

# **Brazos Valley Community Action Programs**

Bryan, Texas

Financial Statements and Supplementary Information  
Year Ended June 30, 2019

# Brazos Valley Community Action Programs

Financial Statements and Supplementary Information  
Year Ended June 30, 2019

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## **Independent Auditor's Report**

Board of Directors  
Brazos Valley Community Action Programs  
Bryan, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brazos Valley Community Action Programs (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; 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 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 Brazos Valley Community Action Programs 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.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, Brazos Valley Community Action Programs adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

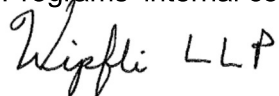
## Other Matters

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular*, is presented for purposes of additional analysis, and is not a required part of the financial statements. The 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. Such 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. 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 February 4, 2020 on our consideration of Brazos Valley Community Action Programs' 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 solely 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 Brazos Valley Community Action Programs' 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 Brazos Valley Community Action Programs' internal control over financial reporting and compliance.



Wipfli LLP

February 4, 2020

Madison, Wisconsin

# Brazos Valley Community Action Programs

## Statement of Financial Position

June 30, 2019

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,220,273
Grants receivable	1,288,197
Other receivables	65,027
Prepaid expenses and other assets	115,591
Total current assets	3,689,088
Property and equipment, net	2,385,762
<b>TOTAL ASSETS</b>	<b>\$ 6,074,850</b>
<b>Liabilities and Net Assets</b>	
Current liabilities:	
Accounts payable	\$ 213,442
Accrued payroll and related liabilities	486,085
Grant funds received in advance	100,000
Total current liabilities	799,527
Long-term liabilities:	
Other liability	9,081
Total long-term liabilities	9,081
Total liabilities	808,608
Net assets:	
Without donor restrictions	5,145,234
With donor retrictions	121,008
Total net assets	5,266,242
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,074,850</b>

# Brazos Valley Community Action Programs

## Statement of Activities Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Federal grant revenue	\$ 12,127,495	\$ 0	\$ 12,127,495
Non-federal grants	613,859	844	614,703
Other revenue	551,498	5	551,503
In-kind revenue	550,099	0	550,099
Net assets released from restriction through satisfaction of program restrictions	350,861	( 350,861)	0
<b>Total revenues</b>	<b>14,193,812</b>	<b>( 350,012)</b>	<b>13,843,800</b>
Expenses:			
Program services			
Affordable housing programs	150,482	0	150,482
Child education programs	5,218,930	0	5,218,930
Community services programs	891,342	0	891,342
Energy and weatherization assistance	4,083,871	0	4,083,871
Food services programs	822,612	0	822,612
Women, infant and children program	1,778,591	0	1,778,591
<b>Total program services</b>	<b>12,945,828</b>	<b>0</b>	<b>12,945,828</b>
Management and general expenses	620,449	0	620,449
<b>Total expenses</b>	<b>13,566,277</b>	<b>0</b>	<b>13,566,277</b>
Change in net assets	627,535	( 350,012)	277,523
Net Assets - Beginning of the year	4,517,699	471,020	4,988,719
<b>Net Assets - End of the year</b>	<b>\$ 5,145,234</b>	<b>\$ 121,008</b>	<b>\$ 5,266,242</b>

