

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
Hiawatha, Kansas

YEAR ENDED MARCH 31, 2017

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditors' Report		1
Financial Statements		
Statement of Financial Position	A	3
Statement of Activities	B	4
Statement of Functional Expenses	C	5
Statement of Cash Flows	D	6
Notes to the Financial Statements		7
Supplementary Information	<u>SCHEDULE</u>	
Statement of Financial Position by Fund	1	18
Schedule of Expenditures of Federal Awards	2	19
Federal Head Start/Early Head Start Grant 07CH7068/03		
Statement of Revenues and Expenses	3	21
Community Services Block Grant		
Supplemental CSBG Program Schedule 15-CSBG-05	4	22
Supplemental CSBG Program Schedule 16-DISC-05A	5	23
Supplemental CSBG Program Schedule 16-CSBG-05	6	24
HUD Section 8 Vouchers Program KS168		
Financial Data Schedule – Balance Sheet – PYE 3/31/2017	7A	25
Financial Data Schedule – Income Statement – PYE 3/31/2017	7B	26
HUD Family Self-Sufficient Program KS168		
Financial Data Schedule – Balance Sheet – PYE 3/31/2017	8A	27
Financial Data Schedule – Income Statement – PYE 3/31/2017	8B	28
State Early Head Start Grant		
Statement of Revenues and Expenses EHS/HS-15-16-CH6173	9	29
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		30
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance		32
Schedule of Findings and Questioned Costs		34
Status of Prior Year Findings and Questioned Costs		36

MCBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northeast Kansas Community Action Program, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Kansas Community Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Kansas Community Action Program, Inc. as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Financial Data Schedules (Schedules 7 and 8) are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information in Schedules 1, 3, 4, 5, 6 and 9 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Northeast Kansas Community Action Program, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated July 14, 2017, on our consideration of Northeast Kansas Community Action Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Kansas Community Action Program, Inc.'s internal control over financial reporting and compliance.

McBride, Lock & Associates, LLC

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 14, 2017

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2017
(with summarized financial information at March 31, 2016)

<u>ASSETS</u>	2017	2016
Current Assets:		
Cash (Note 2)	\$ 465,596	\$ 252,935
Investments (Note 3)	69,673	43,553
Grant Funds Receivable	634,968	763,534
Accounts Receivable	9,848	7,821
Inventory	359	123
Prepaid Expenses (Note 5)	24,328	10,714
Total Current Assets	\$ 1,204,772	\$ 1,078,680
Fixed Assets (Note 4):		
Property and Equipment	\$ 2,821,557	\$ 2,649,285
Accumulated Depreciation	(1,742,365)	(1,606,571)
Total Fixed Assets	\$ 1,079,192	\$ 1,042,714
Other Assets:		
Restricted Cash - FSS Participants (Note 2)	\$ 6,954	\$ 12,939
Total Other Assets	\$ 6,954	\$ 12,939
TOTAL ASSETS	\$ 2,290,918	\$ 2,134,333
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 367,365	\$ 330,830
Accrued Payroll and Related Expenses	256,876	270,239
Deferred Revenue	31,354	-
Accrued Compensated Absences	56,058	55,215
Current Portion of Long-Term Debt (Note 6)	10,180	37,545
Reserve Accounts (Note 7)	65,837	25,219
Total Current Liabilities	\$ 787,670	\$ 719,048
Notes Payable (Note 6)	177,980	233,392
TOTAL LIABILITIES	\$ 965,650	\$ 952,440
 <u>NET ASSETS</u>		
Unrestricted:		
Undesignated	\$ 970,901	\$ 1,042,656
Board-designated (Note 10)	186,160	-
Total Unrestricted	1,157,061	1,042,656
Temporarily Restricted (Note 11)	168,207	139,237
TOTAL NET ASSETS	\$ 1,325,268	\$ 1,181,893
TOTAL LIABILITIES AND NET ASSETS	\$ 2,290,918	\$ 2,134,333

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2017
(with summarized financial information at March 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	(Restated - Note 16) 2016 Total
<u>REVENUE</u>				
Federal Grants	\$ 6,141,191	\$ 43,207	\$ 6,184,398	\$ 6,660,606
State/Local Grants	-	-	-	10,706
Donations	27,664	3,138	30,802	41,368
Reimbursements	131,443	-	131,443	3,564
Other	11,460	-	11,460	708
In-kind Contributions	1,045,713	-	1,045,713	936,628
Net Assets Released from Restrictions	17,375	(17,375)	-	-
TOTAL REVENUE	\$ 7,374,846	\$ 28,970	\$ 7,403,816	\$ 7,653,580
<u>EXPENDITURES</u>				
Child Care	\$ 5,338,356	\$ -	\$ 5,338,356	\$ 5,488,320
Community Services	485,255	-	485,255	421,518
Housing	855,031	-	855,031	984,449
Other Services	24,519	-	24,519	14,125
Total Program Services	\$ 6,703,161	\$ -	\$ 6,703,161	\$ 6,908,412
Management and General	704,050	-	704,050	743,288
Fixed Assets	(119,242)	-	(119,242)	(423,262)
Total Support Expenses	\$ 584,808	\$ -	\$ 584,808	\$ 320,026
TOTAL EXPENSES	\$ 7,287,969	\$ -	\$ 7,287,969	\$ 7,228,438
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 86,877	\$ 28,970	\$ 115,847	\$ 425,142
<u>OTHER REVENUE/(EXPENSE)</u>				
Unrealized Gain/(Loss) on Investments	\$ 26,121	\$ -	\$ 26,121	\$ (13,159)
Investment Income	1,407	-	1,407	1,453
TOTAL OTHER REVENUE/(EXPENSE)	\$ 27,528	\$ -	\$ 27,528	\$ (11,706)
CHANGE IN NET ASSETS	\$ 114,405	\$ 28,970	\$ 143,375	\$ 413,436
NET ASSETS, BEGINNING OF YEAR	\$ 1,042,656	\$ 139,237	\$ 1,181,893	\$ 768,457
NET ASSETS, END OF YEAR	\$ 1,157,061	\$ 168,207	\$ 1,325,268	\$ 1,181,893

