

Gateway Community Action Agency, Inc.

West Liberty, Kentucky

Financial Statements and
Supplementary Information
Year Ended June 30, 2019

Gateway Community Action Agency, Inc.

Financial Statements and Supplementary Information
Year Ended June 30, 2019

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Independent Auditor's Report

Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Community Action Agency, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Community Action Agency, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule A, schedule of program activity, schedule B, schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedules C and D-1 through D-8 are presented for purposes of additional analysis, and are 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gateway Community Action Agency, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway Community Action Agency, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

December 30, 2019
Madison, Wisconsin

Gateway Community Action Agency, Inc.

Statement of Financial Position

June 30, 2019

<i>Assets</i>	
Current assets:	
Cash	\$ 314,075
Grants receivable	312,187
Total current assets	626,262
Property and equipment, net	1,232,285
TOTAL ASSETS	\$ 1,858,547
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of mortgage payable	\$ 10,948
Current portion of capital lease obligation	3,128
Notes payable	50,625
Accounts payable	128,859
Accrued payroll and related expenses	321,403
Grant funds received in advance	46,095
Total current liabilities	561,058
Long-term liabilities:	
Mortgage payable	185,658
Note payable	25,750
Capital lease obligation	595,455
Total long-term liabilities	806,863
Total liabilities	1,367,921
Net assets:	
Without donor restrictions	490,626
TOTAL LIABILITIES AND NET ASSETS	\$ 1,858,547

Gateway Community Action Agency, Inc.

Statement of Activities

Year Ended June 30, 2019

Revenue:

Grant revenue	\$	8,677,195
Program income		56,493
Other income		207,347
In-kind contributions		931,344

Total revenue		9,872,379
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Expenses:

Program services:

Early childhood		5,541,342
Energy assistance		1,034,622
Fatherhood		932,007
Community services		511,109
Weatherization		350,173
Job training		379,730
Food program		281,449
Transportation		139,370
Housing		109,926

Total program services		9,279,728
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Management and general expenses		609,257
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Total expenses		9,888,985
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Change in net assets	(16,606)
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Net assets without donor restrictions - Beginning of year		507,232
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Net assets without donor restrictions - End of year	\$	490,626
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Gateway Community Action Agency, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 2,934,141	\$ 286,160	\$ 3,220,301
Program payments	1,157,577	0	1,157,577
Payroll fringe	1,675,165	139,844	1,815,009
Contracted services	464,120	22,550	486,670
Emergency assistance	12,091	0	12,091
Maintenance/equipment	405,892	618	406,510
Food costs	331,718	0	331,718
Insurance	7,809	105,419	113,228
Space and utilities	256,644	11,434	268,078
Other expenses	168,477	15,460	183,937
Postage	4,722	1,645	6,367
Program supplies	493,242	0	493,242
Training	169,858	13,775	183,633
Telephone	78,466	7,202	85,668
Travel	58,044	5,150	63,194
Depreciation and amortization	130,418	0	130,418
In-kind expenses	931,344	0	931,344
Total expenses	\$ 9,279,728	\$ 609,257	\$ 9,888,985

Gateway Community Action Agency, Inc.

Statement of Cash Flows

Year Ended June 30, 2019

Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	(\$	16,606)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization		130,418
Changes in operating assets and liabilities:		
Grants receivable	(	3,796)
Accounts payable		13,362
Accrued payroll and related expenses	(	125,703)
Grant funds received in advance		47
Net cash used in operating activities	(	2,278)
Cash flows from investing activities:		
Purchase of property and equipment	(	46,416)
Net cash used in financing activities	(	46,416)
Cash flows from financing activities:		
Principal payments on mortgage and notes payable	(	11,151)
Principal payments on capital lease obligation	(	2,492)
Proceeds from notes payable		25,875
Net cash provided by financing activities		12,232
Change in cash	(	36,462)
Cash - Beginning of year		350,537
Cash - End of year	\$	314,075
Supplemental schedule of noncash financing activity:		
Notes payable refinanced	\$	50,500
Property and equipment obtained with a capital lease		601,075
Supplemental schedule of other cash activity:		
Interest paid and expensed		37,049

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Gateway Community Action Agency, Inc. (the “Organization”) is a private non-profit organization. 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. Approximately 57% of the Organization’s grant funding is received under its federal Head Start grant.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Currently, the Organization does not have any net assets with donor restrictions.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is met in the year it is received, the contribution is recorded as without donor restrictions.

