

**COMMUNITY ACTION COMMITTEE
OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES**

**FINANCIAL AND
SINGLE AUDIT REPORTS**

June 30, 2020

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COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries
Bethlehem, Pennsylvania

We have audited the accompanying consolidated financial statements of Community Action Committee of the Lehigh Valley, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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*, issues 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
March 19, 2021

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Financial Position
June 30, 2020 and 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,317,532	\$ 4,121,583
Restricted cash	858,255	625,704
Grant receivable	791,114	779,622
Accounts receivable, other	54,076	332,345
Unconditional promises to give	289,743	39,299
Program loans receivable, net of loss reserve	590,578	404,837
Inventory	1,064,523	901,471
Property inventory, net of loss reserve	537,197	698,485
Prepaid expenses	176,156	232,583
TOTAL CURRENT ASSETS	11,679,174	8,135,929
PROPERTY AND EQUIPMENT		
Land	26,477	26,477
Land held in trust	312,747	295,247
Building	8,546,465	8,454,750
Leasehold improvements	856,744	856,744
Equipment	2,108,245	1,580,965
	11,850,678	11,214,183
Less: accumulated depreciation	4,792,489	4,436,348
TOTAL PROPERTY AND EQUIPMENT, NET	7,058,189	6,777,835
OTHER ASSETS		
Unconditional promises to give	16,054	93,522
Investments	208,477	213,892
Program loans receivable, net of current portion	2,517,185	2,110,331
TOTAL OTHER ASSETS	2,741,716	2,417,745
TOTAL ASSETS	\$ 21,479,079	\$ 17,331,509

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Financial Position (cont'd)
June 30, 2020 and 2019**

LIABILITIES AND NET ASSETS	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 269,084	\$ 347,206
Line of credit	-	70,418
Accounts payable	496,727	493,644
Accrued expenses	84,659	79,570
Accrued interest	12,500	9,551
Accrued wages	381,295	371,907
Compensated absences	131,231	114,991
Refundable advances	1,952,934	432,803
Custodial funds	47,936	21,701
TOTAL CURRENT LIABILITIES	<u>3,376,366</u>	<u>1,941,791</u>
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	2,684,729	2,631,997
TOTAL NONCURRENT LIABILITIES	<u>2,684,729</u>	<u>2,631,997</u>
TOTAL LIABILITIES	<u>6,061,095</u>	<u>4,573,788</u>
NET ASSETS		
Without donor restrictions	11,915,407	11,803,257
With donor restrictions	3,502,577	954,464
TOTAL NET ASSETS	<u>15,417,984</u>	<u>12,757,721</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,479,079</u>	<u>\$ 17,331,509</u>

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Activities
Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 3,405,740	\$ 4,162,786	\$ 7,568,526
Grants	5,283,027	-	5,283,027
Donated food products	14,498,764	-	14,498,764
Shared maintenance fee	86,687	-	86,687
Program services	1,728,914	-	1,728,914
Other income	30,154	-	30,154
Interest income	228,924	24,369	253,293
	<u>25,262,210</u>	<u>4,187,155</u>	<u>29,449,365</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
For program operations	2,697,700	(2,697,700)	-
For capital additions	450,775	(450,775)	-
	<u>3,148,475</u>	<u>(3,148,475)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>28,410,685</u>	<u>1,038,680</u>	<u>29,449,365</u>
EXPENSES AND LOSSES			
Program	24,148,690	-	24,148,690
Supporting services:			
Management and general	2,453,372	-	2,453,372
Fundraising	562,318	-	562,318
TOTAL EXPENSES	<u>27,164,380</u>	<u>-</u>	<u>27,164,380</u>
Loss on sale of homes	145,174	-	145,174
TOTAL EXPENSES AND LOSSES	<u>27,309,554</u>	<u>-</u>	<u>27,309,554</u>
CHANGE IN NET ASSETS	<u>1,101,131</u>	<u>1,038,680</u>	<u>2,139,811</u>
NET ASSETS, beginning	11,803,257	954,464	12,757,721
Change in accounting principle (Note 2)	(988,981)	988,981	-
NET ASSETS, beginning, as restated	10,814,276	1,943,445	12,757,721
Acquisition of subsidiary	-	520,452	520,452
NET ASSETS, ending	<u>\$ 11,915,407</u>	<u>\$ 3,502,577</u>	<u>\$ 15,417,984</u>

See Notes to Financial Statements.

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Activities
Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 2,458,097	\$ 1,898,965	\$ 4,357,062
Grants	6,094,272	-	6,094,272
Donated food products	11,052,511	-	11,052,511
Shared maintenance fee	107,062	-	107,062
Program services	2,436,543	-	2,436,543
Other income	33,313	-	33,313
Interest income	228,698	-	228,698
	<u>22,410,496</u>	<u>1,898,965</u>	<u>24,309,461</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
For program operations	1,923,421	(1,923,421)	-
For capital additions	171,827	(171,827)	-
	<u>2,095,248</u>	<u>(2,095,248)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>24,505,744</u>	<u>(196,283)</u>	<u>24,309,461</u>
EXPENSES AND LOSSES			
Program	21,843,515	-	21,843,515
Supporting services:			
Management and general	1,845,544	-	1,845,544
Fundraising	518,273	-	518,273
TOTAL EXPENSES	<u>24,207,332</u>	<u>-</u>	<u>24,207,332</u>
Loss on sale of homes	60,606	-	60,606
TOTAL EXPENSES AND LOSSES	<u>24,267,938</u>	<u>-</u>	<u>24,267,938</u>
CHANGE IN NET ASSETS	237,806	(196,283)	41,523
NET ASSETS, beginning	<u>11,565,451</u>	<u>1,150,747</u>	<u>12,716,198</u>
NET ASSETS, ending	<u>\$ 11,803,257</u>	<u>\$ 954,464</u>	<u>\$ 12,757,721</u>

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Functional Expenses
Year Ended June 30, 2020**

	2020			Total
	Program	Management & General	Fund Raising	
PERSONNEL:				
Salaries and wages	\$ 2,709,242	\$ 1,062,604	\$ 126,607	\$ 3,898,453
Employee benefits/payroll taxes	1,220,625	323,051	283,574	1,827,250
Conferences and training	37,940	26,973	5,809	70,722
Travel	36,431	8,062	2,823	47,316
TOTAL PERSONNEL	4,004,238	1,420,690	418,813	5,843,741
Advertising and promotion	3,588	-	-	3,588
Computer tech support	1,166	-	-	1,166
Contracted services/assistance	271,684	418,587	-	690,271
Costs of completed or disposed capital projects	-	-	-	-
Depreciation	262,655	93,485	-	356,140
Dues and subscriptions	32,741	25,122	6,987	64,850
Equipment maintenance and repairs	71,923	15,637	12,995	100,555
Facility maintenance and utilities	261,757	70,458	-	332,215
Food distributions	14,335,712	-	-	14,335,712
Food purchases	1,518,110	-	-	1,518,110
Grants - Southside Revitalization	146,013	-	-	146,013
Insurance	67,393	45,010	-	112,403
Interest	40,641	5,054	-	45,695
Provision for loan losses	95,519	-	-	95,519
Minor equipment purchase	23,201	18,810	-	42,011
Miscellaneous	1,090	-	-	1,090
Occupancy	26,309	22,409	6,646	55,364
Other expense	26,559	-	-	26,559
Payroll processing	2,342	-	-	2,342
Postage	24,783	4,764	16,647	46,194
Printing	8,067	5,079	62,945	76,091
Professional fees	1,685,838	244,198	-	1,930,036
Program contract costs and supplies	410,562	-	-	410,562
Project cost loss reserve	19,000	-	-	19,000
Rents	25,800	-	-	25,800
Subgrantee payments	24,049	-	-	24,049
Supplies	531,539	23,368	25,252	580,159
Telephone	68,755	38,743	12,033	119,531
Utilities	2,464	-	-	2,464
Vehicle operation and repairs	155,192	1,958	-	157,150
TOTAL OTHER	20,144,452	1,032,682	143,505	21,320,639
TOTAL EXPENSES	\$ 24,148,690	\$ 2,453,372	\$ 562,318	\$ 27,164,380