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2017

	Child Care	Community Services	Housing	Other Services	Total Programs	Management and General	Fixed Assets	Total	2016 Total
EXPENDITURES:									
Personnel	\$ 2,243,466	\$ 236,220	\$ 89,518	\$ -	\$ 2,569,204	\$ 429,139	\$ -	\$ 2,998,343	\$2,543,985
Fringe Benefits	699,375	71,674	31,051	-	802,100	93,883	-	895,983	956,178
Equipment	222,294	-	-	-	222,294	-	(222,294)	-	1,428
Computer	83,314	13,264	6,836	-	103,414	38,766	-	142,180	65,043
Supplies	425,800	8,662	7,748	-	442,210	32,174	-	474,384	306,422
Rent/Utilities	166,599	13,803	2,478	-	182,880	8,624	-	191,504	187,965
Facility Repair/Maintenance	68,102	2,411	765	-	71,278	4,903	-	76,181	37,478
Mortgage	51,640	3,686	-	-	55,326	-	(55,326)	-	-
Professional Fees	47	(5)	(9)	-	33	35,717	-	35,750	6,445
Communications	91,392	11,853	4,015	-	107,260	13,225	-	120,485	75,743
Vehicle	101,892	11,745	598	-	114,235	10,857	-	125,092	123,365
Insurance	31,127	2,550	788	-	34,465	3,044	-	37,509	35,531
Travel	42,879	8,844	1,918	-	53,641	12,148	-	65,789	40,824
Registration	30,700	6,063	2,074	-	38,837	12,204	-	51,041	46,197
Tuition and Books	3,917	-	-	-	3,917	-	-	3,917	6,753
Depreciation	-	-	-	-	-	-	145,419	145,419	67,654
Interest	-	-	-	-	-	-	12,959	12,959	13,786
Other Operating Expense	24,890	15,744	821	72	41,527	5,121	-	46,648	26,826
Support to Other Programs	-	-	-	-	-	35	-	35	803
Direct Customer Services	43,821	41,905	704,654	24,447	814,827	4,210	-	819,037	1,017,140
In-kind Contributions	1,007,101	36,836	1,776	-	1,045,713	-	-	1,045,713	936,628
Total Expenses	\$ 5,338,356	\$ 485,255	\$ 855,031	\$ 24,519	\$ 6,703,161	\$ 704,050	\$ (119,242)	\$ 7,287,969	\$6,496,194
Indirect Expense	597,123	63,847	11,804	-	672,774	(672,774)	-	-	732,244
Shortfall Expense	-	26,498	-	-	26,498	(26,498)	-	-	-
TOTAL EXPENDITURES	\$ 5,935,479	\$ 575,600	\$ 866,835	\$ 24,519	\$ 7,402,433	\$ 4,778	\$ (119,242)	\$ 7,287,969	\$7,228,438

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017
(with summarized financial information for March 31, 2016)

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2017</u>	<u>(Restated - Note 1) 2016</u>
Change in Net Assets	\$ 143,375	\$ 413,436
Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities:		
Depreciation	145,419	67,654
(Increase)/Decrease in Grants Receivable	128,566	(297,581)
(Increase)/Decrease in Accounts Receivable	(2,027)	(6,001)
(Increase)/Decrease in Inventory	(236)	(123)
(Increase)/Decrease in Prepaid Expenses	(13,614)	15,038
Increase/(Decrease) in Accounts Payable	36,535	152,744
Increase/(Decrease) in Accrued Payroll and Related Expenses	(13,363)	13,711
Increase/(Decrease) in Deferred Revenue	31,354	-
Increase/(Decrease) in Accrued Compensated Absences	843	10,802
Increase/(Decrease) in Reserve Accounts	40,618	-
Net Cash Used in Operating Activities	<u>\$ 497,470</u>	<u>\$ 369,680</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Unrealized (Gain)/Loss on Investments	\$ (26,120)	\$ 13,159
Acquisition of Property and Equipment	<u>(181,897)</u>	<u>(458,454)</u>
Net Cash Used in Investing Activities	<u>\$ (208,017)</u>	<u>\$ (445,295)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payment of Long-Term Debt	<u>\$ (82,777)</u>	<u>\$ (35,153)</u>
Net Cash Used in Financing Activities	<u>\$ (82,777)</u>	<u>\$ (35,153)</u>
NET INCREASE (DECREASE) IN CASH	\$ 206,676	\$ (110,768)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>265,874</u>	<u>376,642</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 472,550</u>	<u>\$ 265,874</u>

The accompanying notes are an integral part of this statement.

