

**Northeast Florida Community
Action Agency, Inc.**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA**

For the Year Ended September 30, 2017



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Northeast Florida Community Action Agency, Inc.
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September 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northeast Florida Community Action Agency, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Florida Community Action Agency, Inc. (the "Agency"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018, on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 7, 2018

Northeast Florida Community Action Agency, Inc.
Statement of Financial Position

<i>September 30,</i>	2017
Current Assets	
Cash	\$ 596,822
Accounts receivable	
Grants	930,204
Other	6,573
Prepaid items	35,153
Deposits	31,420
<hr/>	
Total current assets	1,600,172
Property and equipment, net	17,465
<hr/>	
Total assets	\$ 1,617,637
<hr/> <hr/>	
Current Liabilities	
Account payable	\$ 830,343
Deferred support	48,484
Accrued expenses	327,034
<hr/>	
Total current liabilities	1,205,861
 Net Assets	
Unrestricted	411,776
<hr/>	
Total liabilities and net assets	\$ 1,617,637
<hr/> <hr/>	

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

Northeast Florida Community Action Agency, Inc.
Statement of Activities

For the year ended September 30,

2017

Unrestricted Net Assets

Support

Grants and contracts	\$ 7,110,485
Donations	47,241
Interest	82
Other	171,624

Total increase in unrestricted net assets	7,329,432
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Expenses

Program services

Community Services Block Grant	1,863,379
LIHEAP	3,746,800
Weatherization	742,670
FACA	45,297
Young Adult Workforce and Education	21,837
Other Community Services	39,119

Supporting services

Administration	668,427
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Total decrease in unrestricted net assets	7,127,529
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Net Increase in Unrestricted Net Assets	201,903
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Net Assets - beginning	209,873
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Net Assets - ending	\$ 411,776
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The accompanying notes are an integral part of these financial statements.

Northeast Florida Community Action Agency, Inc.
Statement of Cash Flows

<i>For the year ended September 30,</i>	2017
Cash Flows From Operating Activities	
Increase in net assets	\$ 201,903
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	6,057
(Increase) decrease in operating assets	
Grants receivable	(8,833)
Other receivables	(3,902)
Prepaid expenses and other assets	(15,032)
Accrued support	4,109
Deposits	(15,868)
Increase (decrease) in operating liabilities	
Accounts payable	440,479
Accrued expenses	49,555
Due to grantor	(165,795)
Deferred support	(34,800)
Net cash provided by operating activities	457,873
Cash and Cash Equivalents - beginning	138,949
Cash and Cash Equivalents - ending	\$ 596,822

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

Northeast Florida Community Action Agency, Inc. Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Northeast Florida Community Action Agency, Inc. (the “Agency”) is a non-profit agency engaged in the administration of federal, state, and local grants intended to aid in the reduction of the effects of poverty on the economically disadvantaged in Northeast Florida. The Agency is organized on a non-stock basis and is dependent on contributions and grants as its sources of funds.

Basis of Reporting

The Agency’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Agency follows FASB ASC Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Agency 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) based upon the existence or absence of donor-imposed restrictions.

Concentration of Credit Risk

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.

Tax Exempt Status

The Agency has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a non-profit corporation. The Agency applies the provisions of FASB ASC Topic 740 *Income Taxes*. This topic requires, among other things, the Agency to assess uncertain tax positions and the likelihood that such positions will be upheld by applicable taxing authorities. For the purposes of taxation, management has determined that the Agency’s tax-exempt status is not in jeopardy at September 30, 2017. As such, a provision for income taxes has not been provided. The Agency believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open tax years (after 2013 for federal) based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter.

The Agency has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Northeast Florida Community Action Agency, Inc. Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic Dependency-Grants

All grants received are renewable on an annual basis and the Agency is dependent on these grants for continued activity. The Agency receives a substantial portion of its grant revenues from a single awarding Agency, the State of Florida Department of Economic Opportunity (DEO). During the fiscal year ended September 30, 2017, support earned from grants awarded by DEO totaled \$6,912,642 or 94% of total support and revenues.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all unrestricted highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance For Doubtful Accounts

The Agency considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Property and Equipment

Property and equipment with an acquisition cost of \$5,000 or greater, and in which the Agency holds title, is capitalized at acquisition cost. Depreciation is computed based on the estimated useful life on a straight-line basis. Property and equipment is capitalized at the acquisition cost.

