

**REPORT OF AUDIT
AND
SUPPLEMENTAL INFORMATION**

**GATEWAY COMMUNITY
ACTION AGENCY, INC.**

FOR THE YEAR ENDED JUNE 30, 2016

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Ms. Charlene Engle, Executive Director
Members of the Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky 41472

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Community Action Agency, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of revenues, expenses, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Ms. Charlene Engle, Executive Director
Members of the Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky 41472

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Community Action Agency, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by 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 November 16, 2016, on our consideration of Gateway Community Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway Community Action Agency, Inc.'s internal control over financial reporting and compliance.

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky
November 16, 2016

GATEWAY COMMUNITY ACTION AGENCY, INC
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2016

ASSETS

Current Assets

| | | |
|----------------------|----|----------------|
| Cash | \$ | 411,345 |
| Prepaid Expenses | | 4,202 |
| Accounts Receivable | | 236,753 |
| Total Current Assets | | <u>652,300</u> |

| | | |
|--|--|---------------|
| Property and Equipment, Net of Accum. Depr. | | <u>43,348</u> |
|--|--|---------------|

| | | |
|--------------|--|---------|
| Total Assets | | 695,648 |
|--------------|--|---------|

LIABILITIES

Current Liabilities

| | | |
|---|--|----------------|
| Accrued Payroll and Related Liabilities | | 64,036 |
| Accounts Payable Trade | | 270,004 |
| Notes Payable | | 8,850 |
| Total Current Liabilities | | <u>342,890</u> |

Long-Term Liabilities

| | | |
|-----------------------------|--|---------------|
| Accrued Leave | | <u>76,818</u> |
| Total Long-Term Liabilities | | <u>76,818</u> |

| | | |
|-------------------|--|---------|
| Total Liabilities | | 419,708 |
|-------------------|--|---------|

NET ASSETS

| | | |
|--------------|--|----------------|
| Unrestricted | | <u>275,940</u> |
|--------------|--|----------------|

| | | |
|------------------|--|----------------|
| Total Net Assets | | <u>275,940</u> |
|------------------|--|----------------|

| | | |
|----------------------------------|----|-----------------------|
| Total Liabilities and Net Assets | \$ | <u><u>695,648</u></u> |
|----------------------------------|----|-----------------------|

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|--------------|---------------------------|---------------------------|--------------|
| SUPPORT AND REVENUES | | | | |
| Support | | | | |
| Grants & Contracts | \$ 6,727,854 | \$ | \$ | \$ 6,727,854 |
| In-Kind | 850,934 | | | 850,934 |
| Total Support | 7,578,788 | | | 7,578,788 |
| Revenues | | | | |
| Program Income | 87,764 | | | 87,764 |
| Interest Income | 100 | | | 100 |
| Other | 69,747 | | | 69,747 |
| Total Revenues | 157,611 | | | 157,611 |
| Total Support and Revenues | 7,736,399 | | | 7,736,399 |
| Expenses | | | | |
| Direct Expenses | | | | |
| Head Start | 3,717,601 | | | 3,717,601 |
| Fatherhood | 811,475 | | | 811,475 |
| WIA - Adult | 437,348 | | | 437,348 |
| United Way-Vita | 4,221 | | | 4,221 |
| LiHeap | 1,065,549 | | | 1,065,549 |
| Weatherization | 165,370 | | | 165,370 |
| Weatherization - LiHeap | 178,047 | | | 178,047 |
| Kynector | 149,520 | | | 149,520 |
| CSBG | 297,738 | | | 297,738 |
| Pentair | 4,416 | | | 4,416 |
| Child Care | 52,621 | | | 52,621 |
| Emergency Fund | 11,678 | | | 11,678 |
| TBRA | 141,678 | | | 141,678 |
| Housing | 59,991 | | | 59,991 |
| Public Transportation | 120,689 | | | 120,689 |
| Healthy Marriage | 69,602 | | | 69,602 |
| Agency General | 82,507 | | | 82,507 |
| Total Direct Expenses | 7,370,051 | | | 7,370,051 |
| Depreciation Expense | 3,374 | | | 3,374 |
| Indirect Expenses | 324,357 | | | 324,357 |
| Total Expenses | 7,697,782 | | | 7,697,782 |
| Change in Net Assets | 38,617 | | | 38,617 |
| Net Assets at Beginning of Year | 237,323 | | | 237,323 |
| Net Assets at End of Year | \$ 275,940 | \$ 0 | \$ 0 | \$ 275,940 |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>HEAD- START</u> | <u>FATHER- HOOD</u> | <u>WIA ADULT</u> | <u>UNITED WAY-VITA</u> | <u>LIHEAP</u> | <u>WEATHER- IZATION</u> | <u>LIHEAP WEATHER- IZATION</u> | <u>KYNECTOR</u> | <u>CSBG</u> | <u>PENTAIR</u> |
|----------------------------------|------------------------|-------------------------|----------------------|----------------------------|---------------------|-----------------------------|--|-------------------|-------------------|-----------------|
| DIRECT EXPENSES | | | | | | | | | | |
| Salaries and Wages | \$ 1,273,634 | \$ 249,795 | \$ 144,797 | \$ 247 | \$ 49,743 | \$ 72,944 | \$ 95,674 | \$ 78,303 | \$ 119,074 | \$ 240 |
| Program Payments | | | 156,034 | | | | | | | |
| Payroll Fringe | 645,843 | 113,855 | 69,617 | 123 | 28,755 | 46,652 | 32,935 | 42,781 | 58,176 | 89 |
| Subcontract Services | 124,305 | 294,673 | | | | | | | | |
| Emergency Assistance | | | | 3,351 | 980,092 | | | | | |
| Maintenance/Equip. | 201,397 | | | | | | | | 1,773 | |
| Food Costs | 221,848 | | | | | | | | | |
| Insurance | 50,610 | 15,780 | 8,759 | | | | 3,069 | 2,953 | 4,766 | |
| Space and Utilities | 89,982 | 20,249 | 21,428 | | | 2,243 | 3,518 | 14,329 | 23,288 | |
| Office Supplies | 48,511 | 33,768 | 24,066 | 393 | 5,214 | (3,218) | (83) | 4,110 | 6,583 | |
| Other Expenses | 78,598 | 9,998 | 3,853 | | 1,057 | 1,943 | 1,401 | 1,835 | 4,978 | 4,043 |
| Postage | 3,699 | 477 | 622 | | 410 | 97 | 253 | 140 | 1,193 | |
| Program Supplies | 46,670 | 9,833 | | | | 40,309 | 35,123 | | 7,181 | |
| Training | 48,619 | 30,429 | | | | 1,238 | 600 | | 2,029 | |
| Telephone | 25,344 | 6,504 | 2,935 | | | 1,373 | 1,584 | 2,824 | 10,156 | |
| Transportation | 100,314 | | | | | 1,789 | 3,973 | | | |
| Travel | 10,816 | 7,049 | 5,237 | 107 | 278 | | | 2,245 | 1,180 | 44 |
| Depreciation | | | | | | | | | | |
| Medical | 10,798 | | | | | | | | | |
| In-Kind | 736,613 | 19,065 | | | | | | | 57,361 | |
| TOTAL DIRECT Expenses | <u>3,717,601</u> | <u>811,475</u> | <u>437,348</u> | <u>4,221</u> | <u>1,065,549</u> | <u>165,370</u> | <u>178,047</u> | <u>149,520</u> | <u>297,738</u> | <u>4,416</u> |
| INDIRECT Expenses | <u>203,460</u> | <u>39,967</u> | <u>27,665</u> | <u>36</u> | <u>7,959</u> | <u>11,671</u> | <u>15,308</u> | <u>12,528</u> | <u>19,052</u> | <u>38</u> |
| TOTAL Expenses | <u>\$ 3,921,061</u> | <u>\$ 851,442</u> | <u>\$ 465,013</u> | <u>\$ 4,257</u> | <u>\$ 1,073,508</u> | <u>\$ 177,041</u> | <u>\$ 193,355</u> | <u>\$ 162,048</u> | <u>\$ 316,790</u> | <u>\$ 4,454</u> |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>CHILD DAYCARE</u> | <u>EMERGENCY FUND</u> | <u>TBRA</u> | <u>HOUSING</u> | <u>PUBLIC TRANSPORT</u> | <u>HEALTHY MARRIAGE</u> | <u>INDIRECT COST</u> | <u>AGENCY GENERAL</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|----------------------------------|--------------------------|---------------------------|-------------------|------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|--|
| DIRECT EXPENSES | | | | | | | | | |
| Salaries and Wages | \$ 32,285 | \$ | \$ 7,810 | \$ 20,295 | \$ 22,117 | \$ 30,794 | \$ 194,422 | \$ 5,540 | \$ 2,397,714 |
| Program Payments | | | 129,028 | | | | | | 285,062 |
| Payroll Fringe | 15,049 | | 3,323 | 11,231 | 9,566 | 13,572 | 81,612 | 1,829 | 1,175,008 |
| Subcontract Services | | | | | | | | 10,035 | 429,013 |
| Emergency Assistance | | 11,678 | | | | | | | 995,121 |
| Maintenance/Equip. | 28 | | | | 45,127 | 72 | 3,489 | 3,609 | 255,495 |
| Food Costs | 702 | | | | | | | | 222,550 |
| Insurance | | | | | 394 | 4,444 | | | 90,775 |
| Space and Utilities | 25 | | | 1,471 | | 2,116 | | 33,000 | 211,649 |
| Office Supplies | 175 | | 473 | 5,557 | 3,262 | 7,546 | 10,354 | 4,961 | 151,672 |
| Other Expenses | 1,730 | | 517 | 3,276 | 1,930 | 1,588 | 7,519 | 19,572 | 143,838 |
| Postage | | | 362 | 667 | 249 | 167 | 1,341 | 250 | 9,927 |
| Program Supplies | 2,594 | | | | | 778 | | | 142,488 |
| Training | | | | 15,761 | 550 | 1,072 | 17,738 | 4,243 | 122,279 |
| Telephone | 6 | | 12 | 680 | 777 | 697 | 4,751 | (584) | 57,059 |
| Transportation | 27 | | | | 3,975 | | 1,685 | | 111,763 |
| Travel | | | 153 | 1,053 | 312 | 1,116 | 1,446 | 52 | 31,088 |
| Depreciation | | | | | | | 3,374 | | 3,374 |
| Medical | | | | | | | | | 10,798 |
| In-Kind | | | | | 32,430 | 5,640 | | | 851,109 |
| TOTAL DIRECT Expenses | <u>52,621</u> | <u>11,678</u> | <u>141,678</u> | <u>59,991</u> | <u>120,689</u> | <u>69,602</u> | <u>327,731</u> | <u>82,507</u> | <u>7,697,782</u> |
| INDIRECT Expenses | <u>5,487</u> | | <u>1,250</u> | <u>3,247</u> | <u>3,539</u> | <u>4,872</u> | <u>(356,965)</u> | <u>886</u> | <u>0</u> |
| TOTAL Expenses | <u>\$ 58,108</u> | <u>\$ 11,678</u> | <u>\$ 142,928</u> | <u>\$ 63,238</u> | <u>\$ 124,228</u> | <u>\$ 74,474</u> | <u>\$ (29,234)</u> | <u>\$ 83,393</u> | <u>\$ 7,697,782</u> |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING ACTIVITIES