# Brazos Valley Community Action Programs

## Statement of Functional Expenses Year Ended June 30, 2019

	Affordable Housing Programs	Child Education Programs	Community Services Programs	Energy & Weatherization Assistance Programs	Food Services Programs	Woman Infant and Children Program	Total Program Expenses	Management and General Expenses	Total Expenses
Salaries and fringe benefits	\$ 76,006	\$ 3,687,941	\$ 408,783	\$ 485,268	\$ 403,369	\$ 959,769	\$ 6,021,136	\$ 438,906	\$ 6,460,042
Travel	4	74,619	6,469	3,763	1,538	39,170	125,563	4,874	130,437
Contractual services	969	37,081	32,999	88,730	2,335	32,287	194,401	84,342	278,743
Supplies	1,940	372,817	16,929	14,294	286,995	215,247	908,222	14,602	922,824
Equipment	12,838	25,435	8,900	0	20,120	231,307	298,600	( 298,600)	0
In-kind	0	531,907	0	0	18,192	0	550,099	0	550,099
Direct client support	5,720	0	311,790	3,417,066	0	0	3,734,576	0	3,734,576
Other expenses	53,005	489,130	105,472	74,750	90,063	300,811	1,113,231	376,325	1,489,556
Total expenses	\$ 150,482	\$ 5,218,930	\$ 891,342	\$ 4,083,871	\$ 822,612	\$ 1,778,591	\$ 12,945,828	\$ 620,449	\$ 13,566,277

See accompanying notes to financial statements.

# Brazos Valley Community Action Programs

## Statement of Cash Flows

Year Ended June 30, 2019

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets	\$ 277,523
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Adjustments to reconcile changes in net assets to  
net cash provided by operating activities:

Depreciation	256,381
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Donation of property and equipment	( 193,612)
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Change in operating assets and liabilities:

Grants receivable	12,403
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Other receivables	111,651
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Prepaid expenses and other assets	( 59,296)
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Accounts payable	102,481
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Accrued payroll and related liabilities	197,408
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Other liability	( 1,772)
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Net cash provided by operating activities	703,167
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Cash flows from investing activities:

Purchases of property and equipment	( 107,712)
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Net cash used in investing activities	( 107,712)
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Change in cash and cash equivalents	595,455
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Cash and cash equivalents - Beginning of the year	1,624,818
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Cash and cash equivalents - End of the year	\$ 2,220,273
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# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Operations**

Brazos Valley Community Action Programs (the "Agency") is a Texas nonprofit corporation organized and incorporated on June 21, 2016, primarily to assist the urban and rural communities in its service areas to overcome poverty. The Agency also provides families and individuals with the resources they need to become self-sufficient.

To accomplish its mission, the Agency provides a number of community-based services to adults, infants and children in Brazos, Robertson, Montgomery and nine other surrounding counties in Texas. These programs include Head Start, Meals on Wheels (MOW), Low-Income Energy Assistance and Program (LIHEAP), Community Services Block Grant (CSBG), Department of Energy Weatherization (DOE), and Affordable Housing and nutrition education and support through the Women, Infant and Children (WIC) program. The Agency receives grants primarily from federal, state, and local agencies to fund these programs. Approximately 88% of the Agency's revenue is from grants provided by federal agencies, with approximately 83% of this coming from the U.S. Department of Health and Human Services.

#### **Basis of Presentation**

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

#### **Management Estimates and Assumptions**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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.

#### **Cash and Cash Equivalents**

The Agency considers all monies in banks and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Grants Receivable**

Grants receivable represents pending reimbursements of program expenses incurred as of June 30, 2019, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers all grants receivable at June 30, 2019, to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

#### **Other Receivables**

Other receivable consists of reimbursements expected related to third-party reimbursement arrangements for services provided as of June 30, 2019, both billed and unbilled, and expected to be received in the subsequent year. Management considers all other receivables at June 30, 2019, to be fully collectible. Accordingly, no allowance for delinquent other receivables was made in the accompanying financial statements.

#### **Property and Equipment**

Property and equipment are recorded at cost or at the net asset value if transferred, and if donated, at the estimated fair value at the date of donation. Such donations are recorded as without donor restricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

The Agency's policy is to capitalize all expenditures for property, furniture, fixtures, and office and computer equipment in excess of \$5,000 except for those items purchased with funds from the Texas Department of State Health Services ("DSHS"). The DSHS requires the capitalization of controlled assets such as computers, printers, copiers and other similar type equipment with an original purchase price of \$500 or more.

