

**NEW RIVER COMMUNITY ACTION, INC.**

**Financial Statements and Supplemental Schedules**

**For the Fiscal Year Ended June 30, 2016  
(With Independent Auditors' Report Thereon)**

NEW RIVER COMMUNITY ACTION, INC.

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**WARREN AND KOSS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
19 North Broad Street  
Salem, Virginia 24153

**David C. Warren**  
**Carol Harlow Koss**

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

Telephone (540) 375-2883  
Telecopier (540) 375-2145  
Wats (800) 564-9894

Independent Auditors' Report

The Board of Directors  
New River Community Action, Inc.  
Radford, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of New River Community Action, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and 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 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 New River Community Action, 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 accounting principles generally accepted in the United States of America.

### **Other Matters**

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 schedule of expenditures of federal awards 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 September 15, 2016, on our consideration of New River Community Action, 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 New River Community Action, Inc.'s internal control over financial reporting and compliance.

Salem, Virginia  
September 15, 2016

**WARREN AND KOSS, P.C.**

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Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*

The Board of Directors  
New River Community Action, Inc.  
Radford, Virginia

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 New River Community Action, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in 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 September 15, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New River Community Action, 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 New River Community Action, 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.

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 New River Community Action, 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 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 purposes.

Salem, Virginia  
September 15, 2016

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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With the Uniform Guidance**

The Board of Directors  
New River Community Action, Inc.  
Radford, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited New River Community Action, 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 New River Community Action, Inc.'s major federal programs for the year ended June 30, 2016. New River Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of New River Community Action, 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 New River Community Action, 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 New River Community Action, Inc.'s compliance.

## **Opinion on Each Major Federal Program**

In our opinion, New River Community Action, 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.

## **Other Matters**

No other matters to report.

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

Management of New River Community Action, 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 New River Community Action, 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 New River Community Action, 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.

Salem, Virginia  
September 15, 2016



NEW RIVER COMMUNITY ACTION, INC.  
Statement of Financial Position  
June 30, 2016

<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 102,882	64,986	167,868
Restricted cash (note 7)	26,484	-	26,484
Accounts and grants receivable (note 2)	489,414	-	489,414
Prepaid expenses	<u>1,982</u>	<u>-</u>	<u>1,982</u>
<b>Total current assets</b>	<b><u>620,762</u></b>	<b><u>64,986</u></b>	<b><u>685,748</u></b>
<b>Property, plant and equipment, at cost: (note 4 and 11)</b>			
Land (note 11)	130,728	-	130,728
Buildings and improvements	666,569	-	666,569
Equipment and vehicles	<u>698,110</u>	<u>-</u>	<u>698,110</u>
	1,495,407	-	1,495,407
Less: accumulated depreciation	<u>772,329</u>	<u>-</u>	<u>772,329</u>
<b>Net property, plant and equipment</b>	<b><u>723,078</u></b>	<b><u>-</u></b>	<b><u>723,078</u></b>
<b>Total assets</b>	<b><u>\$ 1,343,840</u></b>	<b><u>64,986</u></b>	<b><u>1,408,826</u></b>
 <b><u>Liabilities and Net Assets</u></b>			
<b>Current liabilities:</b>			
Accounts payable	4,014	-	4,014
Accrued salaries and wages	98,302	-	98,302
Accrued liability for compensated absences (note 6)	100,288	-	100,288
Current installment of Community Facilities Loan (note 4)	10,992	-	10,992
Payroll taxes and other current liabilities	<u>39,905</u>	<u>-</u>	<u>39,905</u>
<b>Total current liabilities</b>	<b><u>253,501</u></b>	<b><u>-</u></b>	<b><u>253,501</u></b>
Long-term debt - Community Facilities Loan, net of current installment (note 4)	<u>244,141</u>	<u>-</u>	<u>244,141</u>
<b>Net assets:</b>			
Unrestricted	846,198	-	846,198
Temporarily restricted (note 9)	<u>-</u>	<u>64,986</u>	<u>64,986</u>
<b>Total net assets</b>	<b><u>846,198</u></b>	<b><u>64,986</u></b>	<b><u>911,184</u></b>
<b>Commitments and contingent liabilities (note 5 and 8)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,343,840</u></b>	<b><u>64,986</u></b>	<b><u>1,408,826</u></b>

See accompanying notes to financial statements.