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Functional Expenses
Year Ended June 30, 2019**

	2019			Total
	Program	Management & General	Fund Raising	
PERSONNEL:				
Salaries and wages	\$ 2,688,227	\$ 877,862	\$ 281,490	\$ 3,847,579
Employee benefits/payroll taxes	1,186,369	391,677	106,895	1,684,941
Conferences and training	77,064	28,613	7,549	113,226
Travel	39,017	12,011	5,463	56,491
TOTAL PERSONNEL	3,990,677	1,310,163	401,397	5,702,237
Advertising and promotion	488	-	-	488
Computer tech support	83	-	-	83
Contracted services/assistance	448,045	-	-	448,045
Costs of completed or disposed capital projects	4,404	-	-	4,404
Depreciation	260,555	87,316	-	347,871
Dues and subscriptions	36,643	21,333	6,989	64,965
Equipment maintenance and repairs	56,319	8,766	-	65,085
Facility maintenance and utilities	312,526	87,973	-	400,499
Food distributions	11,203,273	-	-	11,203,273
Food purchases	1,284,321	-	-	1,284,321
Grants - Southside Revitalization	144,525	-	-	144,525
Insurance	53,311	41,765	-	95,076
Interest	42,717	6,086	-	48,803
Provision for loan losses	56,292	-	-	56,292
Minor equipment purchase	13,101	24,629	4,555	42,285
Miscellaneous	6,890	-	-	6,890
Occupancy	27,263	-	-	27,263
Other expense	28,896	19,496	4,698	53,090
Payroll processing	-	4,037	-	4,037
Postage	16,328	-	27,970	44,298
Printing	31,223	6,074	55,913	93,210
Professional fees	1,972,547	173,117	-	2,145,664
Program contract costs and supplies	535,177	-	-	535,177
Project cost loss reserve	279,000	-	-	279,000
Rents	25,800	-	-	25,800
Subgrantee payments	86,342	-	-	86,342
Supplies	683,237	15,775	4,659	703,671
Telephone	67,951	37,989	12,092	118,032
Utilities	895	-	-	895
Vehicle operation and repairs	174,686	1,025	-	175,711
TOTAL OTHER	17,852,838	535,381	116,876	18,505,095
TOTAL EXPENSES	\$ 21,843,515	\$ 1,845,544	\$ 518,273	\$ 24,207,332

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,139,811	\$ 41,523
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	356,140	347,871
Provision for loan losses	95,519	56,292
Non-cash loss provision	(144,000)	279,000
Unrealized (gain) loss on investment	5,415	(7,134)
(Increase) decrease in assets:		
Grant receivable	(11,492)	262,534
Accounts receivable, other	278,269	169,949
Unconditional promises to give	(172,976)	102,650
Inventory	(163,052)	150,763
Property inventory	305,288	(597,443)
Prepaid expenses	56,427	(117,259)
Increase (decrease) in liabilities:		
Accounts payable	3,083	(16,169)
Accrued wages	9,389	34,634
Accrued expense	5,089	(491,987)
Accrued interest	2,949	5,074
Compensated absences	16,240	17,462
Refundable advances	1,520,131	231,867
Custodial funds	26,235	(23,037)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,328,465</u>	<u>446,590</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for land leases	(17,500)	(13,104)
Assets received on subsidiary acquisition	340,774	-
Purchase of investments	-	(34,620)
Program loans disbursed	(1,490,919)	(808,322)
Program loans repaid	982,483	784,056
Purchase of property and equipment	(618,995)	(164,590)
NET CASH USED IN INVESTING ACTIVITIES	<u>(804,157)</u>	<u>(236,580)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(70,418)	(80,000)
Proceeds from notes payable	-	825,000
Payments on notes payable	(25,390)	(600,222)
NET CASH PROVIDED BY (USED IN)		
FINANCING ACTIVITIES	<u>(95,808)</u>	<u>144,778</u>

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS EQUIVALENTS	3,428,500	354,788
CASH AND CASH EQUIVALENTS:		
Beginning	4,747,287	4,392,499
Ending	<u>\$ 8,175,787</u>	<u>\$ 4,747,287</u>
Cash and cash equivalents	\$ 7,317,532	\$ 4,121,583
Restricted cash	858,255	625,704
	<u>\$ 8,175,787</u>	<u>\$ 4,747,287</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 45,695</u>	<u>\$ 48,803</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Program loans acquired in subsidiary acquisition	<u>\$ 179,678</u>	<u>\$ -</u>

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Notes to the Financial Statements
June 30, 2020 and 2019**

NOTE 1. ORGANIZATION AND PURPOSE

Nature of Operations

Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries (the "Organization") consists of five not-for-profit organizations incorporated under the laws of the Commonwealth of Pennsylvania. Major program revenue consists of private funds from utility contracts, corporate, foundation and individual contributions and governmental contracts. It is understood that any grantor or contributor could be lost in the near term.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the following companies, all of which are under common control, intercompany transactions have been eliminated from the consolidated financial statements:

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. (CACLV)

CACLV is the parent corporation and a description of the Organization's programs is as follows:

Weatherization Program

The Weatherization Program is a collection of energy-related services designed to conserve energy and save money on home heating and cooling costs. The Program makes improvements to both single-family and multi-family homes, including infiltration prevention, water heater wraps, and insulation. To complement these physical improvements, the agency also educates residents in energy conservation and lead paint hazards. The Weatherization Program repairs or replaces heating systems in cold weather emergency situations for qualified low-income households.

OnTrack

CACLV administers PPL's Customer Assistance Program, OnTrack, which works with those low-income customers who accumulate an arrearage to establish a payment plan. During the households' participation in the program, the arrearage is forgiven, and service maintained. OnTrack ceased operations September 30, 2019.

Sixth Street Shelter/Turner Street Apartments/Ferry Street Apartments

The Sixth Street Shelter provides temporary housing (up to 60 days) for homeless families with children. Shelter staff assists families to stabilize their crisis, save money, relocate to permanent housing, and obtain other appropriate services such as job training and child care.

Turner Street Apartments in Allentown and Ferry Street Apartments in Easton provide long-term transitional housing (up to two years) for families that have been homeless. Services are similar to those offered at the Sixth Street Shelter; however, families in these programs are expected to pursue vocational training or education as a condition of their stay, with an intended outcome of economic self-sufficiency.

Second Harvest Food Bank of the Lehigh Valley and Northeast Pennsylvania (SHFB)

Second Harvest Food Bank of Lehigh Valley and Northeast Pennsylvania (Second Harvest) distributes food to more than 200 non-profit "member" agencies that provide food assistance to people in need. These agencies include soup kitchens, day care centers, homeless shelters,

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Notes to the Financial Statements
June 30, 2020 and 2019**

residential rehabilitation services and emergency food pantries. As an affiliate of Feeding America (formerly America's Second Harvest), the national food bank network, Second Harvest has access to a portion of the millions of pounds of food solicited annually through the network. The food becomes available for a variety of reasons, including corporate generosity, food that is improperly weighed or packaged, product that is approaching the expiration date and producer's need for warehouse space. Additionally, Second Harvest solicits donations from local food producers, retailers, and private citizens.

