



NORTHERN TIER

COMMUNITY ACTION CORPORATION

Emporium, Pennsylvania

DUNS: 088417589

Financial Statements

June 30, 2019

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Northern Tier Community Action Corporation

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Northern Tier Community Action Corporation

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Troxell & Associates, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Northern Tier Community Action Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Tier Community Action Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.

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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 Northern Tier Community Action Corporation as of June 30, 2019, 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

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2020, on our consideration of Northern Tier Community Action Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northern Tier Community Action Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Tier Community Action Corporation's internal control over financial reporting and compliance.



Troxell & Associates, LLC
Certified Public Accountants
March 18, 2020

Northern Tier Community Action Corporation

Statement of Financial Position

June 30, 2019

Assets**Current Assets:**

Cash in bank	\$	436,041.45
Prepaid expenses		17,097.96
Accounts receivable		47,196.64
Grants receivable		232,513.55
Inventory - materials		107,726.76
Work in progress		193,751.55

Total Current Assets 1,034,327.91

NonCurrent Assets:

Property and equipment (at cost)	822,318.82
Less accumulated depreciation	<u>(418,495.59)</u>

Total NonCurrent Assets 403,823.23

Total Assets \$ 1,438,151.14

Liabilities and Net Assets**Current Liabilities:**

Accounts payable	\$	244,641.32
Accrued salaries and fringes payable		43,764.76
Deferred revenue		83,335.25
Interest due grantors		0.60
Line of credit		50,000.00
Current portion of long-term debt		4,616.68

Total Current Liabilities 426,358.61

Long-Term Liabilities:

Long-term debt net of current portion	<u>7,966.90</u>
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Total Liabilities 434,325.51

Net Assets:

Without donor restrictions	<u>1,003,825.63</u>
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Total Net Assets 1,003,825.63

Total Liabilities and Net Assets \$ 1,438,151.14

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Statement of Activities

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>
Support and Revenue:	
Support:	
Grants	\$ 3,975,525.47
In-kind contributions	295,656.27
Commodities	25,882.15
	<u>4,297,063.89</u>
Total Support	<u>4,297,063.89</u>
Revenue:	
Program service fees	40,350.00
Rental income	65,388.00
Interest income	57.56
Program income	459,467.89
	<u>565,263.45</u>
Total Revenue	<u>565,263.45</u>
Total Support and Revenue	<u>4,862,327.34</u>
Expenses:	
Program Services:	
Weatherization	813,697.05
Child Care Information Services (CCIS)	9,076.17
Head Start	2,444,315.01
Community Services Block Grant (CSBG)	276,471.85
The Emergency Food Assistance Program (TEFAP)/ Child and Adult Care Food Program (CACFP)	256,669.93
Emergency Solutions - Veterans	27,677.19
Other programs	782,630.39
	<u>4,610,537.59</u>
Total Program Services	4,610,537.59
Support Services:	
Agency activities	111,151.96
	<u>111,151.96</u>
Total Expenses	<u>4,721,689.55</u>
Change in Net Assets	140,637.79
Net Assets, beginning of year	<u>863,187.84</u>
Net Assets, end of year	<u><u>\$ 1,003,825.63</u></u>