| | |
|---|----------------|
| Change in Net Assets | \$ 38,617 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities: | |
| Changes in Assets and Liabilities: | |
| Depreciation | 3,374 |
| Increase in Accounts Receivable | (79,221) |
| Decrease in Prepaid Expenses | 82 |
| Increase in Accrued Leave | 2,970 |
| Decrease in Accounts Payable | 167,386 |
| Decrease in Accrued Expenses | (859) |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | 132,349 |

| | |
|---|----------|
| Net Cash Provided/(Used) by Financing Activities: | |
| Purchase of Fixed Assets; Net of Related Debt | (57,913) |

NET INCREASE IN CASH 74,436

CASH - Beginning of Year 336,909

CASH - End of Year \$ 411,345

SUPPLEMENTAL DATA

| | |
|---------------|----------|
| Interest Paid | \$ 2,791 |
| Taxes Paid | \$ 0 |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note A: Summary of Significant Accounting Policies

This summary of significant accounting policies of Gateway Community Action Agency, Inc. (GCAA) is presented to assist in understanding the financial statements. The financial statements and notes are representations of GCAA's management, who are responsible for their integrity and objectivity.

Organization and Business Activity

Gateway Community Action Agency, Inc. is a private non-profit organization under the IRS Code Section 501(C)(3). The nature and purpose of the Organization is to administer state and federal programs aimed at identifying, relieving and eliminating the causes of poverty in the Kentucky counties of Montgomery, Bath, Menifee, Rowan and Morgan.

GCAA rents unused office space to other nonprofit agencies and businesses in order to help offset its own rent expense. Rent received was \$34,916 for the year ended June 30, 2016.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting prescribed and permitted by the various federal, state and other non-profit funding agencies. This includes the accrual method for the reporting of revenues and expenditures. The major difference between this method and generally accepted accounting principles is that the cost of property, equipment and inventories is not included in the combined statement of assets, liabilities and net assets for any grant program, but is included in expenditures during the period in which the assets are acquired. The Indirect Cost fund, however, does include the cost of property and equipment in its statement of net assets, liabilities and net assets and depreciation is recognized in expenditures.

Cost principles used by GCAA generally fall under the Office of Management and Budget's Circular A-122 Cost Principles For Non-Profit Organizations, but additional regulations may be used as required by the individual program and its grant or contract requirements.

Functional Expenses

Expenses have been classified by specific functions where ascertainable. Those expenses, which cannot be specifically identified by function type, have been allocated to functions based upon management's best estimate of usage.

Advertising

GCAA expenses advertising costs as incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under ASC 958 (formerly SFAS No. 117), GCAA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, if any.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note A: Summary of Significant Accounting Policies (Continued)

Unrestricted Net Assets

Unrestricted, undesignated net assets are available for the various programs and administration of the Fund.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months.

Accounts Receivable

Accounts receivable represent grant and contract receivables that management considers to be fully collectable; accordingly, no allowance for doubtful accounts is required.

Contractual and Grant Accounting

Gateway Community Action Agency, Inc. is the administrator for a number of federally funded programs. Separate records of program revenues and expenditures are maintained by the agency to account for the operation of each program to insure the observance of limitations and restrictions placed on the use of resources.

Expendable Restricted Resources

Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues in accordance with the contract or grant terms.

Indirect Costs

GCAA incurs administrative costs that are not directly related to any specific reporting area, which are accumulated in the indirect costs fund. Program funds are charged in accordance with GCAA's cost allocation plan as approved by GCAA's cognizant agency, the U. S. Department of Health and Human Services, and within budget and contract restrictions of each program, or as a direct reimbursement where required by the program's budget. GCAA operated the year ended June 30, 2016, under a predetermined indirect rate of 16.00% of direct salaries and wages. This rate was set February 26, 2016 and is effective until amended. The indirect cost rate charged to each program is the rate in effect when the contract is awarded. In our opinion, GCAA was in compliance with indirect cost requirements.

