</u>	 <u>2,439,042</u>
 <u>Change in Net Assets</u>	 12,151	 (28,552)	 (16,401)
 <u>Net Assets, July 1, 2012</u>	 <u>179,513</u>	 <u>370,072</u>	 <u>549,585</u>
 <u>Net Assets, June 30, 2013</u>	 <u>\$ 191,664</u>	 <u>\$ 341,520</u>	 <u>\$ 533,184</u>

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

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

<u>Cash Flows from Operating Activities</u>	
Change in Net Assets	\$ (16,401)
Adjustments to reconcile change in net assets to net provided by Operating Activities	
Depreciation	\$ 71,760
Decrease in Accounts Receivable	126,393
Decrease in Prepaid Expenditures	49,417
Decrease in Security Deposits	1,000
Decrease in Accounts Payable & Accrued Expenditures	(36,685)
Decrease in Refundable Advances	(191,330)
Increase in Due to Grantor	<u>122,015</u>
<u>Total Adjustments</u>	<u>142,570</u>
Net Cash provided by Operating Activities	<u>126,169</u>
<u>Cash Flows from Financing Activities</u>	
Repayment of Line of Credit	(<u>100,000</u>)
Net Cash used in Financing Activities	(<u>100,000</u>)
Net Increase in Cash & Cash Equivalents	26,169
Cash & Cash Equivalents - July 1, 2012	<u>506,011</u>
Cash & Cash Equivalents - June 30, 2013	\$ <u><u>532,180</u></u>
<u>Supplemental Disclosures of Cash Flow Information</u>	
Cash paid for interest	\$ <u><u>15,159</u></u>

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

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1: Nature of Business & Summary of Significant Accounting Policies

A. Purpose and Other Information of the Agency

Montgomery County Community Action Development Commission (CADCOM) is a nonprofit agency located in Norristown, Pennsylvania. CADCOM was founded in 1966 as the Montgomery County Opportunity Board, Inc., by twenty-nine community leaders in response to the Economic Act of 1964.

The main objective of CADCOM is to provide direct services to the economically disadvantaged and to combat poverty through cooperation with Federal, State and Local governmental entities, corporations and other nonprofit agencies. CADCOM strives to promote self-sufficiency for poverty stricken residents and to initiate, develop and coordinate Community Action and Economic Development programs for community improvement as well as economic, cultural, educational, health and social development.

Programs of CADCOM include Weatherization Programs, Food Resources, Community Service Programs and others aimed at aiding the disadvantaged residents of Montgomery County.

B. Basis of Presentation

In accordance with authoritative guidance, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1: Nature of Business & Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

D. Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents. As of June 30, 2013, the Organization did not have any cash equivalents.

E. Property, Equipment & Depreciation

CADCOM's policy is to capitalize, at cost, property and equipment over \$2,500 with an estimated useful life of three years or more. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciable assets are depreciated using the straight line method of depreciation. Estimated useful lives are as follows:

Building and Improvements	39 Years
Equipment, Furniture and Vehicles	5 - 10 Years

Depreciation expense charged to operations for the year ended June 30, 2013, was \$71,760. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account is relieved and any gain or loss is included in operations.

F. Income Taxes

CADCOM is an organization exempt from income taxes as defined in Internal Revenue Code Section 501(c)(3).

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction in which it operates.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1: Nature of Business & Summary of Significant Accounting Policies (Continued)

F. Income Taxes, continued

The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the financial condition or results in operations of the Organization. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2013.

The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2009. The policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

G. Estimates

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

H. Concentration of Credit Risk

The Organization maintains its active cash balances in one (1) financial institution. These balances are insured by the Federal Deposit Insurance Corporation.

I. Compensated Absences

Eligible employees of CADCOM are entitled to paid vacations, paid sick days and personal days off depending on length of service. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. CADCOM's policy is to recognize the costs of compensated absences when they are actually paid to employees.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1: Nature of Business & Summary of Significant Accounting Policies (Continued)

J. Employee Benefits

Employee benefits consist principally of health care and retirement benefits for active employees.

CADCOM maintains a pension plan for its employees pursuant to Section 403(b) of the Internal Revenue Code. The requirements for eligibility are the completion of two years of consecutive service for full time employees with forty hours per week of service and attainment of age twenty one.

Under this plan, employees may contribute up to six percent of their salary. The Organization will match each contribution at fifty percent, up to a maximum of three percent of salary. For the year ended June 30, 2013, the Organization contributed \$7,242 to the Plan.

K. Advertising

The Organization expenses all advertising costs as they are incurred. For the year ended June 30, 2013, advertising costs totaled \$2,433.

L. Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Disclosure is made for the amount of cash paid for interest.

M. Functional Expenses Allocation

The costs of providing program and other activities of the Organization have been detailed in the statement of functional expenditures and summarized in the statement of activities. Expenses are charged directly to the program or general and administrative categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefitted, based on direct charges or appropriate methods determined by management.

N. Budget

The annual budget, prepared by the Executive Director, is approved by the Board of Directors at CADCOM. For most grant programs, there is an unlimited flexibility per account within each budget category and a maximum flexibility of ten to twenty-five percent between budget categories. Any change above the limit will require a modification of the budget by the Grantor Organization.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 2: Accounts Receivable

Accounts receivable at June 30, 2013, consists of the following:

Community Service Programs	\$ 301,290
Weatherization & General Programs	94,305
Food Resources Programs	<u>40,590</u>
<u>Total Accounts Receivable</u>	\$ <u>436,185</u>

Note 3: Property & Equipment

Property and equipment for the year ended June 30, 2013, are stated at cost and summarized as follows:

Land	\$ 5,439
Building & Improvements	783,858
Equipment & Furniture	232,690
Vehicle	<u>106,014</u>
	<u>1,128,001</u>
Less: Accumulated Depreciation	<u>491,797</u>
Net Property & Equipment	\$ <u>636,204</u>

Note 4: Line of Credit

The Organization has a line of credit with the bank at an interest rate of prime plus 1%. The line is secured by assets of the Organization. The balance due on this line of credit was \$390,000 as of June 30, 2013.

Note 5: Obligations Under Operating Leases

The Organization is the lessee of office space and equipment under operating leases expiring in various years through 2018. Total rental expense charged to operations was \$72,293 for the year ended June 30, 2013.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 5: Obligations Under Operating Leases (Continued)

Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2013, for each of the next five years and in the aggregate are as follows:

June 30, 2014	\$ 74,434
June 30, 2015	61,787
June 30, 2016	3,960
June 30, 2017	3,420
June 30, 2018	2,465
Thereafter	<u>-0-</u>
Total Minimum Future Rental Payments	\$ <u>146,066</u>

Note 6: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenditures satisfying the specific restrictions in the amount of \$1,602,816.

Note 7: Interest Expense

The amount of interest cost incurred during the year ended June 30, 2013, was \$14,874.

Note 8: Due to Grantor

Under certain contract agreements, unexpended funds at year end are to be returned to the grantor. As of June 30, 2013, the total amount due to various grantors is \$383,918.

Note 9: Fundraising Revenues & Expenses

Fundraising revenues are shown net of fundraising costs, which totaled \$6,068 for the year ended June 30, 2013.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 10: Subsequent Events

The Organization has evaluated subsequent events through January 27, 2014, which is the date these financial statements were available to be issued. No events, other than those described in these notes, have occurred that require disclosure or adjustments.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>	<u>DCED Funds</u>
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs:					
Supportive Housing Program	14.235		9/1/12-8/31/13	\$ <u>51,661</u>	\$ <u>-0-</u>
<u>Total U.S. Department of Housing and Urban Development</u>				<u>51,661</u>	<u>-0-</u>
 <u>U.S. Department of Health and Human Services</u>					
Pass-Through Agency: Pennsylvania Department of Community and Economic Development					
Community Service Block Grant	93.569	C000052468	1/1/10-9/30/13	725,400	403,473
Low-Income Energy Assistance	93.568	C000053079	7/1/10-9/30/13	213,104	202,133
Assets for Independence Demonstration Program	93.602	C000016786	7/1/06-6/30/13	<u>2,000</u>	<u>-0-</u>
<u>Total U.S. Department of Health and Human Services</u>				<u>940,504</u>	<u>605,606</u>

See accompanying notes to schedule of expenditures of federal awards.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>	<u>DCED Funds</u>
<u>U.S. Department of Energy</u>					
Pass-Through Agency: Pennsylvania Department of Community and Economic Development					
ARRA-Weatherization Assistance for Low-Income Persons	81.042	C000046233	7/1/09-12/31/12	270,692	79,903
Weatherization Assistance for Low-Income Persons	81.042	C000053079	7/1/10-9/30/13	<u>207,084</u>	<u>181,229</u>
<u>Total U.S. Department of Energy</u>				<u>477,776</u>	<u>261,132</u>
 <u>U.S. Department of Agriculture</u>					
Pass-Through Agency: Pennsylvania Department of Public Welfare & Pennsylvania Association of Regional Food Banks					
Commodity Supplemental Food Program	10.565		4/1/09-3/31/14	40,849	-0-
Supplemental Nutrition Assistance Program	10.551	4100041067	7/1/12-6/30/13	29,574	-0-
Supplemental Nutrition Assistance Program	10.561	4301MCCADC-COP8692	10/1/11-9/30/12	<u>17,219</u>	<u>-0-</u>
<u>Total U.S. Department of Agriculture</u>				<u>87,642</u>	<u>-0-</u>