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

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

A. Grant Awards That Are Contributions

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

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Use of Estimates

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

Change in Accounting Policy

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

Functional Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage and utilization.

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are capitalized at cost and depreciated over their estimated useful life using the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over two years. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds, net of depreciation and amortization, was \$1,232,285 at June 30, 2019.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Kentucky state income tax.

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

In-Kind Contributions

The Organization has recorded in-kind contributions for volunteer time, supplies, space, and professional services in the statement of activities in accordance with generally accepted accounting principles (GAAP). GAAP requires that only contributions of service received which create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of GAAP are different than the in-kind requirements of several of the Organization's grant awards. The Organization received in-kind contributions for nonprofessional volunteers during the year with a value of approximately \$50,485, primarily for its Head Start and Early Head Start programs, which is not recorded in the statement of activities.

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cost Allocation

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of the Organization's programs that cannot be readily identified with a final cost objective. The indirect cost allocation plan has been approved by the U.S. Department of Health and Human Services (DHHS). A provisional rate of 15.95% of direct salaries and wages was approved by DHHS effective until June 30, 2019.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic companies for annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the provisions of ASC 606.

On June 21, 2019, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in the Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in the Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for transactions in which the entity serves as the resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource provider. Early adoption of the amendments in this Update is permitted. The Organization is currently evaluating the impact of the provisions of ASU Topic 958.

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

Subsequent Events

Subsequent events have been evaluated through December 30, 2019, which is the date the financial statements were available to be issued.

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has mitigated this risk by obtaining pledged collateral for amounts in excess of FDIC coverage.

Note 3: Liquidity and Availability of Financial Assets

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

Cash	\$ 314,075
Grants receivable	312,187
Less: Accounts payable	128,859
Less: Accrued payroll and related	321,403
Less: Grant funds received in advance	46,905
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Total available financial assets	\$ 129,905

The Organization has no formal liquidity policy, but its process of liquidity management calls for the Organization to maintain sufficient liquid financial assets in order to readily meet general expenditures and obligations as they become due. Management regularly review the Organization's liquid asset needs. As discussed in Note 11, the Organization has approximately \$2,000,000 in future grant commitments that it will receive once allowable expenses are incurred.

Note 4: Grants Receivable

The grants receivable balance at June 30, 2019 represents amounts due from the various funding sources as follows:

Federal programs	\$ 294,051
State and local programs	18,136
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Total	\$ 312,187

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 5: Property and Equipment

A summary of property and equipment as of June 30, 2019, is as follows:

Land	\$	59,000
Buildings		1,266,269
Equipment		94,286
Vehicles		1,155,363
Leasehold improvements		36,253
Subtotal		2,611,171
Accumulated depreciation and amortization	(	1,378,886)
Total	\$	1,232,285

Note 6: Mortgage and Notes Payable

The Organization has a mortgage payable to Bath County, at 4.50% interest with annual payments of \$21,188 that matures in 2033. The mortgage is collateralized by real estate.

	\$	196,606
Current maturity	(	10,948)
Long-term portion	\$	185,658

Future debt maturities for the mortgage are as follows:

2020	\$	10,948
2021		11,441
2022		11,956
2023		12,494
2024		13,056
Thereafter		136,711
Total mortgage payable	\$	196,606

The Organization has entered into three notes payable with a financial institution for a total of \$76,375 for operating purposes. Two of the notes payable were paid off after June 30, 2019, and the third note payable is due in August 2020. Each note has an interest rate of 5.0%. Total current outstanding principle balances at June 30, 2019 was \$76,375.

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 7: Capital Lease

The Organization leases properties for operation of its programs and one of the leases qualifies as a capital lease. The capital leased building totaled \$601,075 and accumulated amortization at June 30, 2019 was \$20,148, resulting in a net book value of the capital leased building of \$580,927 at June 30, 2019.