Fund Raising

Fund Raising income was \$1,457. There were no related expenses.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note A: Summary of Significant Accounting Policies (Continued)

Non-Grant Revenues

All non-grant revenues, such as program income and local contributions including in-kind contributions, are recorded when received by the program that generates the revenue. Amounts of in-kind contributions are recorded by using the estimated fair market value and include space and donated supplies. In-kind contributions for the year ended June 30, 2016 totaled \$850,934.

Reporting Entity

The criteria used to determine the scope of the reporting entity and its component units are oversight responsibility including selection of the governing authority, designation of management and ability to significantly influence operations; accountability for fiscal matters including budgetary authority, surplus/deficits, responsibility for debt, fiscal management and revenue characteristics; scope of public service; and any special financing relationships. Based on the above criteria, it is determined that the reporting entity, Gateway Community Action Agency, Inc., serves as the oversight unit and has no component units.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

GCAA is a nonprofit organization as described in Section 501 (c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Income generated by activities that would be considered unrelated to GCAA's mission would be subject to tax. Net unrelated business loss of \$809 has been reported for the year ended June 30, 2016.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal income tax returns are subject to examination by federal, state and local taxing authorities, generally for three years after they are filed.

Property and Equipment

Property and equipment in the Indirect Cost fund are carried at cost, less accumulated depreciation. It is the policy of GCAA to capitalize property and equipment within the Indirect Cost fund that have a unit cost of \$5,000 or more and a useful life of more than two years.

Depreciation and amortization are provided using the straight-line method for financial reporting purposes at rates based on estimated useful lives set forth below.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note A: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

| <u>Category</u> | <u>Life in Years</u> |
|-----------------|--------------------------|
| Vehicles | 5-7 |

Property and equipment purchased with grantor funds are reported as an expense in the appropriate fund. Such assets are considered property of the granting agency and must be returned to them or disposed of in accordance with grant requirements.

Note B: Commitments

GCAA had two programs at an interim stage at June 30, 2016. Those programs and their program end dates are as follows:

| | |
|------------|--------------------|
| Head Start | August 31, 2016 |
| Fatherhood | September 29, 2016 |

Note C: Future Funding

Funding for GCAA's grant funds are provided by federal, state and local government agencies and other non-profit organizations. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse GCAA for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of GCAA's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor intent to continue the programs. Contracts currently in operation expire August 31, 2016, September 29, 2016, and June 30, 2017.

Note D: Retirement Plan

GCAA has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. The County Employees Retirement System of Kentucky is a cost-sharing multi-employer defined benefit pension plan, which covers substantially all regular non-certified, full-time employees of each county and school board, and any additional eligible local agencies electing to participate in the System and provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note D: Retirement Plan (Continued)

1. Assets contributed to the multi-employer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Organization chooses to stop participating in its multi-employer plan, it may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability. At this time, the Organization has not established any liabilities because withdrawal from this plan is not probable.

The Plan's Employer Identification Number is 61-1431278.

Nonhazardous employees are required to contribute 5 percent of their salary to the plan. Nonhazardous employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to be allocated as follows: 5% will go to the member's account and 1% will go to the KRS insurance fund. GCAA's contribution rate for the year ended June 30, 2016 was 17.06 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

GCAA's contribution for FY 2016 was \$398,182 and FY 2015 was \$368,579. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of the 2016 and 2015 contributions. All required contributions were paid at year end or within thirty (30) days thereafter.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1981, 6% thereafter through June 30, 1986 and 4% thereafter. All required contributions were paid at year end or within thirty (30) days thereafter. The percentage of GCAA's contribution to total employers' contribution in the CERS for the year ended June 30, 2015 is .08653% and GCAA's portion of the net pension liability is \$3,720,541.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note D: Retirement Plan (Continued)

The amount shown below as "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

The CERS total actuarial liability (hazardous and nonhazardous) was \$14,353,632,968 as of June 30, 2015, which is the latest information available. The total Fiduciary Net Position of the plan as of June 30, 2015 is \$8,579,001,523, therefore, the plan was 59.35% funded as of June 30, 2015.

The Organization is providing less than 5% of the total contributions to the plan.

Form 5500 is not required for this plan.

Historical trend information showing the CERS's progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems's annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note E: Cash Deposits With Financial Institutions

GCAA maintains its deposits with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, GCAA requests the depository bank to pledge securities along with FDIC insurance at least equal to the amount on deposit. As of June 30, 2016, the bank balance was fully insured up to \$250,000 by FDIC and collateralized by securities held by a third party in GCAA's name.

Note F: Fixed Assets

The following is a summary of fixed assets included in the Indirect Cost fund at June 30, 2016.

| | |
|--------------------------------|------------------|
| Vehicles | \$ 77,066 |
| Less: Accumulated depreciation | <u>33,718</u> |
| Property and equipment, net | <u>\$ 43,348</u> |

Note G: Operating Leases

GCAA leases various space and facilities under annual renewable operating leases ending on June 30. Leases entered into for greater than one year are cancelable with notice by either party. Rent payments are due monthly and GCAA is responsible for the liability and property insurance coverage.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note H: Note Payable

Short Term

GCAA entered into a 90-day note payable for \$25,000 in June 18, 2015 for operating purposes, with an interest rate of 4%. The outstanding principle balance at June 30, 2015 was \$0.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|-----------------------|------------------------------|------------------|-------------------|---------------------------|
| Financing Obligations | \$ <u>25,000</u> | \$ <u>0</u> | \$ <u>25,000</u> | \$ <u>0</u> |

Long Term

GCAA entered into a Lease Agreement with KACO for \$23,621 on July 23, 2014 for the purchase of a vehicle, with an interest rate of 3.5%. The outstanding principle balance at June 30, 2016 was \$8,850.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|-----------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| Financing Obligations | \$ <u>15,288</u> | \$ <u>0</u> | \$ <u>6,438</u> | \$ <u>8,850</u> | \$ <u>8,850</u> |

Long-Term Debt Maturity

| <u>Fiscal Year Ended June 30, 2016</u> | <u>Principal</u> | <u>Interest</u> |
|--|------------------|-----------------|
| 2017 | <u>8,850</u> | <u>194</u> |
| Totals | <u>\$ 8,850</u> | <u>\$ 539</u> |

Interest paid and included in expense is \$895.

Note I: Subsequent Events

Subsequent events have been evaluated through November 16, 2016 which is the date the financial statements were available to be issued.

Note J: Fair Values of Financial Instruments

GASB Statement No. 72, Fair Value Measurement and Application, became effective in fiscal year 2016 which requires the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

The carrying amount of the following financial instruments approximate fair value because of the short maturity of the instruments: cash equivalents and deferred revenue.