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services								
	Weatheriza- tion	CCIS	Head Start	CSBG	TEFAP/ CACFP	Emergency Solutions - Veterans	Other Programs	Agency Activities	Total
Salaries and wages	\$ 200,715.84	\$ 6,526.96	\$ 1,035,671.19	\$ 150,764.87	\$ 15,392.18	\$ 15,664.88	\$ 192,898.25	\$ 39,197.63	\$ 1,656,831.80
Health and welfare	60,129.25	1,551.36	293,058.52	57,329.72	7,907.14	2,585.21	74,371.96	9,726.46	506,659.62
Pension expense	5,729.33	326.38	23,962.46	7,503.93	769.65	783.28	6,944.28	1,197.56	47,216.87
Payroll taxes	37,460.29	671.47	168,171.98	20,998.31	2,389.56	2,252.82	30,011.31	6,792.60	268,748.34
Total salaries and related expenses	304,034.71	9,076.17	1,520,864.15	236,596.83	26,458.53	21,286.19	304,225.80	56,914.25	2,479,456.63
Commodities distributed	-	-	-	-	25,882.15	-	-	-	25,882.15
Consultant/professional fees	8,043.54	-	22,263.60	3,000.00	-	-	6,933.48	-	40,240.62
Subcontract	200,008.85	-	-	-	-	-	112,991.91	-	313,000.76
Supplies	10,023.38	-	167,341.59	402.08	30.79	-	51,212.28	1,754.92	230,765.04
Equipment and vehicles	3,845.46	-	66,116.68	9,999.98	1,589.84	-	629.89	-	82,181.85
In-kind	-	-	295,656.27	-	-	-	-	-	295,656.27
Occupancy	14,028.00	-	156,295.00	8,400.00	1,680.00	1,800.00	25,648.55	972.00	208,823.55
Insurance	14,494.73	-	13,135.00	3,180.00	2,245.64	1,093.64	5,032.91	2,688.96	41,870.88
Training/technical assistance	-	-	27,698.20	340.00	-	-	29,680.47	-	57,718.67
Maintenance/vehicle operation	12,323.16	-	4,990.45	607.55	-	-	-	2,676.62	20,597.78
Travel	257.71	-	15,491.99	629.06	278.68	2,347.21	3,311.05	1,686.18	24,001.88
Postage	330.00	-	2,562.00	25.80	-	-	100.00	163.45	3,181.25
Telephone	3,743.07	-	33,720.22	3,238.65	207.21	373.50	4,915.02	31.98	46,229.65
Payroll processing	590.60	-	5,270.32	285.38	74.44	103.69	586.40	(164.91)	6,745.92
Contracted transportation	-	-	31,811.00	-	-	-	-	-	31,811.00
Direct aid to individuals	-	-	-	-	-	-	33,921.69	4,934.78	38,856.47
Materials installed	229,772.99	-	-	-	-	-	194,697.16	-	424,470.15
Repairs and maintenance	-	-	-	-	-	-	-	5,726.50	5,726.50
Advertising/printing/publications	876.21	-	8,163.95	175.70	-	-	18.00	339.00	9,572.86
Memberships and dues	1,200.00	-	13,941.01	2,627.05	-	-	200.00	1,980.28	19,948.34
Parent activities	-	-	7,320.25	-	-	-	250.21	-	7,570.46
Other operating expenses	7,881.01	-	4,524.43	5,056.53	1,083.73	66.97	2,764.68	10,816.95	32,194.30
Depreciation	-	-	9,638.13	-	-	-	-	13,507.86	23,145.99
Interest expense	-	-	-	-	-	-	-	4,877.42	4,877.42
Food and related expenses	-	-	29,208.09	-	188,675.01	-	3,521.76	1,424.18	222,829.04
Non-food items	-	-	2,418.09	-	7,382.99	-	655.55	-	10,456.63
Computer services	2,243.63	-	5,884.59	1,907.24	1,080.92	605.99	1,333.58	(2,929.43)	10,126.52
Property taxes	-	-	-	-	-	-	-	3,750.97	3,750.97
Total Expenses	\$ 813,697.05	\$ 9,076.17	\$ 2,444,315.01	\$ 276,471.85	\$ 256,669.93	\$ 27,677.19	\$ 782,630.39	\$ 111,151.96	\$ 4,721,689.55

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Statement of Cash Flows

For the Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Increase in net assets	\$ 140,637.79
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	23,145.99
(Increase) Decrease in Operating Assets:	
Prepaid expenses	79,506.41
Accounts receivable	45,663.24
Grants receivable	(18,526.80)
Inventory	4,292.45
Work in progress	(193,751.55)
Increase (Decrease) in Operating Liabilities:	
Accounts payable	86,043.36
Accrued salaries and fringes payable	(3,842.45)
Deferred revenue	(86,538.90)
Interest due grantors	0.03
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>76,629.57</u>
Cash Flows from Financing Activities:	
Acquisition of property and equipment	(91,133.99)
Proceeds from bank notes	117,503.00
Principal payments on bank notes	(159,299.11)
	<hr/>
Net Cash Provided (Used) by Financing Activities	<u>(132,930.10)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(56,300.53)
Cash and Cash Equivalents - June 30, 2018	<u>492,341.98</u>
Cash and Cash Equivalents - June 30, 2019	<u><u>\$ 436,041.45</u></u>
Supplemental Disclosure:	
Cash paid during the year for interest	<u><u>\$ 4,877.42</u></u>

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Notes to Financial Statements

June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The summary of significant accounting policies of Northern Tier Community Action Corporation (Corporation) is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the Corporation's financial statements.

Programs and Activities

Northern Tier Community Action Corporation, a nonprofit organization, was organized in 1966, as the official anti-poverty agency of Pennsylvania's Cameron, Elk, McKean and Potter counties. The Corporation adheres to the Economic Opportunity Act of 1964, and the Community Services Act of 1975, dealing extensively with the "Economic Disadvantaged" of the four-county area.

Financial Statement Presentation

These financial statements present the Organization's financial position, statement of activities and cash flows reflecting the presence or absence of donor-imposed restrictions. Net assets are classified according to the nature of restrictions, as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

With donor restrictions – Net assets that are subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been restricted has been fulfilled, or both.

Contributions

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

The Corporation reports gifts as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Fair Value of Financial Instruments

The Corporation's financial instruments are cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

The recorded values of notes payable approximate their fair values, as interest approximates market rate.