Member agencies may acquire these products for free or for a shared maintenance fee of up to 16 cents per pound. Second Harvest is able to pick up donated product from donors and deliver the product to the member agencies.

- The Seed Farm provides affordable access to critical and otherwise prohibitively expensive resources—such as land, infrastructure, equipment, and mentoring—thereby lowering the barriers to farm entry so that beginning farmers may pursue careers in agriculture. Since 2010, The Seed Farm has provided intensive, full-season training in production, marketing, business planning, and equipment operation to dozens of beginning farmers looking to start farms.

Community Action Financial Services (CAFS)

Community Action Financial Services aims to increase homeownership, stabilize neighborhoods, and build community wealth, particularly for minorities and low- to moderate-income households. This is accomplished through the provision of home ownership opportunities, which includes the Home Ownership Counseling Program that provides first-time homebuyer educational seminars; pre-purchase counseling; pre-settlement counseling; financial literacy education; and the Home Ownership Savings Account Program, which requires the participant to save \$20 per week for two years, for a total of \$2,000 that will be matched for a combined total of \$4,000 to be used toward purchasing an owner-occupied home. CAFS also provides foreclosure prevention services through the Foreclosure Mitigation Counseling Program, which provides counseling services to homeowners in default, at risk of default, or facing foreclosure. In addition, the Mortgage Foreclosure Diversion Program, operated by both Lehigh and Northampton County Court of Common Pleas, is a mediation program in the court systems available to owners of single-family homes in foreclosure.

SHE (She Has Everything)

SHE (an acronym for She Has Everything) is a strength-based empowerment program that assists girls to develop life skills that promote academic achievement, well-being, healthy relationships, resilience, teamwork, and leadership. The mission of SHE is to create an educational and inspirational environment in which girls build self-esteem, are empowered to change the dynamics in their personal relationships and the greater community, and seize control of their futures, ensuring healthy, fulfilling, and self-sufficient lives. The SHE program works with fifth grade girls at a local elementary school and is expanding to provide programming for middle school students.

Work Ready Program

Work Ready, the Supported Work Program, is designed to assist individuals with making the transition from welfare to work. The program offers these individuals job placement, job hunting skills training, and caseworker support.

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Notes to the Financial Statements
June 30, 2020 and 2019**

Community Action Better Homes (CABH)

CACLV has developed a comprehensive housing revitalization initiative, Community Action Better Homes. CABH will incorporate some of CACLV's existing programs – Home Ownership Counseling, the Lehigh Valley Community Land Trust, Community Action Development Corporation of Allentown and Bethlehem and Slate Belt Rising's façade programs, and Weatherization – into a new structure consisting of a Marketing/Outreach/Sales Unit, a Housing Business Management Unit, and a Construction Management Unit. The aim of CABH is to focus resources in targeted areas of the City of Allentown, City of Bethlehem, Northampton County, and Lehigh County in order to undertake the following projects: acquisition/rehab/resale, owner-occupied rehab, owner-occupied facades, multi-unit facades, investor-owned rehabs, commercial facades, "porch paint" projects, and Land Trust duplexes from de-conversions. These improvements will be made to enhance the health, well-being, and quality of life of neighborhood residents; increase property values in the surrounding neighborhoods; and create wealth for the residents and revenue for the cities and counties.

Custody/ Subcontract Services

CACLV operates a rental assistance clearinghouse to facilitate and monitor the distribution of payments of rental assistance for the counties of Lehigh and Northampton.

Campaign for Racial and Ethnic Justice Program

The Campaign for Racial and Ethnic Justice was created to focus on the unique elements that hold people of color back in the pursuit of economic and social justice. Income and wealth disparity in our nation and community are too often drawn along color lines and CACLV created the campaign to seek remedies in the Lehigh Valley.

- Generation Next is a strategy designed to correct disparities in education by ensuring that underserved students have increased access to opportunities to attend post-secondary schools to further their educations.

Slate Belt Rising

Slate Belt Rising (SBR) is CACLV's multi-municipal neighborhood partnership, the first of its kind in the Commonwealth of Pennsylvania, encompassing the boroughs of Wind Gap, Pen Argyl, Bangor and Portland. SBR's focus includes the beautification of business districts, façade improvements, establishment of committees with community stakeholders, engagement of the region's youth, and relationship building with CACLV programs and other partners in the target areas.

Administration

Administration includes the management of the staff, programs, and finances of CACLV and the supportive services that accompany the agency's and subsidiaries' management. Community planning and advocacy are at the core of the agency's mission. Community Action Agencies have a historic purpose of promoting change and advocating for the interests of the poor. Funding for Administration and community planning and advocacy is provided primarily through the Community Services Block Grant (CSBG), although various other funding sources provide partial support.

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The subsidiaries of Community Action Committee of the Lehigh Valley are as follows:

**COMMUNITY ACTION DEVELOPMENT CORPORATION OF THE LEHIGH VALLEY, INC. (D/B/A
COMMUNITY ACTION DEVELOPMENT CORPORATION OF ALLENTOWN (CADCA))**

The mission of this Subsidiary is to assist and promote neighborhood revitalization and community spirit by providing access to economic opportunity, creating and sustaining businesses owned and operated by its neighbors, and empowering people to have a voice in the decisions that affect their lives. CADCA is engaged in community economic development that includes providing technical assistance, facilitating start-up financing, assisting with research, preparing business plans, offering services as needed for the creation of new businesses, and working with residents to determine neighborhood business needs and opportunities in Allentown.

COMMUNITY ACTION DEVELOPMENT CORPORATION OF BETHLEHEM, INC. (CADCB)

The mission of this Subsidiary is to promote social and economic change by fostering business and other economic opportunities within the community of south Bethlehem. CADCB is engaged in community economic development that includes providing technical assistance, facilitating start-up financing, assisting with research, preparing business plans, offering services as needed for the creation of new businesses and working with residents to determine neighborhood business needs and opportunities.

LEHIGH VALLEY COMMUNITY LAND TRUST (LVCLT)

The mission of this Subsidiary is to create and preserve affordable homes for working families. LVCLT acquires homes and the land on which they are built through a variety of channels, renovates these homes in an energy-efficient manner and sells the homes to income-qualified applicants. The land is held permanently by the Subsidiary to ensure perpetual affordability. As such, LVCLT is committed to promoting long-term self-sufficiency and success with homeowners. Homeowner support is provided both before and after the purchase of a home.

RISING TIDE COMMUNITY LOAN FUND, INC. (RTCLF)

This Subsidiary is a certified Community Development Financial Institution (certified by the U.S. Department of the Treasury), and was created for the purpose of providing loans to small or start-up business ventures to improve the social welfare of economically depressed or blighted communities in the Lehigh Valley area.

LEHIGH AND NORTHAMPTON COUNTIES REVOLVING LOAN FUND, INC. (LNCRLF)

The Revolving Loan Fund became a subsidiary of CACLV on July 1, 2019. The Revolving Loan Fund is a program administered by the Economic Development Administration, a bureau within the U.S. Department of Commerce, whose purpose is to make loans to small businesses that cannot otherwise obtain traditional bank financing. These loans provide access to capital as gap financing that enables businesses to grow in economically disadvantaged areas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The significant accounting policies are described below.

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Use of Estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate and food inventory. In connection with the determination of the estimated losses on loans, management obtained independent appraisals for significant properties.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service income and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. For the year ended June 30, 2020 and 2019 there is no deferred revenue for program service income. Accounts receivable related to program service income for the years ended June 30, 2020 and 2019 and 2018 are \$54,076, \$332,345 and \$502,295, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2020, contributions approximating \$3,900,000, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. Detail of the promises to give and conditional promises to give are contained in Note 5.