Cash	\$ 465,596	\$ 252,935
Restricted Cash - FSS Participants (Note 2)	<u>6,954</u>	<u>12,939</u>
Total Cash and Restricted Cash	<u>\$ 472,550</u>	<u>\$ 265,874</u>

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northeast Kansas Community Action Program, Inc. (NEKCAP or the organization) is a non-profit community service organization incorporated under the laws of the State of Kansas serving a sixteen county area. The sixteen counties include Atchison, Brown, Doniphan, Jackson, Jefferson, Jewell, Leavenworth, Marshall, Mitchell, Nemaha, Osborne, Pottawatomie, Republic, Riley, Smith and Washington. The purpose of NEKCAP is to stimulate a better focus of all available local, state, private and federal resources with the goal of enabling low-income families and low-income individuals of all ages, in rural and urban areas, to attain the skills, knowledge, attitudes and motivations to secure the opportunities needed for them to become self-sufficient.

NEKCAP receives grant funds and donations from the federal government, State of Kansas, county and local governments and the public sector.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

To facilitate observance of limitations and restrictions placed on the use of resources available, the accounts of NEKCAP are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. NEKCAP combines the financial statements of individual grants by funding objective. These statements are then aggregated to provide the overall financial statements.

The organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets represent funds which are fully available at the discretion of management and the Board of Directors for the organization to utilize in any of its programs or supporting services. Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes or periods. Permanently restricted net assets include contributions that donors have specified must be maintained in perpetuity.

Budgetary Accounting

Budgets are adopted for each grant/contract based on that grant's/contract's fiscal grant period and the specific purposes and terms of that grant/contract. Budget revisions are determined in accordance with applicable federal regulations on grant administration.

Cash Equivalents

For purposes of the Statement of Cash Flows, NEKCAP considers all instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist entirely of equity securities with readily determinable fair values that are reported at their fair value based on quoted market prices in the statement of financial position.

Property and Equipment

NEKCAP capitalizes equipment purchases greater than \$5,000 at cost or estimated fair value, if donated. In accordance with grant agreements, the organization maintains a listing of property and equipment purchased with federal funds, recording its date of purchase, description, location, cost and source of funding used to make purchase. The grantor retains a reversionary interest in the property and equipment purchased with federal funds. The disposition of equipment and any sale proceeds are subject to grant requirements. Donated buildings are recorded at fair market value at the time of donation. Constructed buildings are recorded at cost.

NEKCAP's central office was donated in December, 1986, with the stipulation that when the building is no longer needed by the organization, it will be deeded back to the donor. The building was valued at \$154,000 at the date of donation. The building is classified as a temporarily restricted net asset, and the yearly depreciation is released from temporarily restricted net assets to unrestricted net assets. Permanent improvements to the building are recorded as a transfer from unrestricted net assets to temporarily restricted net assets.

Property and equipment are depreciated on the straight line basis over their estimated lives as follows:

Buildings	25-45 years
Equipment	3 years
Vehicles	5 years

Inventory

Inventory represents balances of supplies on-hand and are stated at cost, which approximates market, using the first-in/first-out (FIFO) method.

Contributions

NEKCAP recognizes the full amount of the contributions and grants received in the period that they were made as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The organization reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the

statement of activities as net assets released from restrictions. The organization records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. The Organization records non-cash contributions at their estimated fair market value at the date of the contribution.

Grants Receivable

Grants receivable represent expenditures of grant funds that are to be reimbursed to the organization by federal and state grantor agencies. The organization considers grants receivable to be fully collectible, and therefore, no allowance for doubtful accounts is required.

Donated Use of Space, Materials, and Services

Donated use of facilities is recorded as the difference in the fair market value rent and the actual rental payments made by NEKCAP in accordance with FASB ASC 958-605-25. Donated supplies are recognized at their estimated fair value. In accordance with generally accepted accounting principles, donated services are recognized at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The organization receives donated services from a variety of unpaid volunteers assisting the organization in its charitable programs, primarily the Head Start and Early Head Start programs. The value of these services that did not meet the requirements for recognition under GAAP is \$282,622 for the year ended March 31, 2017.

Advertising Costs

Advertising costs are expensed to operations when incurred. Total advertising cost for the year ended March 31, 2017 and 2016 were \$10,925 and \$6,063, respectively.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all NEKCAP programs, but which cannot be readily identified. Cost allocation methods are as follows:

Personnel: Organization administrative and financial personnel (executive director, fiscal director, bookkeepers, personnel director, purchasing agent, planner and executive secretary) salaries and wages leave and fringe benefits, and related administrative expenses (audit, travel, supplies, etc.) are accumulated in the indirect cost pool. The actual indirect costs included are allocated to each program based upon direct salaries and wages including all fringe benefits of each grant or activity in accordance with the Indirect Cost Negotiation Agreement with the Department of Health and Human Services.

Central Office Facility: Space costs (maintenance costs, supplies, utilities, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated through the indirect cost pool described above.

Supplies: Certain supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis. General supplies are allocated based on direct salaries and wages of each grant activity.

Copy Costs, Telephone System and Postage Meter: A record is maintained of usage (copies made, number of phones, etc.) for each program. These costs are charged to programs based on the usage during the month. Other general copy, telephone and postage costs are allocated based on direct salaries and wages of each grant activity.

Insurance: Insurance is allocated to benefiting programs depending on the type of insurance. Workers' compensation and general liability are allocated based on salaries and wages of personnel covered. Vehicle insurance is allocated based on the amount of vehicle usage by each program.

Income Tax Status

NEKCAP is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is also exempt from state income taxes under the laws of the State of Kansas. The organization has not been classified as a private foundation.

As required by FASB ASC No. 740, *Income Taxes*, the organization evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the organization's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The organization is no longer subject to United States federal or state examinations by tax authorities for the years before 2014. During the fiscal year ending March 31, 2017, the organization did not recognize any interest or penalties associated with any positions.