NEW RIVER COMMUNITY ACTION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
United Way	\$ 39,520	-	39,520
Local government revenue and support	202,923	-	202,923
Revenue from the Federal government	4,204,641	-	4,204,641
Revenue from the Commonwealth	594,514	-	594,514
Program Income	3,186	-	3,186
Donated services, space, supplies and equipment	916,686	-	916,686
Other funding	55,898	-	55,898
Contributions	119,490	64,987	184,477
Interest Income	1,927	-	1,927
Miscellaneous	7,499	-	7,499
Net assets released from restrictions	<u>46,573</u>	<u>(46,573)</u>	<u>-</u>
 Total support and revenue	 <u>6,192,857</u>	 <u>18,414</u>	 <u>6,211,271</u>
<u>Expenses</u>			
Program services:			
Head Start	3,384,431	-	3,384,431
Children's Health Improvement Partnership (CHIP)	606,277	-	606,277
Homeless and housing programs	365,220	-	365,220
Family Outreach Connections	83,693	-	83,693
Volunteer Income Tax Assistance (VITA)	48,511	-	48,511
Other programs	17,067	-	17,067
AmeriCorps	162,628	-	162,628
To Our House	26,514	-	26,514
Community Services Block Grant (CSBG)	438,842	-	438,842
Virginia Community Action Re-Entry System (VA CARES)	91,277	-	91,277
Emergency assistance	<u>264,019</u>	<u>-</u>	<u>264,019</u>
 Total program services	 5,488,479	 -	 5,488,479
 General and administrative expenses	 <u>693,374</u>	 <u>-</u>	 <u>693,374</u>
 Total expenses	 <u>6,181,853</u>	 <u>-</u>	 <u>6,181,853</u>
 Changes in net assets	 11,004	 18,414	 29,418
 Net assets, beginning of year	 <u>835,194</u>	 <u>46,572</u>	 <u>881,766</u>
 Net assets, end of year	 <u>\$ 846,198</u>	 <u>64,986</u>	 <u>911,184</u>

See accompanying notes to financial statements.

NEW RIVER COMMUNITY ACTION, INC.  
 COMBINING STATEMENT OF ACTIVITIES AND STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2016

	General	Head Start	Children's Health Improvement Partnership (CHIP)	Homeless and Housing Programs	Family Outreach Connections	Volunteer Income Tax Assistance (VITA)
United Way	775	6,273	8,427	5,321	0	0
Local Government	202,923	0	0	0	0	0
Federal Funds	0	2,938,457	543,433	56,304	79,606	15,000
State Funds	0	25,000	114,787	331,409	0	10,925
Program Income	0	0	0	0	0	0
In-Kind Donations	559	717,748	8,040	576	12,654	25,008
Other Funding	0	3,840	0	0	0	0
Contributions	29,071	7,307	335	439	688	0
Interest Income	1,927	0	0	0	0	0
Miscellaneous-Other	4,280	1,302	1,917	0	0	0
<b>Total Revenue</b>	<u>239,535</u>	<u>3,699,927</u>	<u>676,939</u>	<u>394,049</u>	<u>92,948</u>	<u>50,933</u>
Salaries and Benefits	438,179	2,049,206	491,240	127,693	48,359	11,210
Travel & Training	10,794	51,151	13,952	10,681	3,354	1,416
Vehicle Expenses	5,039	53,134	10,759	0	0	1
Supplies	44,333	65,251	19,449	5,021	6,812	4,813
Equipment	54,741	20,412	2,653	2,675	1,499	1,353
Consultants/Contracts	57,900	9,348	17,555	170	433	465
Facilities	41,565	169,750	30,941	9,014	10,386	3,837
Client Expenses	0	203,389	95	209,116	0	0
Miscellaneous Expenses	24,764	43,802	11,478	261	197	188
Volunteer Expenses	0	1,239	116	12	0	220
In-Kind Expenses	559	717,748	8,040	576	12,654	25,008
Impairment of Value of Land and Land Improvements (note 11)	15,500	0	0	0	0	0
<b>Total Expenses</b>	<u>693,374</u>	<u>3,384,430</u>	<u>606,278</u>	<u>365,219</u>	<u>83,694</u>	<u>48,511</u>
Increase (decrease) in net assets before transfers	<u>(453,839)</u>	<u>315,497</u>	<u>70,661</u>	<u>28,830</u>	<u>9,255</u>	<u>2,422</u>
Transfers in	498,899	24,717	(1,655)	2,872	(477)	4,471
Transfers Out	<u>(138)</u>	<u>(384,951)</u>	<u>(93,309)</u>	<u>(24,402)</u>	<u>(9,885)</u>	<u>(2,427)</u>
Net Transfers	<u>498,761</u>	<u>(360,234)</u>	<u>(94,964)</u>	<u>(21,530)</u>	<u>(10,362)</u>	<u>2,044</u>
Increase (Decrease) in net assets	<u>44,922</u>	<u>(44,738)</u>	<u>(24,303)</u>	<u>7,300</u>	<u>(1,107)</u>	<u>4,466</u>