Accounts Receivable

No allowance for uncollectible accounts is maintained. Accounts determined to be uncollectible are specifically charged off.

Inventory

Weatherization material inventories totaling \$107,726.76 at June 30, 2019, are stated at cost, determined by the first-in, first-out method. There were no commodity inventory items on hand at June 30, 2019.

Office and maintenance supply inventories are charged to operations at time of purchase.

Income Tax Basis

The Corporation is a nonprofit organization exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements. The Corporation's information returns are subject to examination, generally for three years after the filing date.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Corporation employees are entitled to annual leave, paid sick days and personal days off. No liability has been recorded in the accompanying financial statements for accrued days off. The Corporation's policy is to recognize the cost of compensated absences when actually paid to employees.

Property and Equipment

Property and equipment are stated at cost, and consist of assets with estimated useful lives greater than one year, and costing \$5,000 or more.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes. The estimated useful lives by major category are as follows:

	<u>Range of Lives</u>
Building and Building Improvements	40 years
Buses and Vehicles	7 - 10 years
Program and Office Equipment	7 - 10 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income, except for assets traded. Expenditures for maintenance and repairs are charged to income as incurred. Replacements are capitalized in the year placed in service.

Functional Expenses

The Corporation expenses are charged to each program based on direct expenditures incurred along with a prorated share of common administrative costs incurred, subject to the limitations provided for in the individual contracts and award agreements.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent Events

Management has evaluated subsequent events through March 18, 2020, the date the financial statements were available.

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles; nor is such data comparable to a consolidation.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-2, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 842, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for the fiscal years beginning after December 15, 2019. The Agency is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about current financial report or not-for-profit entities. The standard improves the current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flows from operations. This guidance is effective for the fiscal years beginning after December 15, 2017. These requirements were adopted during the year ended June 30, 2019.

Note 2 - Deposits

The following is a summary of cash deposits which are insured by the Federal Deposit Insurance Corporation, collateralized with securities held by the financial institution's trust department in the Corporation's name, or were neither insured nor collateralized, or were collateralized in accordance with Act 72 which permits the financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

The Corporation's funds were deposited in checking and interest bearing accounts with Northwest Savings Bank, Emporium, PA. Separate accounts are maintained if contract provisions require that certain funds be segregated by funding source. Deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 2 - Deposits (continued)

Balances by depository at June 30, 2019, consist of:

Name of Depository/ <u>Account Title</u>	<u>Balance Per Depository</u>
Northwest Savings Bank	
Child Care Information Services	\$ 32.55
Weatherization DOE	902.83
Weatherization LIHEAP	28,800.84
Community Services Block Grant	6,505.05
Head Start	18,675.05
Homeless Assistance	1,653.98
Head Start Policy Council	49.16
Child and Adult Care Food Program	5,747.25
Energy Assistance	15,327.09
Holding Account II	41,359.21
Consolidated Account	3,979.63
Master Account	30,595.58
Housing Component	136,702.28
Emergency Solutions – Veterans	19,252.89
Payroll Account	1,471.84
Food Program	81.80
Pre-K Counts	12,570.34
Money Market Housing	9,947.60
HSSAP	22,262.46
Title II Commodities	27,820.04
EA/TEFAP Money Market	12,579.55
PHARE	<u>9,646.82</u>
	<u>\$ 405,963.84</u>

Public funds deposited at Northwest Savings Bank as of June 30, 2019, in excess of FDIC coverage are collateralized by the bank under The Pooled Asset Act of August 6, 1971, P.L. 281, No. 72 as amended (Act 72). As of June 30, 2019, Northwest Savings Bank had a \$450,000,000 letter of credit, issued by Federal Home Loan Bank of Pittsburgh, to cover public funds deposits.

Note 3 - Grants Receivable

The Corporation, under agreements with various regulatory agencies at federal, state and local levels of government, is receiving various grants to aid in the operations of programs for the economically disadvantaged.

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 3 - Grants Receivable (continued)

Grants receivable at June 30, 2019, consist of:

<u>Program</u>	<u>Amount</u>
Federal Amounts	
Community Services Block Grant	\$ 103,271.97
Weatherization – DOE	45,361.00
Weatherization – LIHEAP	63,195.00
TEFAP Program	8,996.52
Emergency Solutions – Veterans	5,000.00
Safe & Healthy Homes	<u>1,799.84</u>
Total Federal Amounts	227,624.33
Non-Federal Amounts	<u>4,889.22</u>
Total Receivable	<u>\$ 232,513.55</u>

Note 4 - Property and Equipment

Property and equipment summarized by major classifications consist of:

Land and Buildings	\$ 428,241.36
Vehicles	199,088.38
Program and Office Equipment	<u>194,989.08</u>
Total	822,318.82
Less: Accumulated depreciation	<u>(418,495.59)</u>
Property Net of Accumulated Depreciation	<u>\$ 403,823.23</u>

Depreciation expense for the year ended June 30, 2019, totaled \$23,145.99.