Minimum future payments under capital lease obligations consisted of the following for the years subsequent to June 30, 2019:

2020	\$	30,000
2021		30,000
2022		30,000
2023		30,500
2024		33,000
Thereafter		981,500
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Total minimum lease payments		1,135,000
Amount representing interest		(536,417)
Present value of net minimum lease payments		598,583
Less – Current portion		3,128
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Total long-term portion	\$	595,455

Note 8: Grant Funds Received in Advance

Grant funds received in advance represents grant funding received from funding sources for which allowable expenses have not been incurred or program services have not been provided. The revenue will be earned in the period in which the expenses occur, or the services are provided. Grant funds received in advance was \$46,095 at June 30, 2019. \$44,493 was received for the federal Workforce Innovation and Opportunity Act program and \$1,602 was received for other programs.

Note 9: Operating Leases

The Organization leases space for operations. Building rental expense for the year ended June 30, 2019, was \$196,912. Future minimum lease payments under operating leases are as follows:

2020	\$	115,752
2021		117,450
2022		111,970
2023		110,670
2024		110,670
Thereafter		687,270
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Total	\$	1,253,782

Gateway Community Action Agency, Inc.

Notes to Financial Statements

Note 10: Retirement

The Organization contributes to the County Employees Retirement System's (CERS) non-hazardous plan which is a cost-sharing multi-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System. CERS provides retirement, health, disability and death benefits, which are established by state statute to plan members and beneficiaries.

Plan's legal name: Kentucky Employees Retirement System
Employer identification number: 61-1431278

The Organization is one of over 1,100 CERS employers participating in the plan, which has a pension plan net position exceeding \$7.0 billion as of June 30, 2019. As with any multi-employer plan, the plan's financial results may be affected by other employers entering or withdrawing from the plan, actions by the plan's board of trustees, and other events beyond the Organization's control. CERS' pension plan funded status was 49.10%, leaving an unfunded actual liability of approximately \$7.3 billion as of June 30, 2019, as reported in the most recently available Kentucky Retirement System's comprehensive annual financial report. For additional CERS plan information, see www.kyret.ky.gov.

Participating employees are required to contribute 5%-6% of their annual covered salary and the Organization is required to contribute 21.48% of annual covered payroll to the pension plan. Contributions requirements to CERS are established by state statute. The Organization's contribution to CERS for the year ended June 30, 2019 was \$674,270.

Note 11: Grant Awards

At June 30, 2019, the Organization had commitments under various ongoing grant awards of approximately \$2,000,000. Additionally, the Organization had commitments for funding to a subrecipient at June 30, 2019 of approximately \$74,000. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

Supplementary Information

Gateway Community Action Agency, Inc.

Schedule A-1

Schedule of Program Activity

Year Ended June 30, 2019

	FEDERAL PROGRAMS						
	Dept. of Ag.	HUD			DOL	DOT	DOE
	10.558	14.169	####	14.239	17.258	20.509	81.042
	Child & Adult Care Food Program (1)	Housing Counseling Program (2)	HOME Tenant-Based Rental Assistance (3)	WIOA- Adult (4)	Public Transportation Grant (5)	Weatherization Assistance Program (6)	
Total	(1)	(2)	(3)	(4)	(5)	(6)	
REVENUE							
Grant revenue	\$ 8,677,195	\$ 299,927	\$ 1,750	\$ 109,930	\$ 404,646	\$ 73,469	\$ 171,232
Program income	56,493	0	0	0	0	8,985	0
Other income	207,347	0	0	0	15	31,866	222
In-kind contributions	931,344	0	0	0	0	10,270	0
Total Revenue	9,872,379	299,927	1,750	109,930	404,661	124,590	171,454
EXPENSES							
Salaries and wages	3,220,301	0	0	5,463	149,336	51,957	63,192
Program payments	1,157,577	0	0	98,663	80,200	0	0
Payroll fringe	1,815,009	0	0	3,514	88,644	34,805	39,651
Contracted services	486,670	0	0	0	405	0	334
Emergency assistance	12,091	0	0	0	0	0	0
Maintenance/equipment	406,510	0	0	0	7,423	17,666	40,377
Food costs	331,718	299,927	0	0	0	0	0
Insurance	113,228	0	0	372	686	7,342	4,565
Space and utilities	268,078	0	0	0	20,143	9,354	481
Other expenses	183,937	0	0	0	6,089	1,515	2,952
Postage	6,367	0	0	204	212	86	25
Program supplies	493,242	0	0	787	10,703	343	962
Training	183,633	0	1,750	0	2,488	717	6,274
Telephone	85,668	0	0	45	5,043	5,697	1,620
Travel	63,194	0	0	10	4,325	471	937
Depreciation and amortization	130,418	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0
Indirect	0	0	0	872	28,964	8,297	10,084
In-kind expenses	931,344	0	0	0	0	10,270	0
Total Expenses	9,888,985	299,927	1,750	109,930	404,661	148,520	171,454
Change in Net Assets	(16,606)	0	0	0	0	(23,930)	0
Net assets - Beginning of year	507,232	0	0	0	0	0	0
Transfers	0	0	0	0	0	23,930	0
NET ASSETS - END OF YEAR	\$ 490,626	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See Independent Auditor's Report