Concentration of Risk

The organization is supported primarily through grants from federal, state, and local governments. Historically, a significant portion of grants were provided by a few major grantors, including the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. It is always considered reasonably possible that grantors or donors might be lost in the near term. In addition, NEKCAP's ability to generate resources via grants is primarily dependent upon the economic health and prosperity of the Federal government and to a much smaller extent upon the prosperity and health of the State of Kansas. As a result, there is the potential that an economic downturn or changes in federal and state policy or priorities could result in a decrease in contributions and grants. This in turn could potentially negatively impact the organization's ability to provide the same level of high quality service that NEKCAP currently provides to its program participants.

Use of Estimates

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

Change in Net Assets From Operations

NEKCAP's change in net assets from operations includes revenues and expenses directly related to carrying out the organization's mission. Unrealized gains and losses and dividend revenue on investments are considered nonoperating.

New Accounting Pronouncements

The organization has chosen to early adopt the requirements of Accounting Standards Update (ASU) 2016-18, which requires restricted cash to be included in the beginning and ending cash balances on the Statement of Cash Flows. This resulted in a restatement of the 2016 cash amounts presented on the Statement of Cash Flows to include Restricted Cash – FSS Participants. The change has no effect on net assets of the organization.

Also, in anticipation of the changes to financial statement presentation required by ASU 2016-14, the Statement of Functional Expenses has been moved to the basic financial statements from the supplemental schedules and a column for prior-year summarized totals has been added. The organization has not fully adopted ASU 2016-14, which will become effective for the fiscal year ended March 31, 2019. The change has no effect on net assets of the organization.

NOTE 2 – DEPOSITS

As of March 31, 2017 and 2016, the carrying amount of NEKCAP's deposits including restricted cash balances was \$472,550 and \$265,874, respectively. The bank balances were \$547,586 and \$476,871 as of March 31, 2017 and 2016, respectively. The difference between carrying amount and bank balance is outstanding deposits and checks. Of the bank balance for March 31, 2017, \$287,948 was covered by FDIC insurance and \$259,638 was collateralized by pledged securities held under joint custody receipts issued by the Federal Reserve Bank in the organization's name.

The U.S. Department of Housing and Urban Development has a program in which persons receiving rent subsidies can save the difference between the original rent subsidy and the change in that subsidy as their personal income increases. These savings are maintained by NEKCAP until these persons have met the time requirement. The funds are then remitted to the qualified individual. The funds are in a separate bank account and amounted to \$6,954 as of March 31, 2017 and \$12,939 as of March 31, 2016.

As a condition of the ALJ Center notes payable as listed in Note 6, management was required to establish a separate cash account into which monthly payments are deposited. The bank then withdraws these deposits to make the note payments. The bank requires a balance be maintained in the account of \$7,280 and \$9,961 as of March 31, 2017 and 2016, respectively, which will be applied to the final payment.

NOTE 3 – INVESTMENTS

At March 31, 2017 and 2016, the value of the organization’s investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Equity Securities	\$ 69,673	\$ 43,553

The following schedule summarized the organization’s investment return for the year ended March 31, 2017:

Dividends	\$ 1,407
Unrealized Gain	<u>26,121</u>
Total Investment Return	<u>\$ 27,528</u>

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Central Office Building and Equipment	\$ 344,751	\$ 344,751
ALJ Center	771,238	707,738
Leasehold Improvements	29,250	29,250
Equipment - Federal	<u>1,676,318</u>	<u>1,567,546</u>
Total Property and Equipment	2,821,557	2,649,285
Less: Accumulated Depreciation	<u>(1,742,365)</u>	<u>(1,606,571)</u>
Net Property and Equipment	<u>\$ 1,079,192</u>	<u>\$ 1,042,714</u>

Depreciation expense during the years ended March 31, 2017 and 2016 were \$145,419 and \$67,654, respectively.

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consist of the following as of March 31:

	<u>2017</u>	<u>2016</u>
Prepaid Postage	\$ 1,073	\$ 2,150
Travel Advances	1,269	225
Other Prepaids	<u>21,986</u>	<u>8,339</u>
Total Prepaid Expenses	<u>\$ 24,328</u>	<u>\$ 10,714</u>

NOTE 6 – NOTES PAYABLE

Notes payable consisted of the following at March 31:

	<u>2017</u>	<u>2016</u>
Notes Payable to Banks:		
School bus loan: 3.65% interest, monthly installments of \$607, due 2/5/2018	\$ -	\$ 13,469
ALJ Center loan: 7.00% interest, monthly installments of \$720, due 2/12/2019	-	22,590
ALJ Center loan: 7.00% interest, monthly installments of \$360, due 2/12/2019	-	11,295
School bus loan: 3.65% interest, monthly installments of \$899, due 9/5/2018	-	25,716
Note Payable to Farmers Home Administration:		
ALJ Center loan: 5% interest, monthly installments of \$1,611, due 7/20/2030	<u>188,160</u>	<u>197,867</u>
Total Notes Payable	\$ 188,160	\$ 270,937
Less Current Portion	10,180	37,545
Long-Term Notes Payable	<u>\$ 177,980</u>	<u>\$ 233,392</u>

Interest expense paid for years ended March 31, 2017 and 2016 was \$12,959 and \$13,786, respectively.