GATEWAY COMMUNITY ACTION AGENCY, INC
COMBINING STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2016

| | <u>HEAD- START</u> | <u>FATHER- HOOD</u> | <u>WIA ADULT</u> | <u>LIHEAP</u> | <u>WEATHER- IZATION</u> | <u>LIHEAP WEATHER- IZATION</u> | <u>KYNECTOR</u> | <u>CSBG</u> | <u>CHILD DAYCARE</u> | <u>UNITED WAY-VITA</u> |
|---|------------------------|-------------------------|----------------------|-----------------|-----------------------------|--|------------------|------------------|--------------------------|----------------------------|
| ASSETS | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Cash | \$ | \$ | \$ 29,864 | \$ 1,759 | \$ 11,505 | \$ 26,523 | \$ 2,676 | \$ 8,621 | \$ 31,558 | \$ 188 |
| Prepaid Expenses | | | | | | | | | | |
| Grants Receivable | | 809 | 67,718 | | 8,351 | 40,690 | 43,307 | 23,599 | | 1,569 |
| General Fund Receivable | | | | | | | | | | |
| Total Current Assets | | 809 | 97,582 | 1,759 | 19,856 | 67,213 | 45,983 | 32,220 | 31,558 | 1,757 |
| Fixed Assets - at cost (net of accum. depr.) | | | | | | | | | | |
| TOTAL ASSETS | \$ 0 | \$ 809 | \$ 97,582 | \$ 1,759 | \$ 19,856 | \$ 67,213 | \$ 45,983 | \$ 32,220 | \$ 31,558 | \$ 1,757 |
| LIABILITIES | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts Payable Trade | \$ | \$ | \$ 45,130 | \$ | \$ 19,856 | \$ 67,213 | \$ 32,130 | \$ 23,632 | \$ | \$ 857 |
| Accounts Payable GF | | | | 1,759 | | | | | | 900 |
| Notes Payable | | | | | | | | | | |
| Accrued Payroll and Related Expenses | 16,745 | 12,930 | 8,807 | | | | 2,674 | 8,588 | | |
| Total Current Liab. | 16,745 | 12,930 | 53,937 | 1,759 | 19,856 | 67,213 | 34,804 | 32,220 | | 1,757 |
| Other Liabilities | | | | | | | | | | |
| Accrued Leave | | | | | | | | | | |
| TOTAL LIABILITIES | 16,745 | 12,930 | 53,937 | 1,759 | 19,856 | 67,213 | 34,804 | 32,220 | | 1,757 |
| UNRESTRICTED NET ASSETS | (16,745) | (12,121) | 43,645 | | | | 11,179 | | 31,558 | |
| TOTAL LIABILITIES AND NET ASSETS | \$ 0 | \$ 809 | \$ 97,582 | \$ 1,759 | \$ 19,856 | \$ 67,213 | \$ 45,983 | \$ 32,220 | \$ 31,558 | \$ 1,757 |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
COMBINING STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2016

| | <u>PEN</u> <u>TAIR</u> | <u>EMERGENCY</u> <u>FUND</u> | <u>TBRA</u> | <u>HOUSING</u> | <u>PUBLIC</u> <u>TRANSPORT</u> | <u>HEALTHY</u> <u>MARRIAGE</u> | <u>INDIRECT</u> <u>COST</u> | <u>AGENCY</u> <u>GENERAL</u> | <u>TOTAL</u> <u>(MEMORANDUM</u> <u>ONLY)</u> |
|---|---------------------------|---------------------------------|------------------|------------------|-----------------------------------|-----------------------------------|--------------------------------|---------------------------------|--|
| ASSETS | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash | \$ | \$ 781 | \$ 11,853 | \$ 30 | \$ 5,177 | \$ | \$ 36,820 | \$ 243,990 | \$ 411,345 |
| Prepaid Expenses | | | | | | | 4,202 | | 4,202 |
| Grants Receivable | | | | 27,030 | 23,680 | | | | 236,753 |
| General Fund Receivable | | | | | | | | 4,958 | 4,958 |
| Total Current Assets | | 781 | 11,853 | 27,060 | 28,857 | | 41,022 | 248,948 | 657,258 |
| Fixed Assets - at cost (net of accum. depr.) | | | | | | | 43,348 | | 43,348 |
| TOTAL ASSETS | \$ 0 | \$ 781 | \$ 11,853 | \$ 27,060 | \$ 28,857 | \$ 0 | \$ 84,370 | \$ 248,948 | \$ 700,606 |
| LIABILITIES | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Accounts Payable Trade | \$ | \$ | \$ 11,853 | \$ 5,655 | \$ 23,620 | \$ | \$ 27,265 | \$ 12,793 | \$ 270,004 |
| Accounts Payable GF | | | | 2,299 | | | | | 4,958 |
| Notes Payable | | | | | | | 8,850 | | 8,850 |
| Accrued Payroll and Related Expenses | | | | 1,061 | 5,237 | | 7,994 | | 64,036 |
| Total Current Liab. | | | 11,853 | 9,015 | 28,857 | | 44,109 | 12,793 | 347,848 |
| Other Liabilities | | | | | | | | | |
| Accrued Leave | | | | | | | | 76,818 | 76,818 |
| TOTAL LIABILITIES | | | 11,853 | 9,015 | 28,857 | | 44,109 | 89,611 | 424,666 |
| UNRESTRICTED NET ASSETS | | 781 | | 18,045 | | | 40,261 | 159,337 | 275,940 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 0 | \$ 781 | \$ 11,853 | \$ 27,060 | \$ 28,857 | \$ 0 | \$ 84,370 | \$ 248,948 | \$ 700,606 |