Advertising Costs

Advertising costs are expensed as incurred, and are not considered material to the financial statements.

Recognition of Grantor/Donor Restrictions

Support that is restricted by the grantor/donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other grantor/donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Northeast Florida Community Action Agency, Inc.
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Agency's net assets are classified as follows:

Unrestricted net assets represent net assets whose use is not restricted by donors, even though their use may be limited in other respects, (such as by contract or by board designation). Changes in net assets arising from exchange transactions are included as well as resources derived from gifts. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Agency's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Subsequent Events

The Agency has evaluated subsequent events through March 7, 2018, the date of issuance of these financial statements, and has determined that no events occurring subsequent to year end warranted disclosure.

NOTE 2 – ACCOUNTS RECEIVABLE – GRANTS

Amounts due from grantor consisted of funds that have been expended and reimbursement has been requested as follows:

<u>September 30,</u>	<u>2017</u>
CSBG	\$ 254,415
LIHEAP	627,642
LISC	26,773
YAWE	21,374
	<u>\$ 930,204</u>

Northeast Florida Community Action Agency, Inc.
Notes to Financial Statements

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of:

<i>September 30,</i>	2017
Vehicles	\$ 349,283
Office equipment	54,994
Total property and equipment	404,277
Less: Accumulated depreciation	(386,812)
Property and equipment, net	\$ 17,465

Depreciation expense for the year ended September 30, 2017 totaled \$6,057. Grantors hold a reversionary interest in property and equipment with an original cost of \$360,021 and carrying value of \$17,465 at September 30, 2017.

NOTE 4 – DEFERRED SUPPORT

Deferred support consisted of grant funds received but which have not been earned as of September 30, 2017. Deferred support consisted of the following:

<i>September 30,</i>	2017
FACA	\$ 37,987
WAP	10,497
	\$ 48,484

NOTE 5 – COMPENSATED ABSENCES

Agency policies and procedures include a “Paid Time Off” (PTO) policy, effectively combining annual and sick leave. Under this policy, each full-time and regular part-time employee accrues PTO days at varying rates based on years of service. Unused PTO is required to be paid upon termination and, accordingly, has been included in accrued expenses at September 30, 2017. Funded accrued PTO totaled \$110,295 at September 30, 2017.

NOTE 6 – RETIREMENT COSTS

The Agency provides a non-contributory defined contribution pension plan for eligible employees. Contributions are discretionary and are set by the Board of Directors. Contributions for the fiscal year ended September 30, 2017 were set by the Board of Directors at 5.4% of eligible wages and totaled \$72,763.

Northeast Florida Community Action Agency, Inc.
Notes to Financial Statements

NOTE 7 – LEASES

The Agency leases office space and equipment under various non-cancelable operating leases. In the event that the Agency loses funding for any of its programs, the lease for office space provides the Agency with the right to terminate, by written notice to the landlord, its lease of that portion of the space allocable to the program for which funding is lost. Lease expense for the year ended September 30, 2017 totaled \$292,348.

Remaining future minimum lease payments required under these leases are as follows for fiscal years ending September 30:

2018	\$	130,886
2019		124,481
2020		111,030
2021		111,030
2022		111,030
Thereafter		55,515
		<hr/> <hr/>
		\$ 643,972

NOTE 8 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government and state grantors. Disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Agency would any expect such potential amounts to be immaterial.

During 2012, the Office of the Inspector General (OIG) of the Department of Health and Human Services conducted an audit of the Agency's CSBG-ARRA award for the period from June 1, 2009 through September 30, 2010. As a result of this audit, the OIG questioned certain costs incurred under the CSBG-ARRA award totaling \$165,795 which it deemed unallowable under the grant award. The OIG sought reimbursement of the disallowed costs by the State of Florida as the direct recipient of the funds. The Agency continues to dispute the findings in the OIG's report, however, management initially believed that the related questioned costs meet the requirements of *ASC 450-20, Contingencies* for recognition in the Agency's financials statements and had included a related accrual in Due to Grantor. To date, no claim has been asserted against the Agency. Therefore, management has made the determination that the contingency no longer meets the requirements for recognition in the Agency's financial statements and has removed the accrued liability in accordance with the provisions of *ASC 250-10-45-17, Change in Accounting Estimate* and recognized the effect of the change in other income for the year ended September 30, 2017.