Gateway Community Action Agency, Inc.

Schedule A-2

Schedule of Program Activity

Year Ended June 30, 2019

	FEDERAL PROGRAMS						
	Department of Health and Human Services						
	93.086		93.568		93.569		
2017-2018 Fatherhood 90FK0101-03 (7)	2018-2019 Fatherhood 90FK0101-04 (8)	93.086 Subtotal	Low-Income Home Energy Assistance Program (9)	LIHEAP- Weatherization (10)	93.568 Subtotal	Community Services Block Grant (11)	
REVENUE							
Grant revenue	\$ 228,212	\$ 764,857	\$ 993,069	\$ 1,098,414	\$ 201,710	\$ 1,300,124	\$ 296,122
Program income	0	0	0	0	0	0	0
Other income	3	126	129	0	0	0	1,120
In-kind contributions	0	0	0	0	0	0	63,933
Total Revenue	228,215	764,983	993,198	1,098,414	201,710	1,300,124	361,175
EXPENSES							
Salaries and wages	75,627	242,625	318,252	74,709	100,696	175,405	105,698
Program payments	7,940	6,612	14,552	964,162	0	964,162	0
Payroll fringe	44,733	145,161	189,894	41,696	47,440	89,136	81,278
Contracted services	70,394	222,078	292,472	0	0	0	2,801
Emergency assistance	0	0	0	0	0	0	7,955
Maintenance/equipment	764	1,938	2,702	0	21,475	21,475	3,200
Food costs	0	0	0	0	0	0	0
Insurance	0	9,064	9,064	0	2,884	2,884	2,508
Space and utilities	7,764	33,197	40,961	0	5,524	5,524	30,434
Other expenses	725	11,276	12,001	2,084	2,433	4,517	5,356
Postage	65	232	297	388	163	551	634
Program supplies	1,129	32,887	34,016	3,142	3,017	6,159	14,748
Training	3,505	13,626	17,131	0	0	0	7,791
Telephone	2,295	5,685	7,980	0	1,822	1,822	12,459
Travel	1,196	1,878	3,074	306	176	482	5,511
Depreciation and amortization	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0
Indirect	12,078	38,724	50,802	11,927	16,080	28,007	16,869
In-kind expenses	0	0	0	0	0	0	63,933
Total Expenses	228,215	764,983	993,198	1,098,414	201,710	1,300,124	361,175
Change in Net Assets	0	0	0	0	0	0	0
Net assets - Beginning of year	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
NET ASSETS - END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Gateway Community Action Agency, Inc.