As of March 31, 2017, notes payable mature as follows:

Year Ended March 31:	
2018	\$ 10,180
2019	10,700
2020	11,248
2021	11,823
2022	12,428
Thereafter	131,781
Total	<u>\$ 188,160</u>

NOTE 7 – RESERVE ACCOUNTS

The organization has established a reserve of funds as required by the terms of a Loan Resolution Security Agreement with the U.S. Department of Agriculture for a loan to construct the ALJ Center Head Start facility. These reserve funds may be used for paying the costs of repairs to the facility or making extensions or improvements to the facility. The value of the reserve funds was required to be \$19,332 as of March 31, 2017 and 2016.

The organization accrued a liability as of March 31, 2014 as a result of a program audit of the State Early Head Start grant by the Kansas Department of Children and Families. The program audit questioned \$5,887 of costs which must be returned to the grantor as a result of actual costs for Taxes & Benefits exceeding the budgeted amount for that line item. The reserve was released from the books during the fiscal year ended March 31, 2017 as the State Early Head Start program was ended and there was no resolution.

NOTE 8 – COMPENSATED ABSENCES

Employees of NEKCAP are entitled to paid vacation depending on length of service as described below.

<u>Years of Service</u>	<u>Days Per Month</u>
0-3	1
4-6	1.25
7-10	1.5
11-15	1.75
16+	2

Employees may not carryover more than 120 hours to the next fiscal year and upon termination an employee will only be paid for 90 hours maximum. The liability for vacation leave as of March 31, 2017 and 2016 was \$56,058 and \$55,215, respectively.

NOTE 9 – OPERATING LEASES

NEKCAP has operating leases for classroom and office space for Head Start Programs. The rental agreements are generally for nine months to one year in duration and are eligible for renewal on an annual basis. It is NEKCAP's intention to continue renewing these leases indefinitely. The rental agreements contain provisions for rent and/or utility reimbursement. Rent expense for the years ended March 31, 2017 and 2016 was \$182,881 and \$190,655, respectively. Operating leases for the next five years are as follows:

Year Ended March 31:	
2018	\$ 100,870
2019	93,270
2020	4,500
2021	3,000
2022	3,000

NOTE 10 – BOARD-DESIGNATED NET ASSETS

During the fiscal year, the organization determined that it had \$186,160 in the General Fund remaining from CHDO housing programs which were discontinued several years ago. The Board established a reserve using these remaining funds which will be used for future purposes at the discretion of the Board.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Child Care	\$ 2,539	\$ 9,236
Community Services	83,434	69,999
Housing	25,315	-
Other	8,306	7,466
Central Office Building	48,613	52,536
Total	<u>\$ 168,207</u>	<u>\$ 139,237</u>

NOTE 12 – EMPLOYEE BENEFIT PLANS

NEKCAP has a deferred compensation arrangement in which all employees who are at least 21 years of age with a minimum of one year of service are eligible to participate. The voluntary salary reduction amount may not exceed the maximum percentage of a participant's compensation allowable by Internal Revenue Code Section 401(k). Employer matching contributions are made equal to 50% of a participant's salary reduction up to 8% of a participant's compensation. The related program cost is recorded as an expense when incurred. A participant's salary deferrals and employer matching contributions are 100% vested upon the participant's entrance into the plan.

NEKCAP's matching contribution for the years ended March 31, 2017 and 2016 was \$40,220 and \$40,661, respectively.

NEKCAP has a plan which qualifies as a cafeteria plan under Section 125 of the Internal Revenue Code of 1954, as amended. The plan is open to employees whose employment is at least 1,000 hours per year and who have completed at least 30 days of service. The purpose of the plan is to provide employees a choice between cash and benefits under the dependent care assistance plan and medical care plans maintained by the organization.

NOTE 13 – CONTINGENCIES

NEKCAP participates in Federal and state programs that are fully or partially funded by grants received from governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the organization may be required to reimburse the grantor agency. As of March 31, 2017, significant amounts of program expenditures have not been audited by grantor agencies, but the NEKCAP believes that disallowed expenditures, if any, based upon subsequent audits by the grantor agencies will not have a material effect on any of the individual funds or the overall financial position of the organization.

NOTE 14 – SUBSEQUENT EVENTS

NEKCAP evaluated subsequent events through July 14, 2017, the date the financial statements were available to be issued.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques that measure fair market value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements).

NEKCAP uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents – The carrying amount approximates fair value because of the short maturity of those instruments.

Investments – The carrying value reflects the fair value of the equity shares as traded on financial markets.

Accounts receivable – The carrying value of accounts receivable approximates fair value due to their short-term nature and the fact they have been collectible historically.

Accounts payable – The carrying value of accounts payable approximates fair value due to the short-term nature of the obligations.

Accrued expenses – The carrying value of accrued expenses approximates fair value due to the short-term nature of the obligations.

Long-term debt – The fair value of the NEKCAP’s long-term debt approximates fair value due to the fact the entity is current and the remaining life of the debt does not justify a re-negotiation of the terms of the debt.

NOTE 16 – PRIOR-YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended March 31 of the prior year, from which the summarized information was derived.

Certain prior-year information has been restated in the current financial statements. As mentioned in Note 1 above, the 2016 amounts on the Statement of Cash Flows have been restated due to the adoption of ASU 2016-18. The 2016 expenditure amounts on the Statement of Activities have been restated to reflect a change in the presentation of expenditures as management and general or program to more accurately reflect the true amount of management and general type expenditures incurred by the organization.