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 5 - Deferred Revenue

Grant funds received by the Corporation in excess of allowable contract costs are recorded by the Corporation as deferred revenue. Deferred revenue amounts are to be either repaid to grantors or to be applied to subsequent contracts or contract years.

Deferred revenue at June 30, 2019, consists of:

<u>Program</u>	<u>Amount</u>
Federal Amounts	
Head Start	\$ 1,936.74
Weatherization LIHEAP	<u>9,670.87</u>
Total Federal Amounts	11,607.61
Non-Federal Amounts	<u>71,727.64</u>
Total Receivable	<u>\$ 83,335.25</u>

Note 6 – Line of Credit

The Corporation maintains a \$200,000 secured line of credit used to fund temporary cash flow shortages within programs. The credit line is secured with collateral from all inventory equipment accounts. The interest rate is 5.00%. The line is subject to periodic review and is cancelable at any time. Interest expense is charged to the Holding II program. The credit line had a balance of \$50,000.00 as of June 30, 2019.

Note 7 – Long Term Debt

Following is a summary of changes in long-term debt for the year ended June 30, 2019:

General Obligation Installment Note payable to Ally in 54 equal monthly installments of \$442.31, including interest at 6.59% per annum on the unpaid principal balance, commencing on the 13th day of July 2017 and maturing on February 28, 2022. This loan is secured by vehicles.

Balance – June 30, 2018	\$ 16,879.69
Plus: Borrowings	0.00
Less: Principal amounts paid	<u>(4,296.11)</u>
Balance – June 30, 2019	<u>\$ 12,583.58</u>

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 7 – Long Term Debt (continued)

Following are maturities of long-term debt for each of the next three years:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	4,616.68	691.04	5,307.72
2021	4,930.26	377.46	5,307.72
2022	<u>3,036.64</u>	<u>66.93</u>	<u>3,103.57</u>
Total	<u>\$ 12,583.58</u>	<u>\$ 1,135.43</u>	<u>\$ 13,719.01</u>

Note 8 - Donated Use of Space and Service - Head Start In-Kind Contributions

The Corporation receives donations of items and time from individuals which are invaluable to the programs and operation of the Corporation. The value of all items or volunteers' contributed time is not reflected in the accompanying financial statements, as it does not always meet the criterion for recognition in accordance with accounting principles generally accepted in the United States of America. In-kind contributions to the Corporation in the amount of \$295,656.27, for the year ended June 30, 2019, represents the value of in-kind items that meet this criterion and are reported in the Statement of Activities.

The Corporation receives in-kind contributions to meet the matching requirements for the grant contract that is received through the Department of Health and Human Services. In-kind contributions to meet the grant matching requirements totaled \$789,865.06 as of June 30, 2019.

The Corporation has available for its use, Head Start centers, meeting rooms and office space located throughout the four-county area. Free use of the facilities is allowed by the landlords. The Corporation, however, has entered into utility agreements with the landlords to aid in the operation of the facilities.

The Corporation's policy for recording Head Start In-Kind contributions is as follows:

In-Kind Services are based on the actual number of hours of donated time received using a \$13.00 minimum wage rate which includes an applicable fringe at 20%.

In-Kind Space Costs are based on square footage rental value costs for classroom space, excluding utilities. Values used are determined by independent real estate appraisers.

In-Kind Consultants and Supplies are based on the actual costs that would have been charged had the service or supplies been purchased.

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 9 - Retirement Plan

The Corporation maintains a defined contribution pension plan, qualified under Internal Revenue Code 403 (b), that covers substantially all full-time salaried and hourly paid employees. Employee contributions are withheld from the employees' wages at each pay ending. Employer contributions to the plan are based on a matching amount, equal to a maximum of 5% of each participant's annual compensation. Matching costs paid by the Corporation for the fiscal year ending June 30, 2019, totaled \$47,216.87.

Note 10 - Operating Leases

The Corporation leased warehouse facilities and office facilities under various operating leases. Leases are renewed on an annual basis. Lease payments for the fiscal year ended June 30, 2019, totaled \$9,849.00.

As disclosed in Note 7, the Corporation has entered into utilities agreements with landlords to aid in the operation of various Head Start Centers. The agreements expire at various times throughout the Corporation's fiscal year and are renewed annually. Utility agreement payments for the year ended June 30, 2019, totaled \$139,315.00.

Note 11 - Residential Rental Properties

The Corporation is the lessor of residential rental properties under operating leases. The terms of the leases do not exceed one year. Following is a summary of property held for lease at June 30, 2019.