Schedule A-3

Schedule of Program Activity

Year Ended June 30, 2019

	FEDERAL PROGRAMS					STATE AND LOCAL PROGRAMS		
	Department of Health and Human Services							
	93.600							
	2017-2018 Head Start 04CH4759-04 (12)	2018-2019 Head Start 04CH4759-05 (13)	2017-2018 Early Head Start 04HP000080-01 (14)	2018-2019 Early Head Start 04HP000080-02 (15)	93.600 Subtotal	Total Federal Programs	Health Benefit Assistance Program (16)	Emergency Fund (17)
REVENUE								
Grant revenue	\$ 565,050	\$ 2,796,536	\$ 467,075	\$ 1,094,932	\$ 4,923,593	\$ 8,573,862	\$ 96,822	\$ 6,511
Program income	0	0	0	0	0	8,985	0	0
Other income	2,006	13,265	4	10,142	25,417	58,769	1	0
In-kind contributions	98,169	549,762	169,332	90,363	907,626	981,829	0	0
Total Revenue	665,225	3,359,563	636,411	1,195,437	5,856,636	9,623,445	96,823	6,511
EXPENSES								
Salaries and wages	165,313	1,225,950	102,082	499,538	1,992,883	2,862,186	45,912	0
Program payments	0	0	0	0	0	1,157,577	0	0
Payroll fringe	125,396	672,917	50,283	251,477	1,100,073	1,626,995	32,489	0
Contracted services	6,000	155,256	5,000	2,093	168,349	464,361	0	0
Emergency assistance	0	0	0	0	0	7,955	0	4,136
Maintenance/equipment	77,586	65,872	148,715	12,405	304,578	397,421	0	0
Food costs	0	6,758	4,626	20,071	31,455	331,382	0	0
Insurance	2,207	56,231	598	17,012	76,048	103,469	0	0
Space and utilities	3,530	67,529	10,436	80,829	162,324	269,221	4,858	0
Other expenses	21,805	57,875	7,934	22,110	109,724	142,154	1,410	0
Postage	129	1,727	47	576	2,479	4,488	37	0
Program supplies	103,557	144,098	103,295	75,020	425,970	493,688	911	0
Training	26,053	57,052	14,701	31,625	129,431	165,582	0	0
Telephone	4,257	25,936	1,564	8,532	40,289	74,955	2,192	0
Travel	4,822	30,567	1,495	4,056	40,940	55,750	2,128	0
Depreciation and amortization	0	0	0	0	0	0	0	0
Equipment	0	46,416	0	0	46,416	46,416	0	0
Indirect	26,401	195,617	16,303	79,730	318,051	461,946	6,886	0
In-kind expenses	98,169	549,762	169,332	90,363	907,626	981,829	0	0
Total Expenses	665,225	3,359,563	636,411	1,195,437	5,856,636	9,647,375	96,823	4,136
Change in Net Assets	0	0	0	0	0	(23,930)	0	2,375
Net assets - Beginning of year	0	0	0	0	0	0	0	870
Transfers	0	0	0	0	0	23,930	0	0
NET ASSETS - END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,245

Gateway Community Action Agency, Inc.

Schedule A-4

Schedule of Program Activity

Year Ended June 30, 2019

	STATE AND LOCAL PROGRAMS			DISCRETIONARY		
	Housing (18)	Child Daycare (19)	TOTAL PROGRAM ACTIVITY	Indirect (20)	GAAP Adjustments (21)	Agency General (22)
REVENUE						
Grant revenue	\$ 0	\$ 0	\$ 8,677,195	\$ 0	\$ 0	\$ 0
Program income	1,100	46,408	56,493	0	0	0
Other income	4,292	15,896	78,958	0	0	128,389
In-kind contributions	0	0	981,829	0	(50,485)	0
Total Revenue	5,392	62,304	9,794,475	0	(50,485)	128,389
EXPENSES						
Salaries and wages	0	20,535	2,928,633	286,160	0	5,508
Program payments	0	0	1,157,577	0	0	0
Payroll fringe	0	13,694	1,673,178	140,231	0	1,600
Contracted services	0	0	464,361	0	0	22,309
Emergency assistance	0	0	12,091	0	0	0
Maintenance/equipment	0	0	397,421	1,953	0	7,136
Food costs	0	311	331,693	0	0	25
Insurance	0	0	103,469	9,759	0	0
Space and utilities	0	0	274,079	0	(29,500)	23,499
Other expenses	0	6,174	149,738	18,791	0	15,408
Postage	0	0	4,525	1,645	0	197
Program supplies	0	422	495,021	(3,768)	0	1,989
Training	3,962	89	169,633	13,775	0	225
Telephone	0	0	77,147	7,202	0	1,319
Travel	1,501	0	59,379	3,815	0	0
Depreciation and amortization	0	0	0	0	130,418	0
Equipment	0	0	46,416	0	(46,416)	0
Indirect	0	3,278	472,110	(472,965)	0	855
In-kind expenses	0	0	981,829	0	(50,485)	0
Total Expenses	5,463	44,503	9,798,300	6,598	4,017	80,070
Change in Net Assets	(71)	17,801	(3,825)	(6,598)	(54,502)	48,319
Net assets - Beginning of year	(616)	62,697	62,951	48,811	507,455	(111,985)
Transfers	687	0	24,617	0	(452,953)	428,336
NET ASSETS - END OF YEAR	\$ 0	\$ 80,498	\$ 83,743	\$ 42,213	\$ 0	\$ 364,670