The accompanying auditors report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>HEAD- START</u> | <u>FATHERHOOD</u> | <u>WIA ADULT</u> | <u>UNITED WAY-VITA</u> | <u>LIHEAP</u> | <u>WEATHER- IZATION</u> |
|--|------------------------|--------------------|----------------------|----------------------------|------------------|-----------------------------|
| REVENUE | | | | | | |
| Grant Revenue | \$ 3,167,675 | \$ 872,418 | \$ 465,285 | \$ 4,257 | \$ 1,073,508 | \$ 177,041 |
| In-Kind | 736,613 | 19,065 | | | | |
| Other | 28 | | 13 | | | |
| TOTAL REVENUE | <u>3,904,316</u> | <u>891,483</u> | <u>465,298</u> | <u>4,257</u> | <u>1,073,508</u> | <u>177,041</u> |
| EXPENSES | | | | | | |
| DIRECT EXPENSES | | | | | | |
| Salaries and Wages | 1,273,634 | 249,795 | 144,797 | 247 | 49,743 | 72,944 |
| Program Payments | | | 156,034 | | | |
| Payroll Fringe | 645,843 | 113,855 | 69,617 | 123 | 28,755 | 46,652 |
| Subcontract Services | 124,305 | 294,673 | | | | |
| Emergency Assistance | | | | 3,351 | 980,092 | |
| Maintenance/Equipment | 201,397 | | | | | |
| Food Costs | 221,848 | | | | | |
| Insurance | 50,610 | 15,780 | 8,759 | | | |
| Space and Utilities | 89,982 | 20,249 | 21,428 | | | 2,243 |
| Office Supplies | 48,511 | 33,768 | 24,066 | 393 | 5,214 | (3,218) |
| Other Expenses | 78,598 | 9,998 | 3,853 | | 1,057 | 1,943 |
| Postage | 3,699 | 477 | 622 | | 410 | 97 |
| Program Supplies | 46,670 | 9,833 | | | | 40,309 |
| Training | 48,619 | 30,429 | | | | 1,238 |
| Telephone | 25,344 | 6,504 | 2,935 | | | 1,373 |
| Transportation | 100,314 | | | | | 1,789 |
| Travel | 10,816 | 7,049 | 5,237 | 107 | 278 | |
| Depreciation | | | | | | |
| Medical | 10,798 | | | | | |
| In-Kind | 736,613 | 19,065 | | | | |
| TOTAL DIRECT EXPENSES | <u>3,717,601</u> | <u>811,475</u> | <u>437,348</u> | <u>4,221</u> | <u>1,065,549</u> | <u>165,370</u> |
| INDIRECT EXPENSES | <u>203,460</u> | <u>39,967</u> | <u>27,665</u> | <u>36</u> | <u>7,959</u> | <u>11,671</u> |
| TOTAL EXPENSES | <u>3,921,061</u> | <u>851,442</u> | <u>465,013</u> | <u>4,257</u> | <u>1,073,508</u> | <u>177,041</u> |
| REVENUES OVER (UNDER) EXPENSES | <u>(16,745)</u> | <u>40,041</u> | <u>285</u> | | | |
| CHANGE IN UNRESTRICTED NET ASSETS | (16,745) | 40,041 | 285 | | | |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | | | | | |
| NET ASSETS JULY 1, 2015 | | (52,162) | 43,360 | | | |
| NET ASSETS JUNE 30, 2016 | <u>\$ (16,745)</u> | <u>\$ (12,121)</u> | <u>\$ 43,645</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>LIHEAP WEATHER- IZATION</u> | <u>KYNECTOR</u> | <u>CSBG</u> | <u>PENTAIR</u> | <u>CHILD DAYCARE</u> | <u>EMERGENCY FUND</u> |
|--|--|-------------------|----------------|----------------|--------------------------|---------------------------|
| REVENUE | | | | | | |
| Grant Revenue | \$ 193,355 | \$ 173,227 | \$ 259,429 | \$ | \$ | \$ 11,265 |
| In-Kind | | | 57,361 | | | |
| Other | | | | | 78,473 | |
| TOTAL REVENUE | <u>193,355</u> | <u>173,227</u> | <u>316,790</u> | | <u>78,473</u> | <u>11,265</u> |
| EXPENSES | | | | | | |
| DIRECT EXPENSES | | | | | | |
| Salaries and Wages | 95,674 | 78,303 | 119,074 | 240 | 32,285 | |
| Program Payments | | | | | | |
| Payroll Fringe | 32,935 | 42,781 | 58,176 | 89 | 15,049 | |
| Subcontract Services | | | | | | |
| Emergency Assistance | | | | | | 11,678 |
| Maintenance/Equipment | | | 1,773 | | 28 | |
| Food Costs | | | | | 702 | |
| Insurance | 3,069 | 2,953 | 4,766 | | | |
| Space and Utilities | 3,518 | 14,329 | 23,288 | | 25 | |
| Office Supplies | (83) | 4,110 | 6,583 | | 175 | |
| Other Expenses | 1,401 | 1,835 | 4,978 | 4,043 | 1,730 | |
| Postage | 253 | 140 | 1,193 | | | |
| Program Supplies | 35,123 | | 7,181 | | 2,594 | |
| Training | 600 | | 2,029 | | | |
| Telephone | 1,584 | 2,824 | 10,156 | | 6 | |
| Transportation | 3,973 | | | | 27 | |
| Travel | | 2,245 | 1,180 | 44 | | |
| Depreciation | | | | | | |
| Medical | | | | | | |
| In-Kind | | | 57,361 | | | |
| TOTAL DIRECT EXPENSES | <u>178,047</u> | <u>149,520</u> | <u>297,738</u> | <u>4,416</u> | <u>52,621</u> | <u>11,678</u> |
| INDIRECT EXPENSES | <u>15,308</u> | <u>12,528</u> | <u>19,052</u> | <u>38</u> | <u>5,487</u> | |
| TOTAL EXPENSES | <u>193,355</u> | <u>162,048</u> | <u>316,790</u> | <u>4,454</u> | <u>58,108</u> | <u>11,678</u> |
| REVENUES OVER (UNDER) EXPENSES | | <u>11,179</u> | | <u>(4,454)</u> | <u>20,365</u> | <u>(413)</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | | 11,179 | | (4,454) | 20,365 | (413) |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | | | | | |
| NET ASSETS JULY 1, 2015 | | <u>91,751</u> | | <u>4,454</u> | <u>11,193</u> | <u>1,194</u> |
| NET ASSETS JUNE 30, 2016 | <u>\$ 0</u> | <u>\$ 102,930</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 31,558</u> | <u>\$ 781</u> |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>TBRA</u> | <u>HOUSING</u> | <u>PUBLIC TRANSPORT</u> | <u>HEALTHY MARRIAGE</u> | <u>INDIRECT COST</u> | <u>AGENCY GENERAL</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|--|----------------|------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|--|
| REVENUE | | | | | | | |
| Grant Revenue | \$ 140,964 | \$ 57,273 | \$ 84,191 | \$ 47,966 | \$ | \$ | \$ 6,727,854 |
| In-Kind | | | 32,255 | 5,640 | | | 850,934 |
| Other | | 15,263 | 7,782 | | | 56,052 | 157,611 |
| TOTAL REVENUE | <u>140,964</u> | <u>72,536</u> | <u>124,228</u> | <u>53,606</u> | | <u>56,052</u> | <u>7,736,399</u> |
| EXPENSES | | | | | | | |
| DIRECT EXPENSES | | | | | | | |
| Salaries and Wages | 7,810 | 20,295 | 22,117 | 30,794 | 194,422 | 5,540 | 2,397,714 |
| Program Payments | 129,028 | | | | | | 285,062 |
| Payroll Fringe | 3,323 | 11,231 | 9,566 | 13,572 | 81,612 | 1,829 | 1,175,008 |
| Subcontract Services | | | | | | 10,035 | 429,013 |
| Emergency Assistance | | | | | | | 995,121 |
| Maintenance/Equipment | | | 45,127 | 72 | 3,489 | 3,609 | 255,495 |
| Food Costs | | | | | | | 222,550 |
| Insurance | | | 394 | 4,444 | | | 90,775 |
| Space and Utilities | | 1,471 | | 2,116 | | 33,000 | 211,649 |
| Office Supplies | 473 | 5,557 | 3,262 | 7,546 | 10,354 | 4,961 | 151,672 |
| Other Expenses | 517 | 3,276 | 1,930 | 1,588 | 7,519 | 19,572 | 143,838 |
| Postage | 362 | 667 | 249 | 167 | 1,341 | 250 | 9,927 |
| Program Supplies | | | | 778 | | | 142,488 |
| Training | | 15,761 | 550 | 1,072 | 17,738 | 4,243 | 122,279 |
| Telephone | 12 | 680 | 777 | 697 | 4,751 | (584) | 57,059 |
| Transportation | | | 3,975 | | 1,685 | | 111,763 |
| Travel | 153 | 1,053 | 312 | 1,116 | 1,446 | 52 | 31,088 |
| Depreciation | | | | | 3,374 | | 3,374 |
| Medical | | | | | | | 10,798 |
| In-Kind | | | 32,430 | 5,640 | | | 851,109 |
| TOTAL DIRECT EXPENSES | <u>141,678</u> | <u>59,991</u> | <u>120,689</u> | <u>69,602</u> | <u>327,731</u> | <u>82,507</u> | <u>7,697,782</u> |
| INDIRECT EXPENSES | <u>1,250</u> | <u>3,247</u> | <u>3,539</u> | <u>4,872</u> | <u>(356,965)</u> | <u>886</u> | <u>0</u> |
| TOTAL EXPENSES | <u>142,928</u> | <u>63,238</u> | <u>124,228</u> | <u>74,474</u> | <u>(29,234)</u> | <u>83,393</u> | <u>7,697,782</u> |
| REVENUES OVER (UNDER) EXPENSES | <u>(1,964)</u> | <u>9,298</u> | | <u>(20,868)</u> | <u>29,234</u> | <u>(27,341)</u> | <u>38,617</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | <u>(1,964)</u> | <u>9,298</u> | | <u>(20,868)</u> | <u>29,234</u> | <u>(27,341)</u> | <u>38,617</u> |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | | | | | | <u>0</u> |
| NET ASSETS JULY 1, 2015 | <u>1,964</u> | <u>8,747</u> | | <u>20,868</u> | <u>11,027</u> | <u>94,927</u> | <u>237,323</u> |
| NET ASSETS JUNE 30, 2016 | <u>\$ 0</u> | <u>\$ 18,045</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 40,261</u> | <u>\$ 67,586</u> | <u>\$ 275,940</u> |

The accompanying auditors report and notes to the financial statements are an integral part of the financial statements.