<u>Location of Property</u>	<u>Cost</u>
106 West 7th Street Emporium, PA	\$ 32,149.15
121-123 West 6th Street Emporium, PA	<u>68,711.24</u>
	100,860.39
Less: Accumulated Depreciation	<u>(58,351.72)</u>
Property Net of Accumulated Depreciation	<u>\$ 42,508.67</u>

Northern Tier Community Action Corporation

Notes to Financial Statements (continued)

June 30, 2019

Note 12 - Administrative Offices

The Corporation owns real property (land and buildings) located at 135 West Fourth Street, Emporium, PA. The buildings are being utilized for administrative offices. All programs utilizing office space share in the cost of operating and maintaining the facility.

For the twelve-month period ending June 30, 2019, the Corporation collected \$47,475.00 from the programs utilizing the facilities. Operating expenses incurred for this same period, totaled \$39,982.51.

Note 13 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, are \$715,751.64.

The Corporation manages its liquidity following three principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Corporation forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

Note 14 - Contingencies

The Corporation participates in both state and federal assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Corporation is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Supplemental Information



Troxell & Associates, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Northern Tier Community Action Corporation
Emporium, PA 15834

Members of the Board:

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services (DHS) and Northern Tier Community Action Corporation solely to assist you in evaluating the financial schedules and exhibits required by the DHS Single Audit Supplement for the year ended June 30, 2019. Northern Tier Community Action Corporation is responsible for the financial schedule required by DHS Audit Guidelines. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a) Agree the expenditure amounts listed on the reconciliation schedule under the "Federal Expenditures per the SEFA" column to the audited Schedule of Expenditures of Federal Awards (SEFA).
- b) Agree the receipt amounts listed on the reconciliation schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" column to the subrecipient federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.
- c) Recalculate the amounts listed under the "Difference" column.
- d) Agree the amounts listed under the "Difference" column to the audited books and records of the Provider.
- e) Agree the "Detailed Explanation of the Differences" to the audited books and records of the Provider.
- f) Based on the procedures detailed in Paragraphs (A) through (E) above, disclose any adjustments and/or findings which have not been reflected on the corresponding schedules (list each separately.).

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We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Human Services and management of Northern Tier Community Action Corporation and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report is not intended to be, and should not be, used by anyone other than these specified parties.



Troxell & Associates, LLC
Certified Public Accountants
March 18, 2020

Northern Tier Community Action Corporation

Reconciliation - Federal Awards Passed Through The Pennsylvania Department of Human Services
Expenditures Per The SEFA To Revenue Received Per Confirmation With PA DHS
For the Year Ended June 30, 2019

<u>CFDA Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures per the SEFA</u>	<u>Federal Awards Received per Audit Confirmation</u>	<u>Difference</u>	<u>% Difference</u>	<u>Detailed Explanation of the Difference</u>
Child Care and Development Block Grant (CCDBG)	93.575	DC 17-139952	\$ 9,076.17	\$ 9,076.17	-	0.00%	
Total			<u>\$ 9,076.17</u>	<u>\$ 9,076.17</u>			

Northern Tier Community Action Corporation
 Schedule of Weatherization Program Expenses
 For the Year Ended June 30, 2019

	<u>Weatherization - LIHEAP</u>	<u>Weatherization - DOE</u>	<u>Total</u>
Salaries and wages	\$ 128,090.26	\$ 72,625.58	\$ 200,715.84
Health and welfare	33,468.62	26,660.63	60,129.25
Pension expense	3,758.59	1,970.74	5,729.33
Payroll taxes	24,469.31	12,990.98	37,460.29
Consultant/professional fees	6,243.54	1,800.00	8,043.54
Subcontract	163,208.03	36,800.82	200,008.85
Supplies	7,152.78	2,870.60	10,023.38
Equipment and vehicles	925.34	2,920.12	3,845.46
Occupancy	9,247.00	4,781.00	14,028.00
Insurance	9,498.73	4,996.00	14,494.73
Maintenance/vehicle operation	6,790.84	5,532.32	12,323.16
Travel	257.71	-	257.71
Postage	220.00	110.00	330.00
Telephone	2,363.62	1,379.45	3,743.07
Payroll processing	389.62	200.98	590.60
Materials installed	196,284.16	33,488.83	229,772.99
Advertising/printing/publications	-	876.21	876.21
Memberships and dues	1,200.00	-	1,200.00
Other operating expenses	6,600.39	1,280.62	7,881.01
Computer services	1,936.42	307.21	2,243.63
	<u>1,936.42</u>	<u>307.21</u>	<u>2,243.63</u>
Total Expenses	<u><u>\$ 602,104.96</u></u>	<u><u>\$ 211,592.09</u></u>	<u><u>\$ 813,697.05</u></u>

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action CorporationSchedule of CSBG Program Expenses
For the Year Ended June 30, 2019