Buildings and equipment acquired with grant funds are owned by the Agency while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the buildings and equipment purchased with grant funds; therefore, the disposition of buildings or equipment, as well as the ownership of any proceeds therefrom, are subject to funding source regulations. The net book value of grant-funded property and equipment as of June 30, 2019, is \$2,385,762.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions-** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**Net Assets With Donor Restrictions -** Net assets subject to donor or certain grantor imposed restrictions. 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 explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources may be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Grants, Contracts, and Other Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

##### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

##### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in advance are reflected as unearned revenue.

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions received are recorded as with or without donor restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Grants, Contracts, and Other Revenue (Continued)**

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Other revenue is generated from several sources and is recognized in the period it is earned.

#### **Income Taxes**

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from Texas franchise or income tax.

The Agency is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Agency has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

#### **In-Kind Contributions**

In-kind contributions for space, supplies, and professional services are recorded in the statement of activities as revenue and expenses in the period they are received. During the year ended June 30, 2019, the Agency received \$550,099 of such contributions, primarily for its Head Start and Senior Nutrition programs. In addition, the Agency received contributions of nonprofessional volunteer services and travel of \$653,695, primarily for its Head Start, and Senior Nutrition programs. The nonprofessional volunteer services and travel are not reported in the statement of activities as they do not meet the criteria to be recorded under accounting principles generally accepted in the United States.

#### **Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with the Agency's cost allocation plan. Management and general expenses include those expenses that provide for the overall support and direction of the Agency.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Change in Accounting Policy

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, and netting of investment expenses with return, among other changes. The guidance was adopted effective July 1, 2018 and was applied retrospectively with the exception of certain omissions permitted by the ASU.

#### New Accounting Pronouncements

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Agency is currently evaluating the impact of the provisions of ASU Topic 606.

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. The Agency is currently evaluating the impact of the provisions of ASU Topic 842.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity services as the resource recipient and for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. Early application of the amendments in this update is permitted. The Agency is currently evaluating the impact of the provisions of ASU Topic 958.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### Note 2: Program Services

The Agency's programs are organized under the following program groups:

- a. **Affordable Housing, Energy and Weatherization Assistance:** This program provides comprehensive energy assistance, weatherization, case management, and affordable housing programs to individuals and families.
- b. **Child Education:** This is a program for preschool children from low-income families. These children participate in a variety of educational activities, receive medical and dental care, have healthy meals and snacks, and enjoy playing indoors and outdoors in a safe setting.
- c. **Community Service Programs (CSP):** The programs provide assistance to ameliorate the causes and consequences of poverty and to revitalize low-income communities. Funds are used to assist low-income individuals and families attain self-sufficiency, provide emergency assistance, support youth development, promote civic engagement and improve the organization's infrastructure.
- d. **Food Services:** These services provide nutritional meals to the elderly population the Agency serves.
- e. **Women, Infants and Children (WIC):** The WIC program provides nutrition education for nourishment during critical human growth cycles; USDA regulated and approved food vouchers, referral to other community services, and breastfeeding promotion and support.

### Note 3: Concentration of Credit – Cash and Cash Equivalents

The Agency from time to time keeps amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum coverage. The Agency manages these risks by maintaining all deposits in high quality financial institutions.

The Agency maintains a collateralized deposit agreement with a local financial institution. Funds are pledged by the local financial institution to purchase securities issued by entities or agencies of the United States government. The pledged funds from the demand deposit account are not insured by the FDIC and are not in any way guaranteed by the United States, United States government, or any agency thereof. Due to FDIC limitations on interest-bearing accounts, Prosperity Bank agrees to provide, as needed, pledged collateral over the FDIC's \$250,000 limit.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### Note 4: Concentration of Credit Risk – Grants Receivable

Credit risk associated with grants receivable is minimal due to the credit worthiness of the awarding federal and state agencies.