**GATEWAY COMMUNITY ACTION AGENCY, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS THROUGH GRANTORS NUMBER | PASSED THROUGH TO SUB- RECIPIENT | TOTAL FEDERAL EXPENDITURES |
|---|------------------------------------|---|---|---|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| Head Start | 93.600 | N/A | \$ | \$ 2,978,142 |
| Fatherhood Payments to Subrecipients | 93.086 | N/A | 294,673 | 832,377 |
| Passed through Kentucky Cabinet For Health and Family Services | | | | |
| Community Services Block Grant | 93.569 | | | 259,429 |
| Passed through Community Action Kentucky | | | | |
| Low Income Home Energy Assistance Block Grant | 93.568 | | | 1,073,509 |
| Passed through Kentucky Housing Corp. | | | | |
| Low Income Home Energy Assistance Block Grant Weatherization Assistance Program | 93.568 | | | 193,355 |
| Passed Through Foothills Community Action Partnership | | | | |
| Healthy Marriage Demonstration Program Grant | 93.086 | Unknown | | 68,834 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 294,673 | 5,405,646 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| Passed through Kentucky Department Of Education | | | | |
| Child Care Food Program | 10.558 | Unknown | | 206,278 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | 206,278 |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

| <u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS THROUGH GRANTORS NUMBER</u> | <u>PASSED THROUGH TO SUB- RECIPIENT</u> | <u>TOTAL FEDERAL EXPENDITURES</u> |
|--|------------------------------------|---|---|---|
| <u>U.S. DEPARTMENT OF LABOR</u> | | | | |
| Passed Through Eastern Kentucky Concentrated Employment Program, Inc. | | | | |
| Workforce Investment Act | 17.258 | | | 465,013 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | 465,013 |
| <u>U.S. DEPARTMENT OF ENERGY</u> | | | | |
| Passed through Kentucky Housing Corp. | | | | |
| Weatherization Assistance Program | 81.042 | | | 177,041 |
| TOTAL U.S. DEPARTMENT OF ENERGY | | | | 177,041 |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Passed through Kentucky Housing Corp. | | | | |
| Housing Counseling Program | 14.169 | | | 57,273 |
| HOME Funds | | | | |
| Tenant-Based Rental Assistance | 14.239 | | | 142,928 |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | 200,201 |
| <u>FEDERAL TRANSIT ADMINISTRATION</u> | | | | |
| Passed through Kentucky Transportation Cabinet | | | | |
| Public Transportation Grant | 20.509 | | | 84,191 |
| TOTAL FEDERAL TRANSIT ADMINISTRATION | | | | 84,191 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 294,673 | \$ 6,538,370 |

See accompanying auditors report.

GATEWAY COMMUNITY ACTION AGENCY, INC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Gateway Community Action Agency, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Gateway Community Action Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Gateway Community Action Agency, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB 2 CFR Part 230, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – SUB RECIPIENTS

Kentucky River Foothills Development Council, Inc. is the sub recipient of the federal award Fatherhood.

**GATEWAY COMMUNITY ACTION AGENCY, INC. AND DELEGATE AGENCIES
HEAD START PROGRAM-GRANT NUMBER 04CH4759-02-01
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE PERIOD SEPTEMBER 1, 2015 THROUGH AUGUST 31, 2016**

| | APPROVED BUDGET | ACTUAL COSTS | OVER (UNDER) BUDGET CURRENT YEAR |
|--|----------------------------|-------------------------|---|
| REVENUES | | | |
| OCD FUNDS | | | |
| Amount Awarded This Budget | | | |
| Period | \$ 2,968,842 | \$ 2,968,842 | \$ 0 |
| Donations | | | 0 |
| Interest | | 30 | 30 |
| Subtotal OCD Funds | 2,968,842 | 2,968,872 | 30 |
| REIMBURSEMENTS | | | |
| USDA (Special Food Service Programs) | 206,278 | 206,278 | 0 |
| GRANTEE'S CONTRIBUTION | 742,208 | 747,238 | 5,030 |
| GRAND TOTAL REVENUES | \$ 3,917,328 | \$ 3,922,388 | \$ 5,060 |
| EXPENDITURES | | | |
| OCD'S SHARE | | | |
| DIRECT COSTS | | | |
| Personnel | \$ 1,256,829 | \$ 1,251,701 | \$ (5,128) |
| Fringe Benefits | 801,910 | 644,871 | (157,039) |
| Equipment | 131,636 | 133,272 | 1,636 |
| Travel | 15,100 | 10,970 | (4,130) |
| Supplies | 46,700 | 106,841 | 60,141 |
| Contractual | 136,000 | 123,500 | (12,500) |
| Other | 381,837 | 497,445 | 115,608 |
| TOTAL DIRECT COSTS | 2,770,012 | 2,768,600 | (1,412) |
| INDIRECT COSTS | 198,830 | 200,272 | 1,442 |
| SUBTOTAL COSTS | 2,968,842 | 2,968,872 | 30 |
| GRANTEE'S SHARE | | | |
| Grantee | 742,208 | 747,238 | 5,030 |
| USDA | 206,278 | 206,278 | 0 |
| GRANTEE'S TOTAL | 948,486 | 953,516 | 5,030 |
| GRAND TOTAL COSTS | \$ 3,917,328 | 3,922,388 | \$ 5,060 |
| REVENUES OVER (UNDER) EXPENDITURES | | | |
| FUND BALANCE AT AUGUST 31, 2015 | | | |
| TOTAL FUND BALANCE AT AUGUST 31, 2016 | | | |
| | | \$ 0 | |

See accompanying auditors report.

**GATEWAY COMMUNITY ACTION AGENCY, INC. AND DELEGATE AGENCIES
HEAD START PROGRAM-GRANT NUMBER 04CH4759-02-01
RECONCILIATION OF REVENUES/EXPENDITURES
PROGRAM YEAR TO AUDITED FISCAL YEAR
FOR THE YEAR ENDED JUNE 30, 2016**

| | Program Year | | | Audited Fiscal Year |
|--|-------------------------|----------------------|----------------------|----------------------------|
| | 12 Months | 2 Months | 2 Months | 12 Months |
| | Sept 15 - Aug 16 | July - Aug 15 | July - Aug 16 | July 15-June 16 |
| | (FYE 8/31/2015) | (Restated) | - | (FYE 6/30/2015) |
| | + | - | = | |
| REVENUE | | | | |
| Grant Revenue | \$ 2,968,842 | \$ 477,973 | \$ 485,419 | \$ 2,961,396 |
| USDA | 206,278 | | | 206,278 |
| Program Income | | | | 0 |
| In Kind | 747,238 | 22,943 | 33,568 | 736,613 |
| Interest | 30 | 7 | 8 | 29 |
| TOTAL REVENUE | \$ 3,922,388 | \$ 500,923 | \$ 518,995 | \$ 3,904,316 |
| EXPENDITURES | | | | |
| Total Expenditures Including Grantee and USDA Share | \$ 3,922,388 | \$ 500,923 | \$ 502,250 | \$ 3,921,061 |
| Paid With USDA Funds | 206,278 | | | 206,278 |
| Paid With In-kind | 747,238 | 22,943 | 33,568 | 736,613 |
| Paid With HS Funds | 2,968,842 | 477,973 | 468,674 | 2,978,141 |
| Paid With Other Funds | 30 | 7 | 8 | 29 |
| Revenues Over (Under) Expenditures | \$ 0 | \$ 0 | \$ 16,745 | \$ (16,745) |
| Expenditures Paid With Head Start Funds Per Reconciliation For FYE 6/30/16 | | | | \$ 2,978,141 |
| Total Head Start Expenditures Per Schedule of Federal Awards | | | | \$ 2,978,141 |

See accompanying auditors report.