See Independent Auditor's Report

Gateway Community Action Agency, Inc.

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
DEPARTMENT OF AGRICULTURE				
Passed-Through the Kentucky Department of Education				
Child and Adult Care Food Program	10.558	N/A	\$ 0	\$ 299,927
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed-Through Kentucky Housing Corp.				
Housing Counseling Program	14.169	N/A	0	1,750
Passed-Through Kentucky Housing Corp.				
HOME Tenant-Based Rental Assistance	14.239	TB18-0079-01	0	109,930
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS			0	111,680
DEPARTMENT OF LABOR				
Passed-Through Eastern Kentucky Concentrated Employment Program, Inc.				
WIOA - Adult (WIOA Cluster)	17.258	DTR17003	0	404,646
DEPARTMENT OF TRANSPORTATION				
Passed-Through the Kentucky Transportation Cabinet				
Public Transportation Grant	20.509	KY-2018-015-00	0	73,469
DEPARTMENT OF ENERGY				
Passed-Through Kentucky Housing Corp.				
Weatherization Assistance Program	81.042	WX19-0606-02	0	171,232
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Funding				
2017-2018 Fatherhood	93.086	90FK0101-03	68,367	228,212
2018-2019 Fatherhood	93.086	90FK0101-04	221,201	764,857
Total Federal Expenditures CFDA #93.086			289,568	993,069
Passed-Through Community Action Kentucky				
Low-Income Home Energy Assistance	93.568	LIHEAP-007	0	1,098,414
Passed-Through Kentucky Housing Corp.				
Low Income Home Energy Assistance - Weatherization	93.568	LW19-0606-02	0	201,710
Total Federal Expenditures CFDA #93.568			0	1,300,124
Passed-Through the Kentucky Cabinet for Health and Family Services				
Community Services Block Grant	93.569	PON27361800001929	0	296,122

Gateway Community Action Agency, Inc.

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Direct Funding				
2017-2018 Head Start	93.600	04CH4759-04	0	565,050
2018-2019 Head Start	93.600	04CH4759-05	0	2,796,536
2017-2018 Early Head Start	93.600	04HP000080-01	0	467,075
2018-2019 Early Head Start	93.600	04HP000080-02	0	1,094,932
Total Federal Expenditures CFDA #93.600			0	4,923,593
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS			289,568	7,512,908
TOTAL FEDERAL EXPENDITURES			\$ 289,568	\$ 8,573,862

Notes to Schedule of Expenditures of Federal Awards

Note 1 - 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, 2019. 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 of 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 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

Gateway Community Action Agency, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Gateway Community Action Agency, Inc. has an indirect rate that has been approved by the U.S. Department of Health and Human Services (DHHS).

Gateway Community Action Agency, Inc.

Schedule C

Department of Transportation

Schedule of Revenue and Expenses

For the Period July 1, 2018 Through June 30, 2019

Revenue:

Grant Revenue-5311	\$	72,435
Grant Revenue-RTAP (Training)		1,034
Program Revenue-Medicaid		31,829
Grant Revenue-Appalachian Capital (Vehicle)		0
Fare Revenue		8,985
Program Revenue-Other		37
In-kind contributions		10,270

Total revenue		124,590
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Expense:

Salaries and wages		51,957
Payroll fringe		34,805
Other		26,698
Transportation		16,493
Indirect		8,297
In-kind expenses		10,270

Total expense		148,520
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Change in net deficit		(23,930)
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Net deficit - Beginning of year		(30,524)
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Net deficit - End of year	\$	(54,454)
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Gateway Community Action Agency, Inc.