### Note 5: Grants and Other Receivables

Grants and other receivables at June 30, 2019, consisted of the following:

Funding Source Group	Grants	Other	Total
U.S. Department of Health and Human Services – ACF	\$ 676,156	\$ 0	\$ 676,156
TX Department of Aging	2,707	0	2,707
TX Department of Housing & Community Affairs (TDHCA)	358,069	0	358,069
TX Department of Health & Human Services Commission	251,265	17,578	268,843
Brazos Valley Council of Governments (BVCOG)	0	22,715	22,715
Amigos Food Mart	0	425	425
Cigna Organization	0	1,308	1,308
PBH Hawthorne LLC	0	600	600
Mid America Assistance Coalition	0	89	89
Philadelphia Insurance Company	0	2,950	2,950
Superior Health Plan	0	2,142	2,142
THC Hospice Care ACQ, LLC	0	100	100
Traditions HHC ACQ, LLC	0	100	100
Texas Mutual	0	3,529	3,529
United Healthcare	0	2,389	2,389
Undesignated misc. funds	0	11,102	11,102
Total	\$ 1,288,197	\$ 65,027	\$1,353,224

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### Note 6: Property and Equipment

The following is a summary of property and equipment:

Buildings	\$	1,333,204
Land		436,342
Furniture, fixtures, and equipment		79,461
Renovations (building improvements)		676,605
Vehicles		344,057
Computer equipment		41,473
Software		8,900
Renovations in progress		540
Total		2,920,582
Less: Accumulated depreciation		(534,820)
Property and equipment, net	\$	2,385,762

Depreciation expense for the year ended June 30, 2019, totaled \$256,381.

### Note 7: Paid Time Off

Full-time and part-time regular employees of the Agency are entitled to paid time off (PTO). Depending on the level of the employee, employees can carry over between 105 and 300 hours of earned but unused PTO at the end of each calendar year to the following calendar year. Unpaid PTO as of June 30, 2019, totaling \$119,378 has been recorded in the accompanying statement of financial position as accrued payroll and related liabilities.

### Note 8: Line of Credit

The Agency has a revolving line of credit with Prosperity Bank for \$500,000. The line expires July 1, 2019. The line has a variable interest rate equal to the prime rate (5.50% at June 30, 2019). At June 30, 2019, there were no outstanding amounts due on the line of credit.

### Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions primarily consists of funds restricted by various donors for the intended purpose of a specific grant. The total amount of net assets with donor restrictions as of June 30, 2019 was \$121,008.



# Brazos Valley Community Action Programs

## Notes to Financial Statements

### Note 10: Leases

The Agency is a party to various leases all of which are classified as operating leases. Total rent for all leases totaled \$372,742 for the year ended June 30, 2019.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

2020	\$	324,136
2021		218,810
2022		151,251
2023		144,531
2024		127,551
Thereafter		96,776
Total	\$	1,063,055

### Note 11: Pension Plan

The Agency has a Section 403(b) tax-deferred plan (the "Plan") covering all employees who have completed one year of service during any consecutive 12-month period. The Agency will match employee contributions to the Plan up to 4% of participant's annual compensation. Participants are fully vested after three years of service. The Agency's contributions to the Section 403(b) Plan for the fiscal year ended June 30, 2019, totaled \$69,233.

### Note 12: Donated Services, Materials and Facilities

Donations per grant were as follows:

	Head Start	Early Head Start	Sr. Nutrition	Total
Facilities	\$ 374,904	\$ 35,628	\$ 18,192	\$ 428,724
Professional services	81,962	39,413	0	121,375
In-kind contributions reflected				
in statement of activities	456,866	75,041	18,192	550,099
Nonprofessional services/travel	242,359	301,345	109,991	653,695
Total in-kind contributions	\$ 699,225	\$ 376,386	\$ 128,183	\$ 1,203,794

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### Note 13: Commitments and Contingencies

The Agency receives grants from federal and state sources that are subject to review and audit by the funding sources. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Agency with the terms of the grants/contracts. In the opinion of the Agency's management, such allowances, if any, would not be significant in relation to the financial statements of the Agency.