A portion of the Organization's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of June 30, 2020 and 2019, the Organization has refundable advances of \$1,952,934 and \$432,803, respectively. Refundable advances as of June 30, 2020 includes \$1,038,505 that was received under the Payment Protection Program (PPP) that is expected to be forgiven with additional detail in Note 13. Revenue under the grant contracts for the years ended June 30, 2020 and 2019 was \$5,283,027 and \$6,094,272, respectively. Receivables related to grant contracts of the Organization as of June 30, 2020, 2019 and 2018 are \$791,114, \$779,622 and \$1,042,039, respectively.

Additionally, sales of real estate on CACLV and LVCLT are recorded at the time of closing of the sale when title to and possession of the property improvements are transferred to the buyer. Costs of sales are based on direct costs. Closing costs and sales expense are specifically identified with the house sold and shown as a direct reduction to the sales receipts.

In Kind Contributions

Donated Goods and Services

A portion of the Organization's functions are conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition. Gifts of donated

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food and grocery products over which the Organization has control (i.e. variance power) are reported as unrestricted public support and, shortly thereafter, as expense when granted to food rescue organizations.

Below Market In-Kind Interest

RTCLF and LNCRLF have several loans payable, as more fully described in Note 12, which are non-interest bearing or bear interest at a below market rate. Interest has been imputed on the RTCLF loans at 1.02% and 1.58% for the years ended June 30, 2020 and 2019.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Their governing boards have designated certain net assets as of June 30, 2020 and 2019, detail included in Note 15.

Net Assets with Donor Restrictions – Net assets subject to donor or 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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. Detail of net assets with donor restrictions is included in Note 14.

Advertising Expense

Advertising costs are expensed as incurred and were \$3,588 and \$488 for years ended June 30, 2020 and 2019, respectively.

Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the Consolidated Statements of Cash Flows, includes short-term, highly liquid financial instruments with original maturities of 90 days or less.

Contributions

Contributions received are recorded as revenue with or without donor restriction depending on the existence and/or nature of any donor restriction. Contributed property and equipment is recorded at fair value at the date of the donation.

Promises to Give

Unconditional written promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

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Property and Equipment

CACLV's property and equipment with acquisition costs of \$5,000 or more are recorded at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. All the other subsidiaries' property and equipment with acquisition costs of \$1,000 or more are recorded at cost and depreciated over their estimated useful lives of the assets on the straight-line basis ranging from 3 to 7 years.

Depreciation charged to expense is \$356,140 and \$347,871 for the years ended June 30, 2020 and 2019, respectively.

Land Held in Trust

Land has been received through purchase, bargain purchase or donation. Land purchased at market value is recorded at the net present value of the ground rent. Land acquired by bargain purchase or donation is recorded at fair market value at the date received. Land is transferred from property inventory to land held in trust at the time property is acquired. As of June 30, 2020 and 2019 land held in trust was \$312,747 and \$295,247, respectively.

Property Inventory

Property inventory represents costs incurred by the CACLV and LVCLT for housing rehabilitation projects. Costs consist primarily of the initial property purchase (including the land cost), rehabilitation costs, and other carrying costs incurred during rehabilitation. Holding costs incurred after a house is ready for sale, such as utilities, maintenance, and interest are charged to expense. Property inventory as of June 30, 2020, net of loss reserves, is \$537,197 and \$0 for CACLV and LVCLT, respectively. Property inventory as of June 30, 2019, net of loss reserves, is \$514,772 and \$183,713 for CACLV and LVCLT, respectively.

Program Loans Receivable

Loans are reported for RTCLF and LNCRLF at their recorded investment, which is the outstanding principal balance plus accrued interest and net of any unearned income, such as deferred fees or costs, and charge-offs. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan Loss Reserve

The allowance for loan losses for RTCLF and LNCRLF reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Organizations use a disciplined process and methodology to establish the allowance for loan losses each year. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolios, including loans analyzed individually and loans analyzed on a collective basis.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period and consideration of specific allowance amounts related to loans in excess of 60 days past due.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, among other influences. From time to time, events or economic factors may affect the

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loan portfolios, causing management to provide additional amounts to or release balances from the loan loss reserve.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by management of individual loans and the methods used to estimate incurred losses on those loans. Additions to the loan loss reserve are made by charges to the provision for loan losses. Recoveries of previously charged off amounts are credited to the loan loss reserve.

Loan Charge-Offs

For program loans receivable, RTCLF and LNCRLF fully or partially charges off a loan when repayment is deemed to be protracted beyond reasonable time frames.

Compensated Absences

All full-time and full benefit part-time employees earn annual leave benefits. Accordingly, the liability for employees' rights to receive compensation for future absences is recorded as a liability in the accompanying statements of financial position.

Income Taxes

Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries is comprised of six not-for-profit corporations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has adopted the provisions FASB ASC 740-10 related to uncertain tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2020 and 2019.

The Parent Organization and each of its subsidiaries file Form 990 - Return of Organization Exempt From Income Tax annually. The Organization's returns for tax years 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Change in Accounting Principle

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as

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exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis for the year ended June 30, 2020. However, there was a cumulative-effect adjustment to opening net assets without donor restrictions to reflect the change in revolving loan funds that are considered net assets with donor restriction of \$988,981 as of July 1, 2019.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements presentation to correspond to current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management's Review

Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries has evaluated subsequent events through March 19, 2021, the date which the financial statements were available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY

Management and Board of Directors regularly monitors liquidity needed to meet the Agency's operating needs and other contractual commitments. The Agency regularly manages cash resources to maximize any interest earnings and minimize the cost of borrowing. It also has various sources of liquidity at its disposal, including cash and cash equivalents, lines of credit and contractually obligated short-term receivables.

For the purposes of analyzing short-term liquidity needs, the Agency strives to maintain sufficient liquid financial assets to cover two to three months of operating expenses. In addition to the financial assets available, the Agency operates with a balanced budget and anticipates collecting sufficient revenues to cover general operating expenditures.

The breakdown of financial resources as of June 30, 2020 and 2019, available to meet general expenditures within one year of the balance sheet date are listed below:

	2020	2019
Cash and cash equivalents	\$ 8,175,787	\$ 4,747,287
Grant receivable	791,114	779,622
Unconditional promises to give	289,743	39,299
Accounts receivable, other	54,076	332,345
Program loans receivable, net of loss reserve	590,578	404,837
Less: Contractual or donor-imposed restriction making financial assets unavailable for general expenditure	(5,503,447)	(1,408,968)
	<u>\$ 4,397,851</u>	<u>\$ 4,894,422</u>

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NOTE 4. RESTRICTED CASH

Restricted cash as of June 30, 2020 and 2019 was restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
CACLV		
Family and resident savings	\$ 47,936	\$ 21,701
True endowment (SHFB)	5,000	5,000
	<u>52,936</u>	<u>26,701</u>
	<u>2020</u>	<u>2019</u>
RTCLF		
Lending	4,385	173,000
Northampton County, COVID-19 fund	6,000	-
City of Bethlehem fund	395,675	426,003
	<u>406,060</u>	<u>599,003</u>
LNCLF		
Lending	399,259	-
	<u>\$ 858,255</u>	<u>\$ 625,704</u>

NOTE 5. PROMISES TO GIVE

Unconditional Promises to Give

Contributions arising from unconditional promises to give consist of the following:

	<u>2020</u>	<u>2019</u>
CACLV		
Donor restricted for program costs and facilities and equipment	\$ 157,243	\$ 134,299
CADCA		
Donor restricted for program costs and facilities	150,000	-
	<u>307,243</u>	<u>134,299</u>
Less: allowance for pledges receivable	1,208	1,000
Less: discounts for pledges receivable	238	478
	<u>\$ 305,797</u>	<u>\$ 132,821</u>

Unconditional promises to give are expected to be realized as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 289,743	\$ 39,299
One to five years	16,054	93,522
	<u>\$ 305,797</u>	<u>\$ 132,821</u>

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Conditional Promises to Give

During the year ended June 30, 2020, CACLV subsidiaries received conditional pledges for various purposes. Since these pledges represent conditional promise to give, they are not recorded as contribution revenue until donor conditions are met.