**Northeast Florida Community Action Agency, Inc.
Notes to Financial Statements**

NOTE 9 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees, employee's health insurance and life, and natural disasters. The Agency manages these risks of loss through the purchase of various insurance policies.

**Northeast Florida Community Action Agency, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017**

Federal Grantor/Pass-Through Entity/Program Title	CFDA Number	Contract/Pass-Through Grantor's No.	Expenditures *
U.S. Department of Health and Human Services			
Passed through Florida Department of Economic Opportunity:			
Low Income Home Energy Assistance Program	93.568	17EA-0F-12-00-04-020	\$ 1,940,636
Low Income Home Energy Assistance Program	93.568	16EA-0F-12-00-04-020	2,139,216
Subtotal for CFDA Number 93.568			4,079,852
Community Services Block Grant	93.569	17SB-0D-12-00-04-118	1,669,213
Community Services Block Grant	93.569	16SB-0D-12-00-04-018	385,058
Subtotal for CFDA Number 93.569			2,054,271
Total U.S. Department of Health and Human Services			6,134,123
U.S. Department of Energy			
Passed through Florida Department of Economic Opportunity:			
Weatherization Assistance Program	81.042	17WX-0G-04-26-04-022	76,619
Weatherization Assistance Program	81.042	16WX-0G-04-26-04-022	701,900
Total U.S. Department of Energy/ Subtotal for CFDA Number 81.042			778,519
Total expenditures of federal awards			\$ 6,912,642

* - No Federal funds were disbursed to subrecipients during the year ended September 30, 2017.

See the independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.

Northeast Florida Community Action Agency, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The amounts reported in the accompanying schedule of expenditures of federal awards (the “Schedule”) was obtained from the Agency’s general ledger. Because the Schedule presents only a selected portion of the operations, it is not intended and does not present the financial positions and changes in net assets of the Agency.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. The Agency has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the Schedule. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance.

No clusters were identified in the Schedule for the year ended September 30, 2017.

NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding Federal and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The Agency’s fiscal year end may differ from the program’s year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed assets purchases and the resultant depreciation charges recognized as fixed assets in the Agency’s financial statements and as expenditures in the program financial reports.

NOTE 3 – FEDERAL PASS-THROUGH FUNDS

The Agency is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through funds are considered to be direct.

NOTE 4 – BASIS OF ACCOUNTING

This Schedule was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Agency’s federal grants.

Northeast Florida Community Action Agency, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

NOTE 5 – CONTINGENCIES

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Agency does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of September 30, 2017, with the exception of those stated in Note 8 to the financial statements, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 6 – NONCASH ASSISTANCE

The Agency did not receive any federal noncash assistance for the fiscal year ended September 30, 2017.

NOTE 7 – INDIRECT COST

The Agency has elected to use the 10% de Minimis indirect cost rate.

NOTE 8 – SUBRECIPIENTS

The Agency did not provide federal to subrecipients for the fiscal year ended September 30, 2017.

NOTE 9 – LOANS AND LOAN GUARANTEES

The Agency did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ended September 30, 2017.

Northeast Florida Community Action Agency, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Part 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program
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93.568	Low-Income Home Energy Assistance Program
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Dollar threshold used to distinguish between type A and type B programs? \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II – Financial Statements Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs.

No Corrective Action Plan is required because there were no findings required to be reported under the Federal Single Audit Act.

**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**

Board of Directors
Northeast Florida Community Action Agency, Inc.
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeast Florida Community Action Agency, Inc. (a nonprofit organization), (the "Agency"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 7, 2018

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

Board of Directors
Northeast Florida Community Action Agency, Inc.
Jacksonville, Florida

Report on Compliance for Each Major Federal Program

We have audited Northeast Florida Community Action Agency, Inc. (the "Agency'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 the Agency's major federal programs for the year ended September 30, 2017. The Agency's major federal program is 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 the Agency'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 the Agency'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 the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency 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 September 30, 2017.

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency'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 the Agency'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 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 7, 2018