### Note 14: Grant Awards

At June 30, 2019, the Agency had received commitments for future funding under various grant awards of approximately \$9,327,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

### Note 15: Renovation in Progress Commitment

The Agency has entered into contracts for renovations at its Head Start locations. These contracts were ongoing at June 30, 2019 and the Agency had contract commitments of approximately \$240,000.

### Note 16: Liquidity and Availability

The financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 2,220,273
Grants receivable	1,288,197
Other receivable	65,027
Less:	
Accounts payable designated for grant expenditures	(213,442)
Accrued payroll and related liabilities designated for grant expenditures	(486,085)
<u>Grant funds received in advance</u>	<u>(100,000)</u>
<u>Total</u>	<u>\$ 2,773,969</u>

The Agency does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash for approximately two months of operating expenses. The Agency has grant commitments for future expenses of approximately \$9,327,000 as further described in Note 14. The Agency also has a line of credit available for cash flow needs up to \$500,000 as further described in Note 8.

# Brazos Valley Community Action Programs

## Notes to Financial Statements

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### **Note 17: Subsequent Events**

Subsequent events have been evaluated through February 4, 2020, which is the date the financial statements were available to be issued.

#### **Brazos Valley Council of Governments (BVCOG)**

The Agency entered into a management and operations services agreement with Brazos Valley Council of Governments (BVCOG) to have BVCOG serve as the Fiscal Agent and Administrative Entity and provide operational services to the Agency for all the programs administered by the Agency. The agreement is a 5-year cost reimbursement agreement and went into effect on September 30, 2019.

# **Supplementary Information**

# Brazos Valley Community Action Programs

Schedule A-1

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2019

Grantor/Pass-Through Number/Program Title	CFDA/State ID Number	Pass-Through Grantor Number	Program Period	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through Texas Health &amp; Human Services Commission</b>				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	#2017-049867-002	10/01/18 - 09/30/19	\$ 1,053,131
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	#2017-049867-001A	10/01/17 - 09/30/18	634,978
<b>Total Federal Expenditures CFDA 10.557</b>				<b>1,688,109</b>
<b>Passed through Texas Department of Agriculture</b>				
Child and Adult Care Food Program	10.558	#05796	10/01/18 - 09/30/19	228,958
Child and Adult Care Food Program	10.558	#05796	10/01/17 - 09/30/18	40,667
<b>Total Federal Expenditures CFDA 10.558</b>				<b>269,625</b>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<b>1,957,734</b>
<b>U.S. DEPARTMENT OF ENERGY</b>				
<b>Passed through Texas Department of Housing and Community Affairs</b>				
Weatherization Assistance Program	81.042	#56170002949	07/01/18 - 06/30/19	160,511
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>				<b>160,511</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through Texas Department of Housing and Community Affairs</b>				
Low-Income Home Energy Assistance	93.568	#58190002973	01/01/19 - 12/31/19	122,301
Low-Income Home Energy Assistance	93.568	#58180002773	01/01/18 - 07/31/19	3,772,106
Low-Income Home Energy Assistance	93.568	#81180002879	01/01/18 - 06/30/19	264,632
<b>Total Federal Expenditures CFDA 93.568</b>				<b>4,159,039</b>
<b>Passed through Texas Department of Housing and Community Affairs</b>				
Community Services Block Grant	93.569	#61190003030	01/01/19 - 12/31/19	427,469
Community Services Block Grant Discretionary	93.569	#61190003068	04/01/19 - 03/31/20	9,678
Community Services Block Grant Discretionary	93.569	#61190003104	05/23/19 - 09/30/19	730
Community Services Block Grant	93.569	#61180002838	01/01/18 - 03/31/19	516,981
Community Services Block Grant Discretionary	93.569	#61180002903	02/01/18 - 01/31/19	21,199
<b>Total Federal Expenditures CFDA 93.569</b>				<b>976,057</b>
<b>Direct Funding</b>				
Head Start Disaster Assistance	93.356	#06TD000031-01-00	04/01/19 - 03/31/21	594
<b>Total Federal Expenditures CFDA 93.356</b>				<b>594</b>
Head Start	93.600	#06CH10454-03-00	11/01/18 - 10/31/19	3,152,998
Head Start	93.600	#06CH10454-02-03	11/01/17 - 10/31/18	1,719,025
<b>Total Federal Expenditures CFDA 93.600</b>				<b>4,872,023</b>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<b>10,007,713</b>
<b>TOTAL FEDERAL EXPENDITURES</b>				<b>\$ 12,125,958</b>