**GATEWAY COMMUNITY ACTION AGENCY, INC.
COMMUNITY SERVICES BLOCK GRANT PROGRAM
CONTRACT NUMBER PON2 736-15401297 1
STATEMENT OF PROGRAM EXPENDITURES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016**

| EXPENDITURES | CSBG | EDUCATION | TOTAL |
|-----------------------------------|-------------|------------------|--------------|
| Personnel | \$ 177,250 | \$ | \$ 177,250 |
| Travel | 1,180 | | 1,180 |
| Program Costs | 7,181 | | 7,181 |
| Equipment | 1,758 | | 1,758 |
| Supplies | 7,776 | | 7,776 |
| Space & Utilities Cost | 23,303 | | 23,303 |
| Other | 21,929 | | 21,929 |
| Indirect | 19,052 | | 19,052 |
| In-Kind | 57,361 | | 57,361 |
| Total Expenditures | 316,790 | | 316,790 |
| Less: Questioned costs | | | |
| Less: In-Kind Contributions | | | 0 |
| Total allowable CSBG expenditures | 316,790 | | 316,790 |
| Contract payments received | 316,790 | | 316,790 |
| CSBG overpayment received | \$ 0 | \$ 0 | \$ 0 |

See accompanying auditors report.

**GATEWAY COMMUNITY ACTION AGENCY, INC.
COMMUNITY SERVICES BLOCK GRANT PROGRAM
CONTRACT NUMBER PON2 736-15401297 1
SCHEDULE OF QUESTIONED COSTS
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016**

| CSBG PROGRAM | CSBG | QUESTIONED COST | TOTAL |
|--------------------------|-------------------|----------------------------|-------------------|
| Personnel | \$ 177,250 | \$ | \$ 177,250 |
| Travel | 1,180 | | 1,180 |
| Equipment | 1,758 | | 1,758 |
| Program Costs | 7,181 | | 7,181 |
| Supplies | 7,776 | | 7,776 |
| Space and Utilities | 23,303 | | 23,303 |
| Other | 21,929 | | 21,929 |
| Indirect | 19,052 | | 19,052 |
| In-kind | 57,361 | | 57,361 |
| TOTAL - CSBG | \$ 316,790 | \$ 0 | \$ 316,790 |
| EDUCATION | | | |
| Education assistance | \$ | \$ | \$ 0 |
| In-kind | | | 0 |
| TOTAL - EDUCATION | \$ 0 | \$ 0 | \$ 0 |

See accompanying auditors' report.

**GATEWAY COMMUNITY ACTION AGENCY, INC.
COMMUNITY SERVICES BLOCK GRANT PROGRAM
CONTRACT NUMBER PON2 736-15401297 1
SCHEDULE OF BUDGET TO ACTUAL EXPENDITURES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016**

| COST CATEGORY - CSBG | BUDGET | ACTUAL | UNDER BUDGET |
|---------------------------------------|-------------------|-------------------|-------------------------|
| Personnel | \$ 194,610 | \$ 177,250 | \$ 17,360 |
| Client Services | 7,181 | 7,181 | 0 |
| Travel | 1,086 | 1,180 | (94) |
| Equipment | 1,850 | 1,758 | 92 |
| Supplies | 7,043 | 7,776 | (733) |
| Space Cost | 16,273 | 16,273 | 0 |
| Utilities | 8,097 | 7,030 | 1,067 |
| Indirect | 20,023 | 19,052 | 971 |
| Other | 23,391 | 21,929 | 1,462 |
| Total Expenditures | 279,554 | 259,429 | 20,125 |
| | | | |
| COST CATEGORY - TRANSPORTATION | | | |
| Other | | | 0 |
| | | | |
| COST CATEGORY - EDUCATION | | | |
| Other | | | 0 |
| TOTAL | \$ 279,554 | \$ 259,429 | \$ 20,125 |

See accompanying auditor's report.

GATEWAY COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION PROGRAM
WEATHERIZATION CONTRACT NUMNER: WX15-0599-02
LIHEAP CONTRACT NUMBER: LH15-0599-02
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

ASSETS

| | |
|-------------------------------|---------------|
| Cash | |
| Regular Weatherization | \$ 11,505 |
| LiHeap Weatherization | 26,523 |
| Accounts receivable - Regular | 8,351 |
| Accounts receivable - LiHeap | <u>40,690</u> |

| | |
|---------------------|--------------------------------|
| TOTAL ASSETS | <u><u>\$ 87,069</u></u> |
|---------------------|--------------------------------|

LIABILITIES

| | |
|------------------------|---------------|
| Accounts payable | |
| Regular Weatherization | \$ 19,856 |
| LiHeap Weatherization | <u>67,213</u> |

| | |
|--------------------------|----------------------|
| TOTAL LIABILITIES | <u>87,069</u> |
|--------------------------|----------------------|

| | |
|---------------------|------------------------------------|
| FUND BALANCE | <u> </u> |
|---------------------|------------------------------------|

| | |
|-------------------------------------|--------------------------------|
| LIABILITIES AND FUND BALANCE | <u><u>\$ 87,069</u></u> |
|-------------------------------------|--------------------------------|

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION PROGRAM
WEATHERIZATION CONTRACT NUMNER: WX15-0599-02
LIHEAP CONTRACT NUMBER: LH15-0599-02
STATEMENT OF ALLOWABLE EXPENDITURES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

| EXPENDITURES | <u>REGULAR</u> | <u>LIHEAP</u> |
|----------------------------------|----------------------------|----------------------------|
| Admin | \$ 7,432 | \$ 12,904 |
| WX Materials | 23,139 | 23,412 |
| WX Support | 73,834 | 64,388 |
| WX Labor | 46,785 | 54,871 |
| H&S Materials | 9,239 | 12,104 |
| H&S Labor | 13,860 | 22,607 |
| Liability Insurance | | 3,069 |
| Training | 1,752 | |
| Financial Audit | <u>1,000</u> | |
| Total Allowable Expenditures | 177,041 | 193,355 |
| Contract Payments Received | <u>177,041</u> | <u>193,355</u> |
| Under (Overpayment) | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION PROGRAM
WEATHERIZATION CONTRACT NUMNER: WX15-0599-02
LIHEAP CONTRACT NUMBER: LH15-0599-02
SCHEDULE OF QUESTIONED COSTS
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

| COST CATEGORY | QUESTIONED | | |
|-------------------------------|-------------------|-------------|-------------------|
| | ACTUAL | COST | BALANCE |
| REGULAR WEATHERIZATION | | | |
| Administration | \$ 7,432 | \$ | \$ 7,432 |
| Materials | 32,378 | | 32,378 |
| Program Support | 73,834 | | 73,834 |
| Training | 1,752 | | 1,752 |
| Labor | 60,645 | | 60,645 |
| Financial Audit | 1,000 | | 1,000 |
| TOTAL | \$ 177,041 | \$ 0 | \$ 177,041 |
| LIHEAP WEATHERIZATION | | | |
| Administration | \$ 12,904 | \$ | \$ 12,904 |
| Materials | 35,516 | | 35,516 |
| Program Support | 64,388 | | 64,388 |
| Liability Insurance | 3,069 | | 3,069 |
| Labor | 77,478 | | 77,478 |
| TOTAL | \$ 193,355 | \$ 0 | \$ 193,355 |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION PROGRAM
WEATHERIZATION CONTRACT NUMNER: WX15-0599-02
LIHEAP CONTRACT NUMBER: LH15-0599-02
SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

| COST CATEGORY | 2016 BUDGET | ACTUAL | (OVER) UNDER BUDGET |
|-------------------------------|------------------------|-------------------|------------------------------------|
| REGULAR WEATHERIZATION | | | |
| Administration | \$ 7,432 | \$ 7,432 | \$ 0 |
| Program Operations | 143,758 | 143,758 | 0 |
| Health & Safety | 23,099 | 23,099 | 0 |
| Financial Audit | 1,000 | 1,000 | 0 |
| Training | 1,752 | 1,752 | 0 |
| | <u>177,041</u> | <u>177,041</u> | <u>0</u> |
| TOTAL | \$ 177,041 | \$ 177,041 | \$ 0 |
| LIHEAP WEATHERIZATION | | | |
| Administration | \$ 13,086 | \$ 12,904 | \$ 182 |
| Program Operations | 190,000 | 142,671 | 47,329 |
| Health & Safety | 54,721 | 34,711 | 20,010 |
| Liability Insurance | 3,913 | 3,069 | 844 |
| | <u>261,720</u> | <u>193,355</u> | <u>68,365</u> |
| TOTAL | \$ 261,720 | \$ 193,355 | \$ 68,365 |

*Gateway Community Action Agency, Inc. is in Compliance With the Contract Which States That a Written Request for Approval for Any Variation Which Will Exceed Ten Percent (10%) in Cost Category Totals as Reflected in Approved Plan and Budget Must Be Submitted to Grantor Agency.