SUPPLEMENTARY INFORMATION

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION BY FUND
YEAR ENDED MARCH 31, 2017

<u>ASSETS</u>	Child Care	Community Services	Housing	Other Services	Management and General	Fixed Assets	Total
Current Assets:							
Cash	\$ (34,498)	\$ 57,956	\$ 55,728	\$ 28,197	\$ 358,213	\$ -	\$ 465,596
Investments	-	-	-	69,673	-	-	69,673
Grant Funds Receivable	579,348	47,694	7,926	-	-	-	634,968
Accounts Receivable	427	18	351	379	8,673	-	9,848
Inventory	-	-	-	-	359	-	359
Prepaid Expenses	12,218	199	1,139	-	10,772	-	24,328
Total Current Assets	<u>\$ 557,495</u>	<u>\$ 105,867</u>	<u>\$ 65,144</u>	<u>\$ 98,249</u>	<u>\$ 378,017</u>	<u>\$ -</u>	<u>\$ 1,204,772</u>
Fixed Assets:							
Property and Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,821,557	\$ 2,821,557
Accumulated Depreciation	-	-	-	-	-	(1,742,365)	(1,742,365)
Total Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,079,192</u>	<u>\$ 1,079,192</u>
Restricted Cash - FSS Participants	-	-	6,954	-	-	-	6,954
TOTAL ASSETS	<u>\$ 557,495</u>	<u>\$ 105,867</u>	<u>\$ 72,098</u>	<u>\$ 98,249</u>	<u>\$ 378,017</u>	<u>\$ 1,079,192</u>	<u>\$ 2,290,918</u>
<u>LIABILITIES AND NET ASSETS</u>							
Current liabilities:							
Accounts Payable	\$ 328,621	\$ 1,600	\$ 8,091	\$ 711	\$ 28,342	\$ -	\$ 367,365
Accrued Payroll and Related Expenses	202,921	17,710	7,338	-	28,907	-	256,876
Deferred Revenue	-	-	31,354	-	-	-	31,354
Accrued Compensated Absences	-	-	-	-	56,058	-	56,058
Current Portion of Long-Term Debt	-	-	-	-	-	10,180	10,180
Reserve Accounts	-	-	-	-	65,837	-	65,837
Total Current Liabilities	<u>\$ 531,542</u>	<u>\$ 19,310</u>	<u>\$ 46,783</u>	<u>\$ 711</u>	<u>\$ 179,144</u>	<u>\$ 10,180</u>	<u>\$ 787,670</u>
Notes Payable	-	-	-	-	-	177,980	177,980
TOTAL LIABILITIES	<u>\$ 531,542</u>	<u>\$ 19,310</u>	<u>\$ 46,783</u>	<u>\$ 711</u>	<u>\$ 179,144</u>	<u>\$ 188,160</u>	<u>\$ 965,650</u>
<u>NET ASSETS</u>							
Unrestricted:							
Undesignated	\$ 23,414	\$ 3,123	\$ -	\$ 89,232	\$ 12,713	\$ 842,419	\$ 970,901
Board-designated	-	-	-	-	186,160	-	186,160
Total Unrestricted	<u>\$ 23,414</u>	<u>\$ 3,123</u>	<u>\$ -</u>	<u>\$ 89,232</u>	<u>\$ 198,873</u>	<u>\$ 842,419</u>	<u>\$ 1,157,061</u>
Temporarily Restricted	2,539	83,434	25,315	8,306	-	48,613	168,207
TOTAL NET ASSETS	<u>\$ 25,953</u>	<u>\$ 86,557</u>	<u>\$ 25,315</u>	<u>\$ 97,538</u>	<u>\$ 198,873</u>	<u>\$ 891,032</u>	<u>\$ 1,325,268</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 557,495</u>	<u>\$ 105,867</u>	<u>\$ 72,098</u>	<u>\$ 98,249</u>	<u>\$ 378,017</u>	<u>\$ 1,079,192</u>	<u>\$ 2,290,918</u>

The accompanying notes are an integral part of this statement.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAMS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2017

Federal CFDA Number	Federal Program	Pass-Through Entity Identifying Number	Federal Expenditures
U.S DEPARTMENT OF AGRICULTURE			
Passed through Kansas Department of Education:			
10.558	Child and Adult Care Food Program	N/A	\$ 140,111
10.574	Team Nutrition Grants	N/A	<u>2,250</u>
	Total U.S. Department of Agriculture		<u>\$ 142,361</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Catholic Charities:			
14.231	Emergency Shelter Grant Program - Rapid Re-housing	ESG-FFY2015	6,311
Passed through Brown County, Kansas			
	Emergency Shelter Grant Program - Homeless Prevention	ESG-FFY2016	4,050
	Emergency Shelter Grant Program - Rapid Re-housing	ESG-FFY2016	9,262
	Emergency Shelter Grant Program - HMIS	ESG-FFY2016	838
	Total		<u>\$ 20,461</u>
Passed through Kansas Housing Resources Corporation:			
14.239	Home Investment Partnerships Program	M-13-SG-20-0160	1,240
		M-14-SG-20-0170	17,982
		M-16-SG-20-0150	1,519
	Total		<u>\$ 20,741</u>
Direct Program:			
14.267	Continuum of Care Program	KS0057LP071405	\$ 59,892
		KS0057LP071506	111,461
	Total		<u>\$ 171,353</u>
14.896	Family Self-Sufficiency Program	KS168FSH245A015	\$ 39,938
		KS168FSH245A016	13,916
	Total		<u>\$ 53,854</u>
14.871	Section 8 Housing Choice Vouchers (Housing Voucher Cluster)	KS168 (PY15)	\$ 604,735
	Total		<u>\$ 604,735</u>
	Total U.S. Department of Housing and Urban Development		<u>\$ 871,144</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Kansas Department of Children and Families:			
93.575	Child Care and Development Block Grant (CCDF Cluster)	EHS/HS-15-16-CH6173	\$ 121,387
	Total		<u>\$ 121,387</u>
Passed through Kansas Housing Resources Corporation:			
93.569	Community Service Block Grant	15 CSBG 05	\$ 77,928
		16 CSBG 05	426,735
		16 DISC 05A	7,000
	Total		<u>\$ 511,663</u>
Direct Program:			
93.600	Head Start	07CH7068/03	\$ 3,389,294
	Early Head Start	07CH7068/03	1,159,789
	Total		<u>\$ 4,549,083</u>
	Total U.S. Department of Health and Human Services		<u>\$ 5,182,133</u>
	Total Expenditures of Federal Awards		<u>\$ 6,195,638</u>