# Brazos Valley Community Action Programs

Schedule A-2

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2019

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## Notes to Schedule of Expenditures of Federal and State Awards

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Brazos Valley Community Action Programs under programs of the federal and state government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Because the schedule presents only a selected portion of the operations of Brazos Valley Community Action Programs, it is not intended to and does not present the financial position, changes in net assets or cash flows of Brazos Valley Community Action Programs.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the *State of Texas Single Audit Circular*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### Note 3 - Indirect Costs

Brazos Valley Community Action Programs has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### Note 4 - Subrecipients

Brazos Valley Community Action Programs does not have subrecipients or subrecipient expenditures.



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Brazos Valley Community Action Programs  
Bryan, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Brazos Valley Community Action Programs, 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 February 4, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Brazos Valley Community Action Programs' 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 Brazos Valley Community Action Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of Brazos Valley Community Action Programs' 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.

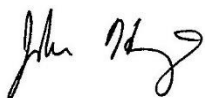
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 Brazos Valley Community Action Programs' 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 Brazos Valley Community Action Programs' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brazos Valley Community Action Programs' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

February 4, 2020  
Madison, Wisconsin





## **Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance**

Board of Directors  
Brazos Valley Community Action Programs  
Bryan, Texas

### **Report on Compliance for Each Major Federal and State Program**

We have audited Brazos Valley Community Action Programs' (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Brazos Valley Community Action Programs' major federal and state programs for the year ended June 30, 2019. Brazos Valley Community Action Programs' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility for Compliance**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Brazos Valley Community Action Programs' major federal and state 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and the *State of Texas Single Audit Circular*. 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 or state program occurred. An audit includes examining, on a test basis, evidence about Brazos Valley Community Action Programs' 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 and state program. However, our audit does not provide legal determination on Brazos Valley Community Action Programs' compliance.

## **Opinion**

In our opinion, Brazos Valley Community Action Programs 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 and state programs for the year ended June 30, 2019.

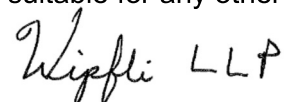
## **Report on Internal Control Over Compliance**

Management of Brazos Valley Community Action Program 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 Brazos Valley Community Action Programs' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and the *State of Texas Single Audit Circular*, 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 Brazos Valley Community Action Programs' 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 or state 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 or state 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 and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

February 4, 2020  
Madison, Wisconsin

# Brazos Valley Community Action Programs

## Schedule of Findings and Questioned Costs Year Ended June 30, 2019

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### Section I - Summary of Auditor's Results

#### **Financial Statements**

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

#### **Federal and State Awards**

Internal control over major federal and state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)] or <i>State of Texas Single Audit Circular</i> , as applicable?	No
Identification of major federal and state programs:	

<b><u>Name of Federal Major Program or Cluster</u></b>	<b><u>CFDA No.</u></b>
Head Start	93.600

<b><u>Name of State Major Program or Cluster</u></b>	<b><u>State ID No.</u></b>
None	N/A

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	\$300,000

Auditee qualified as low-risk auditee?	
Federal	Yes
State	Yes

# Brazos Valley Community Action Programs

## Schedule of Findings and Questioned Costs Year Ended June 30, 2019

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### Section II - Financial Statement Findings

None

### Section III - Federal and State Award Findings and Questioned Costs

None

### Section IV - Summary Schedule of Prior Year Findings

None