*In Our Opinion, Gateway Community Action Agency, Inc. is in Compliance With Contract Requirements Related to Maximum Allowed Average Costs Per Dwelling.

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC.
LIHEAP PROGRAM
CONTRACT NUMBER 736-150001313-1
SUBCONTRACT NUMBER 007
STATEMENTS OF PROGRAM EXPENDITURES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

COST CATEGORY

ADMINISTRATION

| | | |
|-----------------|----|--------------|
| Salaries | \$ | 49,743 |
| Fringe | | 28,755 |
| Office Supplies | | 5,214 |
| Other | | 1,335 |
| Postage | | 410 |
| Indirect Cost | | <u>7,959</u> |

| | | |
|----------------------|--|--------|
| Total Administration | | 93,416 |
|----------------------|--|--------|

BENEFITS

| | | |
|---------|--|----------------|
| Subsidy | | 365,198 |
| Crisis | | <u>614,894</u> |

| | | |
|----------------|--|----------------|
| Total Benefits | | <u>980,092</u> |
|----------------|--|----------------|

| | | |
|---------------------------|--|------------------|
| Total Expenditures | | 1,073,508 |
|---------------------------|--|------------------|

| | | |
|------------------|--|-----------------------------|
| Questioned Costs | | <u> </u> |
|------------------|--|-----------------------------|

| | | |
|------------------------------|--|-----------|
| Total Allowable Expenditures | | 1,073,508 |
|------------------------------|--|-----------|

| | | |
|----------------------------|--|-----------|
| Contract Payments Received | | 1,077,802 |
|----------------------------|--|-----------|

| | | |
|----------------------------------|--|--------------|
| Returned to CAK on June 16, 2016 | | <u>4,294</u> |
|----------------------------------|--|--------------|

| | | |
|------------------------|-----------|----------|
| Overpayment due to CAK | <u>\$</u> | <u>0</u> |
|------------------------|-----------|----------|

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC.
LIHEAP PROGRAM
CONTRACT NUMBER 736-150001313-1
SUBCONTRACT NUMBER 007
SCHEDULE OF QUESTIONED COSTS
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

| COST CATEGORY | ACTUAL | QUESTIONED COST | BALANCE |
|----------------------|---------------------|----------------------------|---------------------|
| Administrative Cost | \$ 93,416 | \$ | \$ 93,416 |
| Benefit Costs | | | |
| Subsidy | 365,198 | | 365,198 |
| Crisis | 614,894 | | 614,894 |
| TOTAL | \$ 1,073,508 | \$ 0 | \$ 1,073,508 |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

GATEWAY COMMUNITY ACTION AGENCY, INC.
LIHEAP PROGRAM
CONTRACT NUMBER 736-150001313-1
SUBCONTRACT NUMBER 007
SCHEDULE OF BUDGET AND ACTUAL EXPENSES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016

| COST CATEGORY | <u>BUDGET</u> | <u>ACTUAL</u> | <u>UNDER/ (OVER) BUDGET</u> |
|----------------------|-----------------------------------|-----------------------------------|--|
| Administrative Cost | \$ 93,416 | \$ 93,416 | \$ 0 |
| Benefit Costs | | | |
| Subsidy | 368,426 | 365,198 | 3,228 |
| Crisis | <u>615,960</u> | <u>614,894</u> | <u>1,066</u> |
| TOTAL | <u><u>\$ 1,077,802</u></u> | <u><u>\$ 1,073,508</u></u> | <u><u>\$ 4,294</u></u> |

The accompanying auditors' report and notes to the financial statements are an integral part of the financial statements.

**GATEWAY COMMUNITY ACTION AGENCY, INC.
TRANSPORTATION PROGRAM
STATEMENT OF PROGRAM EXPENDITURES
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016**

REVENUE

| | |
|----------------------|----------------|
| Grant Revenue - 5311 | \$ 84,191 |
| Local Match | 32,255 |
| Other | <u>7,782</u> |
| TOTAL REVENUE | 124,228 |

EXPENSES

DIRECT EXPENSES

| | |
|------------------------------|----------------|
| Salaries and Wages | 22,117 |
| Payroll Fringe | 9,566 |
| Equipment | 45,127 |
| Other | 7,474 |
| Transportation | 3,975 |
| In-Kind: | <u>32,430</u> |
| TOTAL DIRECT EXPENSES | 120,689 |

| | |
|--------------------------|--------------|
| INDIRECT EXPENSES | <u>3,539</u> |
|--------------------------|--------------|

| | |
|-----------------------|-----------------------|
| TOTAL EXPENSES | <u>124,228</u> |
|-----------------------|-----------------------|

REVENUES OVER (UNDER) EXPENSES

| | |
|-------------------------|--------------------|
| BEFORE TRANSFERS | <u><u>\$ 0</u></u> |
|-------------------------|--------------------|

See accompanying auditors report.

Morgan-Franklin, LLC

Certified Public Accountants
PO Box 428, 749 Broadway Street
West Liberty, KY 41472

Brenda K. Morgan, CPA
Jody B. Franklin, CPA

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Ms. Charlene Engle, Executive Director
Members of the Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky 41472

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gateway Community Action Agency, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of revenues, expenses, and net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

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

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

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* (Continued)

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

Purpose of this Report

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

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

November 16, 2016

Morgan-Franklin, LLC

Certified Public Accountants
PO Box 428, 749 Broadway Street
West Liberty, KY 41472

Brenda K. Morgan, CPA
Jody B. Franklin, CPA

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Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance

Ms. Charlene Engle, Executive Director
Members of the Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky 41472

Report on Compliance for Each Major Federal Program

We have audited Gateway Community Action Agency, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gateway Community Action Agency, Inc.'s major federal programs for the year ended June 30, 2016. Gateway Community Action Agency, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, Gateway Community Action Agency, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky
November 16, 2016

**GATEWAY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Gateway Community Action Agency, Inc. were prepared in accordance with the modified cash basis of accounting.
2. No material weaknesses or significant deficiencies were disclosed during the audit of the financial statements in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the financial statements of the Gateway Community Action Agency, Inc. that are required to be reported in accordance with Government Auditing Standards.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditors' report on compliance for the major federal award programs for Gateway Community Action Agency, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516 (a).
7. The programs tested as major programs were:

| | |
|--|--------------|
| U.S. Department of Health and Human Services | |
| Head Start | CFDA# 93.600 |
| U.S. Department of Labor | |
| Workforce Investment Act | CFDA# 17.258 |
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Gateway Community Action Agency, Inc. was not determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**GATEWAY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF PRIOR AUDIT FINDING

NONE

CORRECTIVE ACTION PLAN

THIS SCHEDULE IS NOT NECESSARY