NEW RIVER COMMUNITY ACTION, INC.  
 COMBINING STATEMENT OF ACTIVITIES AND STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2016

	Other Programs	AmeriCorps	To Our House	Community Services Block Grant (CSBG)	Virginia Community Action Re-Entry System (VA CARES)	Emergency Assistance	Total
United Way	0	0	3,723	0	152	14,849	39,520
Local Government	0	0	0	0	0	0	202,923
Federal Funds	0	109,134	3,270	452,494	0	6,943	4,204,641
State Funds	4,000	0	6,446	0	101,947	0	594,514
Program Income	0	0	0	3,186	0	0	3,186
In-Kind Donations	0	929	58	22,372	173	128,569	916,686
Other Funding	2,000	0	18,161	3,406	0	28,491	55,898
Contributions	15,338	0	17,969	0	534	112,796	184,477
Interest Income	0	0	0	0	0	0	1,927
Miscellaneous-Other	0	0	0	0	0	0	7,499
<b>Total Revenue</b>	<b>21,338</b>	<b>110,063</b>	<b>49,627</b>	<b>481,458</b>	<b>102,806</b>	<b>291,648</b>	<b>6,211,271</b>
Salaries and Benefits	0	142,350	19,820	337,584	68,498	0	3,734,141
Travel & Training	166	5,712	446	5,410	3,489	15	106,586
Vehicle Expenses	0	0	630	647	0	0	70,210
Supplies	298	6,529	426	17,468	5,333	379	176,112
Equipment	106	283	1	13,430	2,514	0	99,667
Consultants/Contracts	8,018	330	0	2,370	538	211	97,338
Facilities	3,652	4,305	0	29,352	6,681	3,732	313,215
Client Expenses	0	0	1,794	1,257	3,952	130,658	550,261
Miscellaneous Expenses	4,827	1,977	2,689	8,550	40	455	99,228
Volunteer Expenses	0	212	650	401	59	0	2,909
In-Kind Expenses	0	929	58	22,372	173	128,569	916,686
Impairment of Value of Land and Land Improvements (note 11)	0	0	0	0	0	0	15,500
<b>Total Expenses</b>	<b>17,067</b>	<b>162,627</b>	<b>26,514</b>	<b>438,841</b>	<b>91,277</b>	<b>264,019</b>	<b>6,181,853</b>
Increase (decrease) in net assets before transfers	4,271	(52,564)	23,113	42,617	11,529	27,629	29,418
Transfers in	1,242	57,106	(2,484)	18,241	0	2,106	605,037
Transfers Out	0	(5,958)	(4,247)	(66,806)	(12,916)	0	(605,037)
Net Transfers	1,242	51,148	(6,731)	(48,565)	(12,916)	2,106	0
Increase (Decrease) in net assets	5,513	(1,416)	16,382	(5,948)	(1,387)	29,735	29,418