Schedule D-1

Low Income Housing Energy Assistance Program (LIHEAP)

Contract # 736-1600001953

Sub Contract # 007

Schedule of Budget and Actual Expenses

For the Year Ended June 30, 2019

Cost Category	Budget	Actual	(Over) Under Budget
ADMINISTRATIVE	\$ 134,252	\$ 134,252	\$ 0
BENEFITS			
Subsidy	351,394	350,334	1,060
Crisis	629,884	613,828	16,056
TOTAL	<u>\$ 1,115,530</u>	<u>\$ 1,098,414</u>	<u>\$ 17,116</u>

Schedule of Questioned Costs

For the Year Ended June 30, 2019

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
ADMINISTRATIVE	\$ 134,252	\$ 0	\$ 134,252
BENEFITS			
Subsidy	350,334	0	350,334
Crisis	613,828	0	613,828
TOTAL	<u>\$ 1,098,414</u>	<u>\$ 0</u>	<u>\$ 1,098,414</u>

Gateway Community Action Agency, Inc.

Schedule D-2

Low Income Housing Energy Assistance Program (LIHEAP)

Contract # 736-1600001953

Sub Contract # 007

Schedule of Program Expenses

For the Year Ended June 30, 2019

Cost Category	Amount
ADMINISTRATIVE	
Wages	\$ 74,709
Fringe	41,696
Supplies	3,142
Utilities/Phone	0
Training/Travel	306
Maintenance	0
Other	2,472
Indirect	11,927
Audit	0
TOTAL ADMINISTRATIVE	134,252
BENEFITS	
Subsidy	350,334
Crisis	613,828
TOTAL EXPENSES	1,098,414
LESS QUESTIONED COSTS	0
TOTAL ALLOWABLE COSTS	1,098,414
CONTRACT PAYMENT RECEIVED as of JUNE 30, 2019	1,098,414
OVER (UNDER) PAYMENT	\$ 0

Gateway Community Action Agency, Inc.

Schedule D-3

Community Services Block Grant Program

Contract # PON27361800001929

Schedule of Budget and Actual Expenses

For the Year Ended June 30, 2019

Cost Category	Budget	Actual	(Over) Under Budget
Personnel	\$ 185,290	\$ 186,976	\$ (1,686)
Benefits	10,680	7,955	2,725
Supplies	15,900	16,011	(111)
Space	25,000	26,221	(1,221)
Utilities	4,400	4,214	186
Travel	5,350	5,511	(161)
Staff Development	7,150	7,791	(641)
Other	24,430	25,694	(1,264)
Indirect	17,922	16,869	1,053
	<u>\$ 296,122</u>	<u>\$ 297,242</u>	<u>(\$ 1,120)</u>

Schedule of Questioned Costs

For the Year Ended June 30, 2019

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
Personnel	\$ 186,976	\$ 0	\$ 186,976
Benefits	7,955	0	7,955
Supplies	16,011	0	16,011
Space	26,221	0	26,221
Utilities	4,214	0	4,214
Travel	5,511	0	5,511
Staff Development	7,791	0	7,791
Other	25,694	0	25,694
Indirect	16,869	0	16,869
	<u>\$ 297,242</u>	<u>\$ 0</u>	<u>\$ 297,242</u>

Gateway Community Action Agency, Inc.

Schedule D-4

Community Services Block Grant Program

Contract # PON27361800001929

Schedule of Program Expenses

For the Year Ended June 30, 2019

Cost Category	Amount
EXPENSES	
Personnel	\$ 186,976
Benefits	7,955
Supplies	16,011
Space	26,221
Utilities	4,214
Travel	5,511
Staff Development	7,791
Other	25,694
Indirect	16,869
In-Kind	63,933
TOTAL EXPENSES	361,175
LESS IN-KIND CONTRIBUTIONS	(63,933)
LESS OTHER INCOME	(1,120)
TOTAL ALLOWABLE COSTS	296,122
CONTRACT PAYMENT RECEIVED as of JUNE 30, 2019	296,122
OVER (UNDER) PAYMENT	\$ 0

Gateway Community Action Agency, Inc.