CADCA has received conditional pledges from local corporations and have remaining pledge commitments of \$650,000 per year payable over the next six years totaling \$3,900,000 as of June 30, 2020. The pledges are contingent upon future Commonwealth of Pennsylvania tax credits and approvals under its Neighborhood Partnership Program. Pledge payments under the program were \$550,000 in both 2020 and 2019. Unconditional promises to give related to the pledges were \$150,000 and \$0 as of June 30, 2020 and 2019, respectively.

CADCB has received conditional pledges from local corporations and have made pledge commitments contingent upon future Commonwealth of Pennsylvania tax credits, under its Neighborhood Partnership Program. Pledge payments received against these commitments were \$200,000 in both 2020 and 2019. There are no contingent pledges for future periods as of June 30, 2020.

NOTE 6. PROGRAM AND FORGIVABLE LOANS RECEIVABLE

On July 1, 2019 CACLV began operation of the Lehigh and Northampton County Revolving Loan Fund (LNCRLF). The acquisition consisted of cash and loans receivable of \$520,166 which included \$179,393 of cash and \$340,773 in outstanding loans receivable.

Program loans receivable for RTCLF and LNCRLF are comprised of various extensions of credit to small business owners and entrepreneurs of the community. Repayments are due monthly including interest at rates ranging from 4% to 11%. Original terms range from 18 to 180 months. Loans receivable are reported delinquent when they become 30 days past due. Loans over 90 days past due are considered delinquent for CDFI funding. Loans that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable. Allowances for loan losses are established by management based on a review of the creditworthiness of the borrower and historical collections.

Interest income received on loans was \$242,637 and \$226,896 for the years ended June 30, 2020 and 2019, respectively. Aggregate loans receivable at June 30, 2020 and 2019 were comprised of the following:

	<u>2020</u>	<u>2019</u>
Micro Loans:		
CDFI funds	\$ -	\$ -
LNCRLF	124,179	-
Government and corporate grants	281,709	42,861
Investor loan funds	317,118	568,300
Unrestricted funds	617,813	559,245
	<u>1,340,819</u>	<u>1,170,406</u>

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Small Business Loans:

CDFI funds	-	-
LNCRLF	-	-
Government and corporate grants	478,157	428,856
Investor loan funds	570,745	632,640
Unrestricted funds	1,028,342	542,266
	<u>2,077,244</u>	<u>1,603,762</u>
Total loans outstanding	3,418,063	2,774,168
Loss reserve	(310,300)	(259,000)
	<u>\$ 3,107,763</u>	<u>\$ 2,515,168</u>

Scheduled annual maturities of term loans receivable at June 30, 2020 are as follows:

<u>Year ended June 30,</u>	
2021	\$ 900,878
2022	473,918
2023	454,989
2024	413,231
2025	365,796
Thereafter	809,251
	<u>\$ 3,418,063</u>

RTCLF receives grant funding from the City of Bethlehem to fund loans. The funds must be returned to the loan fund upon repayment. The repayment of loans, interest and fees is restricted for lending or program activities. As of June 30, 2020 and 2019, the amount included in the net assets with donor restrictions is included in Note 14.

The Organizations have an established a methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Organizations portfolios. For purposes of determining the allowance for loan losses, the Organizations segment loans in their portfolios by product type. The Organizations loans are segmented into the following pools: Micro Loans and Small Business Loans. Each class of loan requires judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment.

The following are the factors the Organizations use to determine the balance of the allowance account for each class of loans.

Micro Loans and Small Business Loans

Micro loans and small business loans are evaluated collectively to determine a loss percentage to apply to loans. Loss percentages vary between classes. These loss percentages are based on historical loss experience. For the years ended June 30, 2020 and 2019 the loss percentage used for small business and micro loans was 3%-10%, for both years when evaluated collectively. The Organizations consider the allowance for loan losses of \$310,300 and \$259,000 adequate to cover loan losses inherent in the loan portfolios, as of June 30, 2020 and 2019, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

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LNCRLF micro loans are federally funded and pose no risk of loss. Loans are still collectively evaluated for impairment but any write off will be charged directly to the Fund so there is no risk of loss and no allowance recognized. The balance of LNCRLF federally funded loans collectively evaluated for impairment as of June 30, 2020 and 2019 was \$124,179 and \$0, respectively.

Year Ended June 30, 2020	Micro Loans	Small Business Loans	Total
Loan loss reserve:			
Beginning balances	\$ 165,758	\$ 93,242	\$ 259,000
Charge-offs	-	(46,483)	(46,483)
Recoveries	2,264	-	2,264
Provision	17,259	78,260	95,519
Ending balances	<u>\$ 185,281</u>	<u>\$ 125,019</u>	<u>\$ 310,300</u>
Ending balances:			
Individually evaluated for impairment	\$ 110,573	\$ 15,532	\$ 126,105
Collectively evaluated for impairment	74,708	109,487	184,195
	<u>\$ 185,281</u>	<u>\$ 125,019</u>	<u>\$ 310,300</u>
Program Loans Receivables:			
Ending balances:			
Individually evaluated for impairment	\$ 133,857	\$ 135,501	\$ 269,358
Collectively evaluated for impairment	1,206,962	1,941,743	3,148,705
	<u>\$ 1,340,819</u>	<u>\$ 2,077,244</u>	<u>\$ 3,418,063</u>
Year Ended June 30, 2019	Micro Loans	Small Business Loans	Total
Loan loss reserve:			
Beginning balances	\$ 117,899	\$ 97,801	\$ 215,700
Charge-offs	(12,922)	-	(12,922)
Recoveries	-	-	-
Provision	60,781	(4,559)	56,222
Ending balances	<u>\$ 165,758</u>	<u>\$ 93,242</u>	<u>\$ 259,000</u>
Ending balances:			
Individually evaluated for impairment	\$ 102,606	\$ 20,382	\$ 122,988
Collectively evaluated for impairment	63,152	72,860	136,012
	<u>\$ 165,758</u>	<u>\$ 93,242</u>	<u>\$ 259,000</u>
Program Loans Receivables:			
Ending balances:			
Individually evaluated for impairment	\$ 166,611	\$ 187,945	\$ 354,556
Collectively evaluated for impairment	1,003,795	1,415,817	2,419,612
	<u>\$ 1,170,406</u>	<u>\$ 1,603,762</u>	<u>\$ 2,774,168</u>

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Credit Quality Information:

The following tables present the classes of the loan portfolio summarized by aggregate unclassified rating (loans not considered greater than normal risk) and classified ratings of substandard (well defined weakness) and doubtful (unlikely to be paid in full) within the Organization's internal risk rating system as of June 30, 2020 and 2019.