See accompanying notes to schedule of expenditures of federal awards.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>	<u>DCED Funds</u>
U.S. Department of the Treasury Pass-Through Agency: United Way					
Volunteer Income Tax Assistance	21.009		7/1/12-6/30/13	<u>11,959</u>	<u>-0-</u>
<u>Total U.S. Department of the Treasury</u>				<u>11,959</u>	<u>-0-</u>
<u>Total Expenditures of Federal Awards</u>				\$ <u>1,569,542</u>	\$ <u>866,738</u>

See accompanying notes to schedule of expenditures of federal awards.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2013

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Montgomery County Community Action Development Commission under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Montgomery County Community Action Development Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2: 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Note 3: Relationship to Basic Financial Statement

Federal awards expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal awards differences between generally accepted accounting principles and applicable government regulations regarding eligible program expenditures.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2013

Note 4: Expenditures

The expenditures reflected are for the year ended June 30, 2013, regardless of the grant period.

Note 5: DCED Funds

The Pennsylvania Department of Community & Economic Development requires reporting of federal funds received on the cash basis of accounting.

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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
Montgomery County Community Action
Development Commission
Norristown, PA 19401

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 Montgomery County Community Action Development Commission (CADCOM, a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CADCOM'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 CADCOM's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CADCOM's financial statements are free of 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.

Berkowitz & Berkowitz

Fort Washington, Pennsylvania
January 27, 2014

BARRY BERKOWITZ, M.S.T., C.P.A.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Montgomery County Community Action
Development Commission
Norristown, PA 19401

Report on Compliance for Each Major Federal Program

We have audited Montgomery County Community Action Development Commission's (CADCOM) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CADCOM's major federal programs for the year ended June 30, 2013. CADCOM's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CADCOM'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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 CADCOM'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 CADCOM's compliance.

To the Board of Directors
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Norristown, PA 19401

Opinion on Each Major Federal Program

In our opinion, CADCOM complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of CADCOM 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 CADCOM'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 OMB Circular A-133, 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 CADCOM'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.

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berkowitz & Berkowitz

Fort Washington, Pennsylvania
January 27, 2014

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF FINDINGS and QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Montgomery County Community Action Development Commission.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Montgomery County Community Action Development Commission were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Montgomery County Community Action Development Commission expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

Community Service Block Grant	CFDA #93.569
Weatherization	CFDA #93.568
ARRA-Weatherization	CFDA #81.042
Weatherization	CFDA #81.042
Supported Housing Program	CFDA #14.235
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Montgomery County Community Action Development Commission was determined to be a high-risk auditee.

Findings - Financial Statements Audit

No findings were reported.

Findings - Major Federal Award Programs Audit

No findings were reported.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF FUNCTIONAL EXPENDITURES

YEAR ENDED JUNE 30, 2013

	<u>Weatherization Programs</u>	<u>Food Resources Programs</u>	<u>Community Services Programs</u>	<u>Other Community Programs</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Fringe Benefits & Payroll Taxes	\$ 209,120	\$ 178,840	\$ 374,707	\$ 96,387	\$ 859,054	\$ 168,513	\$ 22,964	\$1,050,531
Travel	654	2,090	2,659	1,792	7,195	2,764	166	10,125
Supplies	1,626	2,288	3,845	2,541	10,300	2,469	240	13,009
Contracted Services	6,473	9,194	14,224	6,113	36,004	6,367	-0-	42,371
Other Costs	21,933	14,326	60,960	681	97,900	97,954	4,817	200,671
Space Costs	34,928	12,441	38,396	14,713	100,478	28,037	2,399	130,914
Program Costs	<u>345,207</u>	<u>367,862</u>	<u>101,288</u>	<u>177,064</u>	<u>991,421</u>	<u>-0-</u>	<u>-0-</u>	<u>991,421</u>
 Total	\$ <u>619,941</u>	\$ <u>587,041</u>	\$ <u>596,079</u>	\$ <u>299,291</u>	\$ <u>2,102,352</u>	\$ <u>306,104</u>	\$ <u>30,586</u>	\$ <u>2,439,042</u>