Schedule D-5

Weatherization Program

Contract # WX19-0606-02

Sub Contract # DOEWX-02

Schedule of Budget and Actual Expenses

For the Year Ended June 30, 2019

Cost Category	Budget	Actual	(Over) Under Budget
Administrative	\$ 17,872	\$ 17,872	\$ 0
Program support	84,683	84,683	0
Labor	14,414	14,414	0
Materials	35,350	35,350	0
Insurance	4,565	4,565	0
Training	14,348	14,348	0
	<u>\$ 171,232</u>	<u>\$ 171,232</u>	<u>\$ 0</u>

Schedule of Questioned Costs

For the Year Ended June 30, 2019

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
Administrative	\$ 17,872	\$ 0	\$ 17,872
Program support	84,683	0	84,683
Labor	14,414	0	14,414
Materials	35,350	0	35,350
Insurance	4,565	0	4,565
Training	14,348	0	14,348
	<u>\$ 171,232</u>	<u>\$ 0</u>	<u>\$ 171,232</u>

Gateway Community Action Agency, Inc.

Schedule D-6

Weatherization Program

Contract # WX19-0606-02

Sub Contract # DOEWX-02

Schedule of Program Expenses

For the Year Ended June 30, 2019

Cost Category	Amount
EXPENSES	
Administrative	\$ 17,872
Program support	84,683
Labor	14,414
Materials	35,350
Insurance	4,565
Training	14,348
<hr/>	
TOTAL EXPENSES	171,232
CONTRACT PAYMENT RECEIVED as of JUNE 30, 2019	171,232
<hr/>	
OVER (UNDER) PAYMENT	\$ 0

Gateway Community Action Agency, Inc.

Schedule D-7

Weatherization Program

Contract # LH19-0606-02

Sub Contract # LHWX-02

Schedule of Budget and Actual Expenses

For the Year Ended June 30, 2019

Cost Category	Budget	Actual	(Over) Under Budget
Administrative	\$ 23,776	\$ 19,127	\$ 4,649
Program support	162,168	121,944	40,224
Labor	164,768	42,088	122,680
Materials	90,909	15,667	75,242
Liability Insurance	2,884	2,884	-
	<u>\$ 444,505</u>	<u>\$ 201,710</u>	<u>\$ 242,795</u>

Schedule of Questioned Costs

For the Year Ended June 30, 2019

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
Administrative	\$ 19,127	\$ 0	\$ 19,127
Program support	121,944	0	121,944
Labor	42,088	0	42,088
Materials	15,667	0	15,667
Liability Insurance	2,884	0	2,884
	<u>\$ 201,710</u>	<u>\$ 0</u>	<u>\$ 201,710</u>

Gateway Community Action Agency, Inc.

Schedule D-8

Weatherization Program

Contract # LH19-0606-02

Sub Contract # LHWX-02

Schedule of Program Expenses

For the Year Ended June 30, 2019

Cost Category	Amount
EXPENSES	
Administrative	\$ 19,127
Program support	121,944
Labor	42,088
Materials	15,667
Training	2,884
<hr/>	
TOTAL EXPENSES	201,710
<hr/>	
CONTRACT PAYMENT RECEIVED as of JUNE 30, 2019	201,710
<hr/>	
OVER (UNDER) PAYMENT	\$ 0



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

Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Gateway Community Action Agency, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2019.

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 opinion 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 Gateway Community Action Agency, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wipfli LLP

Wipfli LLP

December 30, 2019
Madison, Wisconsin



Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance

Board of Directors
Gateway Community Action Agency, Inc.
West Liberty, Kentucky

Report on Compliance for the Major Federal Program

We have audited Gateway Community Action Agency, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2019. Gateway Community Action Agency, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Gateway Community Action Agency, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the major federal program. However, our audit does not provide a legal determination of Gateway Community Action Agency, Inc.'s compliance.

Opinion

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 its major federal program for the year ended June 30, 2019.

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 a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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.

Wipfli LLP

Wipfli LLP

December 30, 2019
Madison, Wisconsin

Gateway Community Action Agency, Inc.

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over federal programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
Identification of major federal programs:	

<u>Name of Federal Major Program</u>	<u>CFDA No.</u>
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
Auditee qualified as low-risk auditee?	No

Gateway Community Action Agency, Inc.

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None