	<u>CSBG</u>	<u>CSBG Discretionary</u>	<u>Total</u>
Salaries and wages	\$ 131,239.53	\$ 19,525.34	\$ 150,764.87
Health and welfare	52,666.36	4,663.36	57,329.72
Pension expense	6,527.64	976.29	7,503.93
Payroll taxes	18,486.89	2,511.42	20,998.31
Consultant/professional fees	2,100.00	900.00	3,000.00
Supplies	295.21	106.87	402.08
Equipment and vehicles	-	9,999.98	9,999.98
Occupancy	7,365.00	1,035.00	8,400.00
Insurance	2,160.00	1,020.00	3,180.00
Training/technical assistance	340.00	-	340.00
Maintenance/vehicle operation	307.55	300.00	607.55
Travel	256.31	372.75	629.06
Postage	-	25.80	25.80
Telephone	2,494.65	744.00	3,238.65
Payroll processing	255.38	30.00	285.38
Advertising/printing/publications	175.70	-	175.70
Memberships and dues	2,627.05	-	2,627.05
Other operating expenses	4,936.53	120.00	5,056.53
Computer services	1,821.45	85.79	1,907.24
Total Expenses	<u>\$ 234,055.25</u>	<u>\$ 42,416.60</u>	<u>\$ 276,471.85</u>

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Schedule of Expenses - Other Programs

For the Year Ended June 30, 2019

	<u>HSSAP</u>	<u>HAP</u>	<u>Energy Assistance</u>	<u>PHARE</u>	<u>Pre-K Counts</u>	<u>Food Bank</u>	<u>Total</u>
Salaries and wages	\$ 27,003.66	\$ 1,415.10	\$ 80,296.97	\$ 12,744.55	\$ 71,437.97	\$ -	\$ 192,898.25
Health and welfare	21,418.38	246.11	26,869.04	2,717.15	23,121.28	-	74,371.96
Pension expense	962.21	70.76	2,477.02	637.29	2,797.00	-	6,944.28
Payroll taxes	4,098.54	345.03	13,284.11	1,715.40	10,568.23	-	30,011.31
Consultant/professional fees	2,128.63	380.00	-	600.00	3,824.85	-	6,933.48
Subcontract	-	-	112,991.91	-	-	-	112,991.91
Supplies	44,005.92	53.34	364.28	58.22	6,730.52	-	51,212.28
Equipment and vehicles	265.00	-	99.89	-	265.00	-	629.89
Occupancy	12,300.00	360.00	10,708.55	1,080.00	1,200.00	-	25,648.55
Insurance	1,500.00	-	832.91	600.00	2,100.00	-	5,032.91
Training/technical assistance	29,497.40	-	-	-	183.07	-	29,680.47
Travel	1,885.86	-	266.52	1,158.67	-	-	3,311.05
Postage	-	-	100.00	-	-	-	100.00
Telephone	825.73	54.76	2,363.56	1,034.21	636.76	-	4,915.02
Payroll processing	80.36	-	162.08	74.44	269.52	-	586.40
Direct aid to individuals	-	3,500.80	1,867.03	28,553.86	-	-	33,921.69
Materials installed	-	-	194,697.16	-	-	-	194,697.16
Advertising/printing/publications	-	-	-	-	18.00	-	18.00
Memberships and dues	-	-	200.00	-	-	-	200.00
Parent activities	112.51	-	-	-	137.70	-	250.21
Other operating expenses	1,700.44	5.36	405.12	72.61	581.15	-	2,764.68
Food and related expenses	548.36	-	-	-	2,973.40	-	3,521.76
Non-food items	-	-	-	-	655.55	-	655.55
Computer services	-	46.60	853.37	433.61	-	-	1,333.58
Total Expenses	<u>\$ 148,333.00</u>	<u>\$ 6,477.86</u>	<u>\$ 448,839.52</u>	<u>\$ 51,480.01</u>	<u>\$ 127,500.00</u>	<u>\$ -</u>	<u>\$ 782,630.39</u>

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The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Schedule of Agency Activity Expenses
For the Year Ended June 30, 2019

	<u>Master</u>	<u>Holding II</u>	<u>Housing</u>	<u>Total</u>
Salaries and wages	\$ -	\$ 16,860.72	\$ 22,336.91	\$ 39,197.63
Health and welfare	-	-	9,726.46	9,726.46
Pension expense	-	86.41	1,111.15	1,197.56
Payroll taxes	-	3,516.95	3,275.65	6,792.60
Supplies	237.76	972.61	544.55	1,754.92
Occupancy	63.00	189.00	720.00	972.00
Insurance	-	-	2,688.96	2,688.96
Maintenance/vehicle operation	-	2,676.62	-	2,676.62
Travel	-	-	1,686.18	1,686.18
Postage	-	150.00	13.45	163.45
Telephone	(230.48)	-	262.46	31.98
Payroll processing	(417.47)	148.87	103.69	(164.91)
Direct aid to individuals	-	2,572.61	2,362.17	4,934.78
Repairs and maintenance	-	1,549.00	4,177.50	5,726.50
Advertising/printing/publications	80.80	96.20	162.00	339.00
Memberships and dues	251.28	1,729.00	-	1,980.28
Other operating expenses	(4,090.20)	12,044.59	2,862.56	10,816.95
Depreciation	8,060.51	3,108.27	2,339.08	13,507.86
Interest expense	1,011.61	3,865.81	-	4,877.42
Food and related expenses	-	1,424.18	-	1,424.18
Computer services	(1,937.23)	(1,899.69)	907.49	(2,929.43)
Property taxes	-	-	3,750.97	3,750.97
Total Expenses	<u>\$ 3,029.58</u>	<u>\$ 49,091.15</u>	<u>\$ 59,031.23</u>	<u>\$ 111,151.96</u>