NEW RIVER COMMUNITY ACTION, INC.  
Statement of Cash Flows  
For the Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash flows from operating activities:			
Changes in net assets	\$ 11,004	18,414	29,418
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation	52,364	-	52,364
Increase in accounts and grants receivable	(132,965)	-	(132,965)
Increase in prepaid expenses	(376)	-	(376)
Increase in accrued salaries and wages and payroll taxes payable	11,926	-	11,926
Increase in accrued liability and compensated absences	4,052	-	4,052
Increase in accounts payable	<u>2,997</u>	<u>-</u>	<u>2,997</u>
Total adjustments	<u>(62,002)</u>	<u>-</u>	<u>(62,002)</u>
Net cash provided (used) by operating activities	<u>(50,998)</u>	<u>18,414</u>	<u>(32,584)</u>
Cash flow used by investing activities:			
Acquisition of assets - net of impair of value of land and land improvements	<u>(13,420)</u>	<u>-</u>	<u>(13,420)</u>
Net cash used by investing activities	<u>(13,420)</u>	<u>-</u>	<u>(13,420)</u>
Cash flow used by financing activities:			
Principal payments on long-term debt	<u>(10,525)</u>	<u>-</u>	<u>(10,525)</u>
Net cash used by financing activities	<u>(10,525)</u>	<u>-</u>	<u>(10,525)</u>
Net increase (decrease) in cash and cash equivalents	(74,943)	18,414	(56,529)
Cash and cash equivalents at beginning of year	<u>204,309</u>	<u>46,572</u>	<u>250,881</u>
Cash and cash equivalents at end of year	\$ <u><u>129,366</u></u>	<u><u>64,986</u></u>	<u><u>194,352</u></u>
Supplemental disclosures of cash flow information:			
Cash payments for interest	\$ <u><u>11,808</u></u>	<u><u>-</u></u>	<u><u>11,808</u></u>

See accompanying notes to financial statements.

NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

(1) Summary of Significant Accounting Policies

(a) Organization and Nature of Activities

New River Community Action's mission is to promote and support the well-being and self-reliance of individuals, families and communities. Established in 1965, New River Community Action serves over 12,000 individuals each year through a variety of programs that prevent or reduce poverty, improving the lives of low-income residents. New River Community Action's primary service areas are the City of Radford and the Counties of Floyd, Giles, Montgomery and Pulaski.

(b) Financial Statement Presentation and Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the Corporation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Corporation pursuant to those stipulations.

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs. These net assets include funds held in trust by others.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Certificates of Deposit

Certificates of deposit are stated at cost and mature at various times but are classified as current assets since early withdrawal penalties are minimal.

(e) Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding grants and contracts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. There is no allowance for doubtful accounts at June 30, 2016, as accounts and grants receivable are deemed to be fully collectible by management.

(f) Recognition of Donor Restricted Contributions

Support that is restricted by the 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 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.

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for acquisitions, renewals and betterments are capitalized; whereas maintenance and repair costs are charged to expense as incurred. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any gain or loss is credited or charged to income.

Depreciation of property, plant and equipment is provided using the straight-line method over estimated useful lives which range from five to fifteen years for furniture and equipment and thirty years for the building.

Property and equipment purchased with state and federal revenues may have a reversionary interest in the property as well as the determination of use of any proceeds from the sale of these assets.

(h) Income Taxes

The Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 5500, *Annual Return/Report of Employee Benefit Plan*, for the years ending 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

(i) Functional Allocation of Expenses

The costs of providing the Corporation's programs and support services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between program and support services benefitted.

(continued)



NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

(j) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with authoritative guidance, the Corporation uses a framework for measuring fair value which includes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value.

(k) In-Kind Donations

The Corporation records as income and expense the value of donated space, services and equipment at their fair value as determined by the donor at the date of the gift.

(2) Accounts and Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding grants. As of June 30, 2016, grants receivable consists of the following:

Department of Health & Human Services	\$ 204,714
Community Services Block Grant	63,983
United States Department of Agriculture	430
CHIP of Virginia	82,032
Virginia Department of Criminal Justice Services	42,638
Virginia Department of Social Services (AmeriCorps)	19,294
Virginia Department of Social Services -Child Abuse and Neglect	2,154
Virginia Department of Health (CHIP MIECHV)	30,540
Virginia Department of Health (Family Outreach Connections - MIECHV)	5,366
Town of Blacksburg (CDBG)	11,268
Department of Housing & Community Development	23,391
Internal Revenue Service	<u>3,604</u>
	<u>\$ 489,414</u>