<u>June 30, 2020</u>	<u>Unclassified</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Micro Loans:				
CDFI funds	\$ -	\$ -	\$ -	\$ -
LNCRLF	124,179	-	-	124,179
Government and Corporate grants	281,709	-	-	281,709
Investor loan funds	292,264	-	24,855	317,119
Unrestricted funds	508,810	64,275	44,727	617,812
Small Business Loans:				
CDFI funds	-	-	-	-
LNCRLF	-	-	-	-
Government and Corporate grants	478,157	-	-	478,157
Investor loan funds	555,213	-	15,532	570,745
Unrestricted funds	908,373	119,969	-	1,028,342
	<u>\$ 3,148,705</u>	<u>\$ 184,244</u>	<u>\$ 85,114</u>	<u>\$ 3,418,063</u>
<u>June 30, 2019</u>	<u>Unclassified</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Micro Loans:				
CDFI funds	\$ -	\$ -	\$ -	\$ -
Government and Corporate grants	42,861	-	-	42,861
Investor loan funds	540,536	-	27,764	568,300
Unrestricted funds	420,399	92,269	46,577	559,245
Small Business Loans:				
CDFI funds	-	-	-	-
Government and Corporate grants	428,856	-	-	428,856
Investor loan funds	572,528	12,170	47,942	632,640
Unrestricted funds	414,433	127,833	-	542,266
	<u>\$ 2,419,613</u>	<u>\$ 232,272</u>	<u>\$ 122,283</u>	<u>\$ 2,774,168</u>

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Age Analysis of Past Due Financing Receivables by Class:

The following are tables which include an aging analysis of the recorded investment of past due term loans receivables as of June 30, 2020 and 2019.

			Greater		Total
	31-60 Days	61-90 Days	Than 90 Days	Total	Program Loans
<u>June 30, 2020</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Receivables</u>
Micro Loans:					
CDFI funds	\$ -	\$ -	\$ -	\$ -	\$ -
LNCRLF	-	-	-	-	124,179
Government and Corporate grants	-	-	-	-	281,709
Investor loan funds	400	400	10,680	11,480	317,119
Unrestricted funds	1,197	1,197	5,126	7,520	617,812
Small Business Loans:					
CDFI funds	-	-	-	-	-
LNCRLF	-	-	-	-	-
Government and Corporate grants	-	-	-	-	478,157
Investor loan funds	-	-	-	-	570,745
Unrestricted funds	2,755	2,231	8,339	13,325	1,028,342
	<u>\$ 4,352</u>	<u>\$ 3,828</u>	<u>\$ 24,145</u>	<u>\$ 32,325</u>	<u>\$ 3,418,063</u>

			Greater		Total
	31-60 Days	61-90 Days	Than 90 Days	Total	Program Loans
<u>June 30, 2019</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Receivables</u>
Micro Loans:					
CDFI funds	\$ -	\$ -	\$ -	\$ -	\$ -
LNCRLF	-	-	-	-	-
Government and Corporate grants	-	-	-	-	42,861
Investor loan funds	898	400	11,180	12,478	568,300
Unrestricted funds	2,758	2,002	10,234	14,994	559,245
Small Business Loans:					
CDFI funds	-	-	-	-	-
LNCRLF	-	-	-	-	-
Government and Corporate grants	-	-	-	-	428,856
Investor loan funds	1,567	1,502	10,062	13,131	632,640
Unrestricted funds	1,734	1,734	6,378	9,846	542,266
	<u>\$ 6,957</u>	<u>\$ 5,638</u>	<u>\$ 37,854</u>	<u>\$ 50,449</u>	<u>\$ 2,774,168</u>

Forgivable loans receivable consist of loans given under the Allentown Retail Mosaic Self-Forgiving Loan Program. The loans contain terms that allow the loans to be completely forgiven after five

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years have passed and the borrower has met certain conditions including job creation provisions. Due to the nature of the loans, the loans have been completely allowed for at loan inception and the related expense included in program costs. Total forgivable loans outstanding as of June 30, 2020 and 2019 are \$30,000 and \$30,000, respectively. The outstanding loans are scheduled to mature at \$15,000 each year for the years ended June 30, 2023 and 2024.

NOTE 7. FOOD BANK INVENTORY

Food bank inventory consists of both donated and purchased food. The approximate average wholesale value of one pound of donated food is estimated at \$1.74 and \$1.62 in 2020 and 2019, respectively, based upon amounts provided by Feeding America (formerly named America's Second Harvest). For 2020 and 2019, USDA and CSFP-TEFAP were valued at the USDA commodity's price list and State food was valued at the purchase price which is valued by the State commodity's price list.

The Second Harvest Food Bank is the beneficiary of food contributions from individuals, corporations, and governmental agencies. The total pounds and valuation of food donated and purchased during the years ended June 30, 2020 and 2019 is as follows:

June 30, 2020			
Source	Total pounds	Value	Valuation Methodology
USDA/ CSFP-TEFAP	3,774,707	\$ 3,551,463	Commodity price list
Donated	6,303,878	10,947,301	\$1.74 per pound
Purchase	2,397,765	1,518,110	Cost
	<u>12,476,350</u>	<u>\$ 16,016,874</u>	
June 30, 2019			
Source	Total pounds	Value	Valuation Methodology
USDA/ CSFP-TEFAP	2,091,360	\$ 1,723,246	Commodity price list
Donated	5,758,805	9,329,265	\$1.62 per pound
Purchase	2,120,910	1,284,321	Cost
	<u>9,971,075</u>	<u>\$ 12,336,832</u>	

NOTE 8. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30, 2020 and 2019:

	June 30, 2020		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Annuity contract	\$ 181,144	\$ 208,477	\$ 181,144	\$ 213,892

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NOTE 9. ENDOWMENT

CACLV's endowment consists of an individual fund established for Second Harvest Food Bank. As of June 30, 2020 and 2019 the Organization has endowment funds of \$5,000.

The Organization has not adopted investment or spending policies for endowment assets. All endowments are considered to be conservatively invested in a bank account.

NOTE 10. LAND HELD IN TRUST

LVCLT maintains title to the land underlying the homes and the homeowner mortgages the physical housing structure. LVCLT leases the land to the homeowner at a monthly rate to be determined for a 99-year term. In addition, the Organization retains a right of first refusal to buy back the building.

LVCLT owns 29 lots and 27 lots at June 30, 2020 and 2019, respectively. CACLV and LVCLT sold four homes and one home in 2020 and 2019, respectively.

NOTE 11. LINE OF CREDIT

CACLV has a \$2,000,000 revolving line of credit. Interest was at Prime Rate plus 0.75%, with a minimum interest rate of 5.25%. The line is secured by all the assets of the parent organization. The line of credit is renewed annually and currently expires on February 14, 2021. The balance outstanding on the line of credit was \$0 as of June 30, 2020 and 2019.

LVCLT has a \$500,000 revolving line of credit with an interest rate of 4.25%. The Line is secured by the properties owned by LVCLT. The line of credit currently expires on August 6, 2021. The balance outstanding on the line of credit was \$0 and \$70,418 as of June 30, 2020 and 2019, respectively.

LVCLT paid interest on the line of credit of \$1,846 and \$4,277 for the years ended June 30, 2020 and 2019, respectively.

RTCLF has a \$150,000 unsecured revolving credit agreement with an interest rate of 5.00% and a \$100,000 unsecured credit line with a rate of 2%. The credit lines expire on November 13, 2020 and March 31, 2021, respectively. The balance on the lines was \$0 as of June 30, 2020 and 2019.