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Program Award Amount	Total Received for Year	Cash/Accrued or (Deferred) Revenue at June 30, 2018	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at June 30, 2019
Department of Health and Human Services (DHHS)									
Head Start	D	93.600	03CH3485-03-02	\$ 2,001,710.00	\$ 1,652,095.42	\$ 9,541.37	\$ 1,642,554.05	\$ 1,642,554.05	\$ -
Head Start	D	93.600	03CH3485-04-02	2,088,829.00	498,401.30	-	496,464.56	496,464.56	(1,936.74)
					2,150,496.72	9,541.37	2,139,018.61	2,139,018.61	(1,936.74)
PA Department of Community and Economic Development									
Community Services Block Grant	I	93.569	C000066930	375,000.00	221,585.00	71,018.97	234,052.00	234,052.00	83,485.97
Community Services Block Grant - Discretionary	I	93.569	C000066930	51,605.00	22,631.00	-	42,417.00	42,417.00	19,786.00
					244,216.00	71,018.97	276,469.00	276,469.00	103,271.97
Low-Income Home Energy Assistance Program (LIHEAP)	I	93.568	C000061722	1,911,144.00	586,420.00	37,841.88	602,102.25	602,102.25	53,524.13
PA Department of Human Services									
Lawrence County Social Services, Inc. Safe & Healthy Homes	I	93.994	N/A	N/A	39,414.11	7,539.75	33,674.20	33,674.20	1,799.84
					3,020,546.83	125,941.97	3,051,264.06	3,051,264.06	156,659.20
Child Care and Development Block Grant	I	93.575	DC17-139952	9,076.17	9,076.17	-	9,076.17	9,076.17	-
Total CCDF Cluster					9,076.17	-	9,076.17	9,076.17	-
Total Department of Health and Human Services					3,029,623.00	125,941.97	3,060,340.23	3,060,340.23	156,659.20
Department of Energy (DOE)									
PA Department of Community and Economic Development									
Weatherization Assistance for Low-Income Persons	I	81.042	C000066298	618,286.00	187,011.00	22,612.00	209,760.00	209,760.00	45,361.00
Total Department of Energy					187,011.00	22,612.00	209,760.00	209,760.00	45,361.00

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* Fee-For-Service, Source Code: I - Indirect, D - Direct

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Program Award Amount	Total Received for Year	Cash/Accrued or (Deferred) Revenue at June 30, 2018	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at June 30, 2019
Department of Agriculture									
PA Department of Agriculture/ Cameron, Elk and Potter Counties									
Emergency Food Assistance Cluster									
Agreement for Distribution of Donated Commodities	I	10.569	N/A	N/A	68,928.35	998.20	67,930.15	67,930.15	-
The Emergency Food Assistance Program (Administrative Cost) *	I	10.568	N/A	N/A	37,063.64	8,195.66	37,864.50	37,864.50	8,996.52
Total Emergency Food Assistance Cluster					105,991.99	9,193.86	105,794.65	105,794.65	8,996.52
PA Department of Education									
Child and Adult Care Food Program *	I	10.558	300-12-500-00	N/A	154,009.98	-	154,009.98	154,009.98	-
Total Department of Agriculture					260,001.97	9,193.86	259,804.63	259,804.63	8,996.52
Department of Housing and Urban Development									
PA Department of Community and Economic Development									
Lawrence County Community Action Emergency Solutions - Veterans	I	14.231	N/A	N/A	33,050.00	1,550.00	36,500.00	36,500.00	5,000.00
PA Housing Finance Agency									
Housing Counseling Assistance Pgm	I	14.169	N/A	N/A	4,625.00	150.00	4,475.00	4,475.00	-
Total Department of Housing and Urban Development					37,675.00	1,700.00	40,975.00	40,975.00	5,000.00
Federal Emergency Management Agency									
United Way of America / Cameron County	I	97.024	34-7210-00	5,500.00	1,250.00	-	1,250.00	1,250.00	-
United Way of America / Elk County	I	97.024	34-7240-00	5,500.00	1,485.00	-	1,485.00	1,485.00	-
Total Federal Emergency Management Agency					2,735.00	-	2,735.00	2,735.00	-
Total					\$ 3,517,045.97	\$ 159,447.83	\$ 3,573,614.86	\$ 3,573,614.86	\$ 216,016.72

* Fee-For-Service, Source Code: I - Indirect, D - Direct

The accompanying notes are an integral part of the financial statements

Northern Tier Community Action Corporation

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northern Tier Community Action Corporation and is presented on the accrual basis of accounting. 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 the 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 basic financial statements.