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

(3) Retirement Plan

The Corporation has a retirement plan covering all employees with at least 1,000 hours of service within a twelve month period of employment. The employer may make discretionary contributions to the plan on behalf of plan participants. Participants may make contributions to the plan through a salary reduction agreement with the Corporation; subject to maximum limitations permitted by law. The allocation of employer contributions will be made in the ratio that each participant's compensation for the plan year bears to the combined total compensation of all participants eligible for contribution. Benefits vest at 50% after the second year consisting of 1,000 hours of service and 100% after the third year of service consisting of 1,000 hours. The normal retirement age under this plan is the attainment of age 65. Contributions were made to the plan in the amount of \$ 75,976 for the year ended June 30, 2016.

(4) Community Facilities Loan

On June 29, 2001, New River Community Action issued a communities facilities loan through the United States Department of Agriculture - Rural Development Office. The loan bears interest at 5.125%, is due in monthly installments of \$ 676, and is secured by the building and related equipment. Any unpaid principal is due in full on July 28, 2030 unless satisfied earlier.

On December 17, 2003, New River Community Action issued a communities facilities loan through the United States Department of Agriculture - Rural Development Office. The loan bears interest at 4.25%, is due in monthly installments of \$ 1,185, and is secured by the building. Any unpaid principal is due in full on December 17, 2033 unless satisfied earlier.

Maturities on both loans for the five years ending June 30, 2021 are as follows:  
2017, \$ 10,992; 2018, \$ 11,506; 2019, \$ 12,044; 2020, \$ 12,607, and 2021, \$ 13,197.

(5) Commitments and Contingent Liabilities

Grant expenditures are subject to audit by funding agencies to determine compliance with various grant requirements. Should any expenditures be disallowed or matching requirements not met, the Corporation may be required to make refunds to funding agencies.

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

(6) Accrued Liability for Compensated Absences

New River Community Action employees who are hired to work at least a monthly average of 25 or more hours per week for a period of six months are eligible to accrue Paid Time Off (PTO). Full time employees begin accruing leave on the first day of the first full calendar month of employment. PTO is accrued at a rate of 8 hours each completed pay period of employment through the fifth year of employment, 10 hours each completed pay period of employment year six through year fourteen and 12 hours each completed pay period of employment fifteen years or more. Upon separation from employment, the maximum amount for accrued but unused PTO paid out to an employee will be one week for employees with 0-5 years of service, two weeks for employees with 6-14 years of service and three weeks for employees with 15 years or more service. At June 30, 2016, the Corporation had \$ 100,288 in accrued compensated absences.

(7) Restricted Cash

Restricted cash represents required debt reserves pursuant to agreements with the United States Department of Agriculture - Rural Development which amounted to \$ 26,484 at June 30, 2016.

(8) Operating Lease Commitments

The Corporation entered into an operating lease for its Radford Head Start program facility requiring rent of \$ 225 monthly. The lease agreement expires July 31, 2017.

The Corporation entered into an operating lease for its Pulaski Head Start program facility requiring rent of \$ 1,750 monthly. The lease agreement expires August 31, 2018.

The Corporation entered into an operating lease for its main office in Radford requiring rent of \$ 3,752 monthly, with a 1.75% increase annually. The lease expires January 31, 2017.

The Corporation entered into an operating lease for its Blacksburg Head Start program facility requiring rent of \$ 425 monthly. The lease agreement expires July 31, 2017.

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Notes to Financial Statements  
June 30, 2016

The Corporation entered into an operating lease for its CHIP Montgomery County/Radford facility requiring rent of \$ 950 monthly. The lease agreement expires June 30, 2017.

(9) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

Floyd Building Fund	\$ 15,000
Emergency Assistance	34,845
To Our House	<u>15,141</u>
	\$ <u>64,986</u>

(10) Evaluation of Subsequent Events

The Corporation has evaluated subsequent events through September 15, 2016, the date which the financial statements were available to be issued, and determined that there are no subsequent events requiring disclosure other than notes presented.