NOTE 12. NOTES PAYABLE

Long-term debt at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
CACLV		
Mortgage payable to bank in monthly installments of \$2,537, including interest at 4.150%, due April 12, 2024, secured by real estate.	\$ 105,913	\$ 131,303

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	<u>2020</u>	<u>2019</u>
Mortgage payable to the City of Allentown in annual installments of \$700 or 50% of excess operating proceeds for the property for year ended June 30. Payments are due annually beginning August 1, 2016 with the entire payment attributable to principal. The note has 0% interest. After 15 years the loan will be forgiven as long as restriction use requirements are met and CACLV remains the owner.	312,900	312,900
TOTAL DEBT, CACLV	418,813	444,203
Less: current portion	29,084	27,206
TOTAL DEBT, CACLV, NON-CURRENT PORTION	<u>389,729</u>	<u>416,997</u>
RTCLF		
Loans payable to various banks, interest varies from non-interest bearing to 2.5%. All loan payments are monthly with interest only payments. Final payments are due on demand or in various periods from March 2020 to December 2030.	2,400,000	2,400,000
Loans payable to various individuals, non-interest bearing. Final payments are due in five years from execution date in various periods from August 2019 through February 2023.	135,000	135,000
TOTAL DEBT, RTCLF	<u>2,535,000</u>	<u>2,535,000</u>
Less: current portion	240,000	320,000
TOTAL DEBT, RTCLF, NON-CURRENT PORTION	<u>2,295,000</u>	<u>2,215,000</u>
TOTAL DEBT, NON-CURRENT PORTION	<u>\$ 2,684,729</u>	<u>\$ 2,631,997</u>

Maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>CACLV</u>	<u>RTCLF</u>	<u>Total</u>
2021	\$ 29,084	\$ 240,000	\$ 269,084
2022	28,391	50,000	78,391
2023	29,563	485,000	514,563
2024	23,075	1,160,000	1,183,075
2025	700	200,000	200,700
Thereafter	308,000	400,000	708,000
	<u>\$ 418,813</u>	<u>\$ 2,535,000</u>	<u>\$ 2,953,813</u>

Interest paid on long-term debt for the Organization was \$45,695 and \$48,803 for the years ended June 30, 2020 and 2019, respectively.

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The long-term debt is subject to several financial covenants. As of June 30, 2020, the Organization is in compliance with all financial covenants.

NOTE 13. REFUNDABLE ADVANCES – PAYCHECK PROTECTION PROGRAM

CACLV was granted a \$1,038,505 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. CACLV is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. CACLV has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if CACLV maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020, CACLV will be required to repay any balance not forgiven, plus interest accrued at 1% per annum with monthly payments beginning on December 6, 2020. Principal and interest payments will be required through the maturity date of May 6, 2022.

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, including assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors, for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
<i>Subject to expenditure for specific purpose:</i>		
<u>CACLV</u>		
Specific program operation	\$ 554,931	\$ 256,592
Second Harvest Food Bank operations	291,865	102,301
Second Harvest Food Bank building and equipment	123,948	190,514
Second Harvest Food Bank COVID-19 operations	446,000	-
	<u>1,416,744</u>	<u>549,407</u>
<u>CADCA</u>		
Specific program operation	77,645	32,924
Neighborhood Assistance Program	342,510	222,099
Jordan Heights project	-	48,957
	<u>420,155</u>	<u>303,980</u>
<u>CADCB</u>		
Neighborhood Assistance Program	115,301	96,077
Covid-19 support	985	-
	<u>116,286</u>	<u>96,077</u>
<u>LVCLT</u>		
Property development	104,020	-

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	<u>2020</u>	<u>2019</u>
<u>RTCLF</u>		
Bethlehem Revolving Loan Fund	911,690	-
Covid-10 Loan Fund	6,000	-
	<u>917,690</u>	<u>-</u>
<u>LNCRLF</u>		
Revolving loan fund	522,682	-
	<u>522,682</u>	<u>-</u>
<i>Endowments not subject to spending policy or appropriation:</i>		
<u>CACLV</u>		
Second Harvest Food Bank perpetual trust	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,502,577</u>	<u>\$ 954,464</u>
Net assets were released from donor restrictions for the years ended June 30, 2020 and 2019 as follows:		
	<u>2020</u>	<u>2019</u>
<i>Satisfaction of purpose restriction:</i>		
<u>CACLV</u>		
Specific program operation	\$ 737,596	\$ 499,548
Second Harvest Food Bank operations	934,199	466,678
Second Harvest Food Bank building and equipment	450,775	171,827
	<u>2,122,570</u>	<u>1,138,053</u>
<u>CADCA</u>		
Specific program operation	54,779	38,687
Neighborhood Partnership Program	430,889	653,739
Jordan Heights project	92,292	84,812
	<u>577,960</u>	<u>777,238</u>
<u>CADCB</u>		
Neighborhood Assistance Program	180,776	179,957
	<u>180,776</u>	<u>179,957</u>
<u>RTCLF</u>		
Bethlehem Revolving Loan Fund	1,500	-
Covid-19 operational	15,000	-
Covid-19 Loan Fund	244,000	-
	<u>260,500</u>	<u>-</u>
<u>LNCRLF</u>		
Revolving loan fund	6,669	-
	<u>6,669</u>	<u>-</u>
TOTAL RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,148,475</u>	<u>\$ 2,095,248</u>

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**Notes to the Financial Statements
June 30, 2020 and 2019**

NOTE 15. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restriction that have a defined use or purpose as defined by the Organization's Board of Directors are Board designated net assets. Board designation of net assets does not imply donor restriction and the defined use may be changed by board action. Board designated net assets of the Organization relate to the following:

	<u>2020</u>	<u>2019</u>
Undesignated	11,405,402	11,293,252
Board designated for:		
Capital reserve (CACLV)	250,000	250,000
Operating reserve (CACLV)	250,000	250,000
Endowment (RTCLF)	10,005	10,005
	<u>\$ 11,915,407</u>	<u>\$ 11,803,257</u>

NOTE 16. RETIREMENT PLAN

The Organization has a defined contribution retirement plan which covers all employees having one year of service. The Plan provides for participants' pretax contributions to the Plan up to limits defined in Section 401 (k) of the Internal Revenue Code. Under the Plan, the Organization is required to make contributions to the Plan in an amount equal to 7% of eligible participants' compensation.

The Organization's contributions to the Plan were \$251,093 and \$250,728 for the years ended June 30, 2020 and 2019, respectively.

NOTE 17. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, interest, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

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**Notes to the Financial Statements
June 30, 2020 and 2019**

NOTE 18. RELATED PARTY TRANSACTIONS

The parent organization has the following related transactions with the subsidiaries as of and for the years ended June 30, 2020 and 2019. These transactions have been eliminated from the consolidated financial statements.

	June 30, 2020			
	Related party Receivable	Related party Payable	Management Fees	Subgrantee Payments
CACLV	\$ 48,369	\$ 73,131	\$ -	\$ -
CADCA	30,481	37,177	59,574	128,989
CADCB	14,611	10,530	76,017	104,524
LVCLT	-	442	-	-
RTCLF	28,575	-	35,282	-
LNCRFL	-	756	1,535	-
	<u>\$ 122,036</u>	<u>\$ 122,036</u>	<u>\$ 172,408</u>	<u>\$ 233,513</u>
	June 30, 2019			
	Related party Receivable	Related party Payable	Management Fees	Subgrantee Payments
CACLV	\$ 89,486	\$ 44,814	\$ -	\$ -
CADCA	22,532	39,311	79,184	130,000
CADCB	22,283	28,875	54,059	130,000
LVCLT	-	12,246	38,144	-
RTCLF	-	9,055	39,933	-
LNCRFL	-	-	-	-
	<u>\$ 134,301</u>	<u>\$ 134,301</u>	<u>\$ 211,320</u>	<u>\$ 260,000</u>

CADCA rents office space from CACLV. Rental expense for the years ended June 30, 2020 and 2019 was \$13,000 for both years.