Note 2 Indirect Cost Rate

The Corporation did not elect to use the ten percent (10%) de minimis indirect cost rate for the year ended June 30, 2019.

Note 3 Amounts Passed to Subrecipients

The Corporation did not provide federal awards to subrecipients during the year ended June 30, 2019.

Note 4 Fee-for-Service Contracts

The Corporation recognizes revenue applicable to fee-for-service contracts as services are performed. For presentation on the Schedule of Expenditures of Federal Awards, program expenditures were assumed to be equal to revenue recognized. However, actual expenditures may vary from amounts presented.

Note 5 The Emergency Food Assistance Program

Funds provided the Corporation for The Emergency Food Assistance Program Administrative Costs as presented in the Schedule of Expenditures of Federal Awards may not be exclusively federal funds. County dollars were provided the Corporation when allowable administrative costs exceeded federal allotments. Specific identification was not made for financial statement presentation.

Northern Tier Community Action Corporation

Notes to Schedule of Expenditures of Federal Awards (continued)

June 30, 2019

Note 6 Reconciliation of Statement of Financial Position to Schedule of Expenditures of Federal Awards

Statement of financial position account balances at June 30, 2019:

Grants Receivable	\$ 232,513.55	
Less: Non-Federal Amount	<u>(4,889.22)</u>	227,624.33
Deferred Revenue	83,335.25	
Less: Non-Federal Amount	<u>(71,727.64)</u>	(11,607.61)
Total Cash/Accrued or (Deferred) Revenue at June 30, 2019, Schedule of Expenditures of Federal Awards		<u>\$ 216,016.72</u>

Note 7 Reconciliation of Expenses per Statement of Activities to Schedule of Expenditures of Federal Awards

Total Expenses per Statement of Activities	\$ 4,721,689.55	
Less: Non-Federal Program Funds		(842,780.29)
Less: In-Kind Expenses		(295,656.27)
Less: Depreciation Expense – Federal Programs		<u>(9,638.13)</u>
Total Expenses – Schedule of Expenditures of Federal Awards		<u>\$ 3,573,614.86</u>



Troxell & Associates, LLC

Certified Public Accountants

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 Members of the Board of
Northern Tier Community Action Corporation

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 Northern Tier Community Action Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Tier Community Action Corporation'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 Northern Tier Community Action Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness Northern Tier Community Action Corporation'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.

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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 Northern Tier Community Action Corporation'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 Corporation'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.



Troxell & Associates, LLC
Certified Public Accountants
March 18, 2020



Troxell & Associates, LLC

Certified Public Accountants

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

To the Members of the Board of
Northern Tier Community Action Corporation

Report on Compliance for Each Major Federal Program

We have audited Northern Tier Community Action Corporation'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 Northern Tier Community Action Corporation's major federal programs for the year ended June 30, 2019. Northern Tier Community Action Corporation'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 Northern Tier Community Action Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Tier Community Action Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Northern Tier Community Action Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Tier Community Action Corporation 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, 2019.

Report on Internal Control Over Compliance

Management of Northern Tier Community Action Corporation 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 Northern Tier Community Action Corporation'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 Northern Tier Community Action Corporation'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 weakness 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.



Troxell & Associates, LLC
Certified Public Accountants
March 18, 2020

Northern Tier Community Action Corporation

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified opinion

Internal control over financial reporting:

- Significant deficiency or material weaknesses in internal control disclosed by audit? ___Yes X None reported

Noncompliance material to financial statements noted? ___Yes X No

Federal Awards

Internal control over major programs:

- Significant deficiency or material weaknesses in internal control over major programs disclosed by audit? ___Yes X None reported

Type of auditor’s report issued on compliance for major programs: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? ___Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
93.600	Head Start	2,139,018.61
	Total Tested	<u>\$ 2,139,018.61</u>
	Percentage Tested	<u>59.9 %</u>

Northern Tier Community Action Corporation

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Dollar threshold used to distinguish

Between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes

No

Section II – Findings Related to the Financial Statements which are Required to be Reported in
Accordance with Government Auditing Standards (GAGAS)

None reported

Section III – Findings and Questioned Costs for Federal Awards

None reported

Northern Tier Community Action Corporation

Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2019

No prior audit findings reported

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