The accompanying notes are an integral part of this statement.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2017**

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Northeast Kansas Community Action Program, Inc. for the year ended March 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B: Summary of Significant Accounting Policies

Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Organization has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C: Grants to Subrecipients

There were no federal funds passed through to sub-recipients during the fiscal year.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 FEDERAL HEAD START/EARLY HEAD START GRANT 07CH7068/03
 STATEMENT OF REVENUES AND EXPENSES
 TWELVE MONTHS ENDED MARCH 31, 2017**

<u>REVENUE</u>		
Grant Income		\$ 4,549,082
In-Kind Contributions		<u>1,288,535</u>
TOTAL REVENUE		<u>\$ 5,837,617</u>
<u>EXPENSES</u>		
Personnel		\$ 2,160,091
Fringe Benefits	673,388	
Less: Amount Reimbursed	<u>(113,609)</u>	
Net Fringe Benefits		559,779
Travel		41,121
Equipment		223,447
Supplies		344,330
Contractual		92,611
Other		540,132
Indirect Costs		587,571
In-Kind Expenses		<u>1,288,535</u>
TOTAL EXPENSES		<u>\$ 5,837,617</u>

Detail of Expenditures by CAN Number:

<u>CAN NO.</u>	
6-G074122	\$ 3,097,591
6-G074125	1,130,121
6-G074120	36,614
6-G074121	29,667
6-G074123	255,089
In-Kind Expenses	<u>1,288,535</u>
TOTAL EXPENSES	<u>\$ 5,837,617</u>

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE 15 CSBG 05
 EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2016**

<u>Expenditure Accounts</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance (Over)/Under</u>
Personnel	\$ 319,405	\$ 315,059	\$ (4,346)
Non-Personnel	109,293	110,547	1,254
Administration:			
Fair Share	66,813	63,642	(3,171)
Shortfall	11,510	17,761	6,251
TOTAL EXPENDITURES	<u><u>\$ 507,021</u></u>	<u><u>\$ 507,009</u></u>	<u><u>\$ (12)</u></u>

NOTE: Expenditures include \$12 of program income.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE 16 DISC 05A
 FIVE MONTHS ENDED MARCH 31, 2017**

<u>Expenditure Accounts</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance (Over)/Under</u>
Personnel	\$ -	\$ -	\$ -
Non-Personnel	7,000	7,000	-
Administration:			
Fair Share	-	-	-
Shortfall	-	-	-
TOTAL EXPENDITURES	<u><u>\$ 7,000</u></u>	<u><u>\$ 7,000</u></u>	<u><u>\$ -</u></u>

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SUPPLEMENTAL CSBG PROGRAM SCHEDULE 16 CSBG 05
TWELVE MONTHS ENDED MARCH 31, 2017

<u>Expenditure Accounts</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance (Over)/Under</u>
Personnel	\$ 272,379	\$ 353,931	\$ 81,552
Non-Personnel	74,767	85,299	10,532
Administration:			
Fair Share	56,617	72,025	15,408
Shortfall	22,972	26,752	3,780
TOTAL EXPENDITURES	<u>\$ 426,735</u>	<u>\$ 538,007</u>	<u>\$ 111,272</u>

NOTES:

Grants period ends September 30, 2017.

Expenditures include \$8,081 of program income.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 NEK-CAP, INC. HOUSING CHOICE VOUCHERS KS168
 FINANCIAL DATA SCHEDULE
 BALANCE SHEET
 PROGRAM YEAR ENDED MARCH 31, 2017**

ASSETS

Current Assets:

Cash	\$	58,608
Accounts Receivable - HUD		24
Prepaid Expenses & Other		1,039

TOTAL ASSETS	\$	59,671
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LIABILITIES

Current liabilities:

Accounts Payable	\$	670
Accrued Payroll Liabilities		3,573

Total Current Liabilities	\$	4,243
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Non-current Liabilities:

FSS Escrow	\$	7,281
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TOTAL LIABILITIES	\$	11,524
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NET ASSETS

Unrestricted	\$	17,837
Restricted		30,310

TOTAL NET ASSETS	\$	48,147
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TOTAL LIABILITIES AND NET ASSETS	\$	59,671
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NOTE: Program year consisted of 18 months due to change in the HUD Vouchers program year to match the fiscal year of the organization.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. HOUSING CHOICE VOUCHERS KS168
FINANCIAL DATA SCHEDULE
INCOME STATEMENT
PROGRAM YEAR ENDED MARCH 31, 2017**