(11) Impairment of Value of Land and Land Improvements

During the current year, flood waters damaged property owned by the Corporation located in Floyd County, Virginia. The Corporation operates a Head Start center and various other community action programs on this property. The flood resulted in land erosion and bridge damage. The Corporation was carrying the land and land improvements at a value of \$39,400 and the building and building improvements at a value of \$330,225. The Corporation estimates damages to the land and bridge at \$15,500 and has recorded a loss and reduction in the value of the land for that amount. Management hired an engineering firm to evaluate options to repair and improve the property after the damage. The loss of \$15,500 approximates the value paid to engineers to date. One option, which the engineering firm obtained bids to complete, was a stream bank stabilization project and bridge repair. The bids ranged from \$220,000 to \$414,000. Other options are currently being explored.

## SUPPLEMENTAL DATA

NEW RIVER COMMUNITY ACTION, INC.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ending June 30, 2016

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalog Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>Department of Agriculture:</i>			
Direct Payments:			
Child and Adult Care Food Program	10.558		\$ 197,213
Community Facilities Loans (note 4) (includes \$ 11,808 of interest expense)	10.766		22,333
<i>Department of Health and Human Services:</i>			
Direct Payments:			
Administration for Children, Youth and Families- Head Start Grant	93.600		2,696,856
Pass-Through Payments:			
Commonwealth of Virginia Community Services Block Grant	93.569	CVS-16-001-15	402,282
Health Resources and Service Administration Pass-Through Payments:			
Virginia Department of Health (ACA/MIECHVP) Commonwealth of Virginia	93.505	705AT332148	389,120
Pass-Through Payments:			
Temporary Assistance for Needy Families Community Services Block Grant (CSBG)	93.558	CVS-16-001-15	94,600
Pass-Through Payments:			
Montgomery County DSS Promoting Safe and Stable Families	93.556	2481	10,959
CHIP of Virginia Pass-Through Payments:			
Temporary Assistance for Needy Families CHIP	93.558	16-506-AQ	222,961
<i>Department of Housing and Urban Development:</i>			
Pass-Through Payments:			
Housing counseling services	14.169	00023	40,536
Pass-Through Payments:			
Community Development Block Grant for Entitlement Communities			
Town of Blacksburg	14.218	B15MC510027	11,268
City of Radford	14.218	B15MC510030	4,500

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Schedule of Expenditures of Federal Awards  
For the Year Ending June 30, 2016

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	<u>Federal Catalog Number</u>	Pass- Through Entity Identifying <u>Number</u>	<u>Federal Expenditures</u>
<i>Corporation for National and Community Service:</i>			
Pass-Through Payments:			
Commonwealth of Virginia			
Americorps	94.006	15AC170296	109,134
 <i>Emergency Food &amp; Shelter Program (FEMA):</i>			
Direct Payments			
	97.024		10,212
 <i>Department of the Treasury-Internal Revenue Service:</i>			
Direct Payments:			
Volunteer Income Tax Assistance	21.009		<u>15,000</u>
 Total Federal Financial Assistance			 \$ <u>4,226,974</u>

New River Community Action, Inc. had no subrecipients.

The accompanying notes are an integral part of this schedule.

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of New River Community Action, Inc. under programs of the federal government for the year ended June 30, 2016. The information in the 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 New River Community Action, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of New River Community Action, Inc.

(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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

New River Community Action, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(continued)

NEW RIVER COMMUNITY ACTION, INC.  
Schedule of Expenditures of Federal Awards  
For the Year Ending June 30, 2016

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(4) Community Facilities Loans

New River Community Action, Inc. has two community facilities loans through the United States Department of Agriculture-Rural Development Office. The balance of loans outstanding at June 30, 2016 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Balance of Loans</u>
10.766	Community Facilities Loan	\$ 80,156
10.766	Community Facilities Loan	174,977



NEW RIVER COMMUNITY ACTION, INC.

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes    X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_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 auditor's report issued on compliance for major programs: unqualified

Any findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance? \_\_\_\_\_yes    X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Cluster</u>
93.600	Head Start Grant

NEW RIVER COMMUNITY ACTION, INC.

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2016

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Dollar threshold used to distinguish between type A  
and type B programs: \$ 750,000  
Auditee qualified as low-risk auditee in accordance  
with section 520 of the Uniform Guidance?  X  yes   no

Section II - Financial Statement Finding

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year's Findings

None