<u>REVENUE</u>		
Grant Revenue		\$ 1,020,279
Fraud Recovery		-
Other Income		<u>11,701</u>
TOTAL REVENUE		<u>\$ 1,031,980</u>
<u>EXPENDITURES</u>		
Operating:		
Administrative	\$ 47,692	
Tenant Services	84,532	
Utilities	3,296	
Insurance	996	
Maintenance	2,620	
General	<u>2,859</u>	
Total Operating		\$ 141,995
Direct client assistance		<u>828,938</u>
TOTAL EXPENDITURES		<u>\$ 970,933</u>
CHANGE IN NET ASSETS		<u>\$ 61,047</u>
BEGINNING NET ASSETS		\$ -
PRIOR PERIOD ADJUSTMENTS		<u>(12,900)</u>
ENDING NET ASSETS		<u><u>\$ 48,147</u></u>

NOTE: Program year consisted of 18 months due to change in the HUD Vouchers program year to match the fiscal year of the organization.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. FAMILY SELF-SUFFICIENCY PROGRAM KS168
FINANCIAL DATA SCHEDULE
BALANCE SHEET
PROGRAM YEAR ENDED MARCH 31, 2017**

ASSETS

Current Assets:

Cash	\$ 482
Accounts Receivable - HUD	6,233
Prepaid Expenses & Other	-

TOTAL ASSETS **\$ 6,715**

LIABILITIES

Current liabilities:

Accrued Liabilities - other	\$ 4,131
Accrued Payroll Liabilities	2,584

TOTAL LIABILITIES **\$ 6,715**

NET ASSETS

Unrestricted	\$ -
Restricted	-

TOTAL NET ASSETS **\$ -**

TOTAL LIABILITIES AND NET ASSETS **\$ -**

NOTE: Program year consisted of 18 months due to change in the HUD Vouchers program year to match the fiscal year of the organization.

**NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
NEK-CAP, INC. FAMILY SELF-SUFFICIENCY PROGRAM KS168
FINANCIAL DATA SCHEDULE
PROGRAM YEAR ENDED MARCH 31, 2017**

<u>REVENUE</u>		
Grant Revenue		\$ 79,837
Other Income		<u>3,006</u>
TOTAL REVENUE		<u>\$ 82,843</u>
<u>EXPENDITURES</u>		
Operating:		
Tenant services	78,517	
Insurance	<u>195</u>	
Total Administrative		\$ 78,712
Direct client assistance		<u>-</u>
TOTAL EXPENDITURES		<u>\$ 78,712</u>
CHANGE IN NET ASSETS		\$ 4,131
BEGINNING NET ASSETS		\$ -
PRIOR PERIOD ADJUSTMENTS		<u>(4,131)</u>
ENDING NET ASSETS		<u><u>\$ -</u></u>

NOTE: Program year consisted of 18 months due to change in the HUD Vouchers program year to match the fiscal year of the organization.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATE EARLY HEAD START GRANT EHS/HS-15-16-CH6173
STATEMENT OF REVENUES AND EXPENSES
TWELVE MONTHS ENDED JUNE 30, 2016

REVENUE

Grant Income	\$ 657,682
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TOTAL REVENUE	\$ 657,682
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EXPENSES

Personnel	\$ 330,307
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Employer Tax & Benefits	107,322
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Travel	-
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Equipment/Other Services	3,985
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Supplies	12,235
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Consultants/Contractual	68,678
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Training	10,505
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Building	17,675
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Other	29,675
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Indirect Costs	77,300
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TOTAL EXPENSES	\$ 657,682
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MCBRIDE, LOCK & ASSOCIATES, LLC

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

To the Board of Directors of
Northeast Kansas Community Action Program, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeast Kansas Community Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Kansas Community Action Program, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McBride, Lock & Associates, LLC
Kansas City, Missouri
July 14, 2017

MCBRIDE, LOCK & ASSOCIATES, LLC

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

To the Board of Directors of
Northeast Kansas Community Action Program, Inc.

Report on Compliance for Each Major Federal Program

We have audited Northeast Kansas Community Action Program, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Kansas Community Action Program, Inc.'s major federal programs for the year ended March 31, 2017. Northeast Kansas Community Action Program, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeast Kansas Community Action Program, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Kansas Community Action Program, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northeast Kansas Community Action Program, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Northeast Kansas Community Action Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2017.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



McBride, Lock & Associates, LLC
Kansas City, Missouri
July 14, 2017

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended March 31, 2017

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified: __ Yes X No
- Significant deficiency(ies) identified not considered to be material weaknesses? __ Yes X None reported
3. Noncompliance material to financial statements noted? __ Yes X No

Federal Awards

4. Internal control over major programs:
- Material weakness(es) identified: __ Yes X No
- Significant deficiency(ies) identified not considered to be material weaknesses? __ Yes X None reported
5. Type of auditors’ report issued on compliance for major programs? Unmodified
6. Any findings disclosed that are required to be reported in accordance with Uniform Guidance section 200.516? __ Yes X No

7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers (Housing Voucher Cluster)
93.600	Head Start

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2017
(Continued)

- | | | |
|----|--|---------------------------|
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$750,000</u> |
| 9. | Auditee qualified as a low-risk auditee? | <u>X</u> Yes <u> </u> No |

Section II – Financial Statement Findings:

There were no matters reported.

Section III – Federal Award Findings and Questioned Costs:

There were no matters reported.

NORTHEAST KANSAS COMMUNITY ACTION PROGRAM, INC.
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2017

Financial Statement Findings:

There were no prior year financial statement findings.

Federal Award Findings and Questioned Costs:

There were no prior year federal award findings or questioned costs.