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**Notes to the Financial Statements
June 30, 2020 and 2019**

NOTE 19. LEASE COMMITMENT

CACLV and its subsidiaries lease facilities (including program space), parking space and transportation and office equipment under various operating lease agreements. Rent expense under these agreements was \$97,849 and \$76,861 in 2020 and 2019, respectively. Future lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>CACLV</u>
2021	\$ 78,286
2022	70,188
2023	64,670
2024	62,724
2025	51,360
Thereafter	<u>50,750</u>
	<u>\$ 377,978</u>

NOTE 20. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in various bank deposit accounts which at times exceeds the federal insured limits. The financial institutions are considered high quality and the Organization has not experienced any losses in such accounts.

The Organization receives a substantial portion of its support in the form of annual grants from federal, state, and local governmental agencies. This support is dependent on the Organization's continued qualifications for such funding, together with the amounts available to the governmental sources. Accordingly, reductions in this support could have a significant impact on the Organization's operations.

NOTE 21. FAIR VALUE MEASUREMENTS

The estimated fair value of the Organization's financial instruments measured on a recurring basis as of June 30, 2020 and 2019 are as follows:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Fair Value</u>	<u>Valuation (Level 3)</u>	<u>Fair Value</u>	<u>Valuation (Level 3)</u>
Annuity contract	<u>\$ 208,477</u>	<u>\$ 208,477</u>	<u>\$ 213,892</u>	<u>\$ 213,892</u>

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The change in the Organization's financial instrument measured on a recurring basis as of June 30, 2020 and 2019 is as follows:

	<u>Balance June 30, 2019</u>	<u>Unrealized Gain (Loss)</u>	<u>Additions</u>	<u>Balance June 30, 2020</u>
Annuity contract	\$ 213,892	\$ (5,415)	\$ -	\$ 208,477
	<u>Balance June 30, 2018</u>	<u>Unrealized Gain (Loss)</u>	<u>Additions</u>	<u>Balance June 30, 2019</u>
Annuity contract	\$ 179,272	\$ 7,134	\$ 27,486	\$ 213,892

Level 3 are assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

NOTE 22. CONTINGENCY

Organization's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's revenue sources, its workforce and its ability to provide services. In addition, as discussed previously, the program loan portfolio already experienced a delay in return of principal. The future effects of these issues are unknown.

NOTE 23. SUBSEQUENT EVENT

Due to a loss of funding, the Work Ready supported employment program ceased operations September 30, 2020.

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Consolidating Statements of Financial Position

June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	\$ 5,382,324	\$ 349,801	\$ 305,264	\$ 173,425	\$ 1,106,718	\$ -	\$ -	\$ 7,317,532	\$ 4,121,583
Restricted cash	52,936	-	-	-	406,060	399,259	-	858,255	625,704
Grant receivable	673,888	62,426	36,299	18,315	186	-	-	791,114	779,622
Accounts receivable, other	54,076	-	-	-	-	-	-	54,076	332,345
Unconditional promises to give	139,743	150,000	-	-	-	-	-	289,743	39,299
Accounts receivable, subsidiaries	48,369	30,481	14,611	-	28,575	-	(122,036)	-	-
Program loans receivable, net of reserve of \$310,300	-	-	-	-	555,823	34,755	-	590,578	404,837
Inventory	1,064,523	-	-	-	-	-	-	1,064,523	901,471
Property inventory, less loss reserve of \$222,000	537,197	-	-	-	-	-	-	537,197	698,485
Prepaid expenses	173,408	513	1,130	-	1,105	-	-	176,156	232,583
TOTAL	8,126,464	593,221	357,304	191,740	2,098,467	434,014	(122,036)	11,679,174	8,135,929
PROPERTY AND EQUIPMENT									
Land	26,477	-	-	-	-	-	-	26,477	26,477
Land held in trust	-	-	-	312,747	-	-	-	312,747	295,247
Building	8,546,465	-	-	-	-	-	-	8,546,465	8,454,750
Leasehold improvements	856,744	-	-	-	-	-	-	856,744	856,744
Equipment	2,071,918	16,021	10,559	-	9,747	-	-	2,108,245	1,580,965
	11,501,604	16,021	10,559	312,747	9,747	-	-	11,850,678	11,214,183
Less accumulated depreciation	4,756,968	15,215	10,559	-	9,747	-	-	4,792,489	4,436,348
TOTAL	6,744,636	806	-	312,747	-	-	-	7,058,189	6,777,835

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Consolidating Statements of Financial Position (cont'd)

June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
OTHER ASSETS									
Unconditional promises to give	\$ 16,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,054	\$ 93,522
Investments	208,477	-	-	-	-	-	-	208,477	213,892
Forgivable loans receivable, net of reserve of \$30,000	-	-	-	-	-	-	-	-	-
Program loans receivable, net of current portion	-	-	-	-	2,427,761	89,424	-	2,517,185	2,110,331
TOTAL	224,531	-	-	-	2,427,761	89,424	-	2,741,716	2,417,745
TOTAL ASSETS	\$ 15,095,631	\$ 594,027	\$ 357,304	\$ 504,487	\$ 4,526,228	\$ 523,438	\$ (122,036)	\$ 21,479,079	\$ 17,331,509
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current portion of long-term debt	\$ 29,084	\$ -	\$ -	\$ -	\$ 240,000	\$ -	\$ -	\$ 269,084	\$ 347,206
Line of credit	-	-	-	-	-	-	-	-	70,418
Accounts payable	448,420	21,337	8,221	923	17,826	-	-	496,727	493,644
Accounts payable, subsidiaries	73,131	37,177	10,530	442	-	756	(122,036)	-	-
Accrued expenses	61,802	5,316	5,291	5,000	7,250	-	-	84,659	79,570
Accrued interest	-	-	-	-	12,500	-	-	12,500	9,551
Accrued wages	365,828	7,707	2,992	-	4,768	-	-	381,295	371,907
Compensated absences	124,921	1,608	1,882	-	2,820	-	-	131,231	114,991
Refundable advances	1,952,934	-	-	-	-	-	-	1,952,934	432,803
Custodial funds	47,936	-	-	-	-	-	-	47,936	21,701
TOTAL	3,104,056	73,145	28,916	6,365	285,164	756	(122,036)	3,376,366	1,941,791
NONCURRENT LIABILITIES									
Long-term debt, less current maturities	389,729	-	-	-	2,295,000	-	-	2,684,729	2,631,997
TOTAL LIABILITIES	3,493,785	73,145	28,916	6,365	2,580,164	756	(122,036)	6,061,095	4,573,788

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Consolidating Statements of Financial Position (cont'd)

June 30, 2020

(With Summarized Totals for June 30, 2019)

	<u>CACLV</u>	<u>CADCA</u>	<u>CADCB</u>	<u>LVCLT</u>	<u>RTCLF</u>	<u>LCNRLF</u>	<u>Eliminations</u>	<u>Totals</u>	
								<u>2020</u>	<u>2019</u>
NET ASSETS									
Without donor restrictions:									
Undesignated	\$ 9,680,102	\$ 100,727	\$ 212,102	\$ 394,102	\$ 1,018,369	\$ -	\$ -	\$ 11,405,402	\$ 11,293,252
Board designated	500,000	-	-	-	10,005	-	-	510,005	510,005
With donor restrictions	<u>1,421,744</u>	<u>420,155</u>	<u>116,286</u>	<u>104,020</u>	<u>917,690</u>	<u>522,682</u>	-	<u>3,502,577</u>	<u>954,464</u>
TOTAL NET ASSETS	<u>11,601,846</u>	<u>520,882</u>	<u>328,388</u>	<u>498,122</u>	<u>1,946,064</u>	<u>522,682</u>	-	<u>15,417,984</u>	<u>12,757,721</u>
TOTAL LIABILITIES									
AND NET ASSETS	<u>\$ 15,095,631</u>	<u>\$ 594,027</u>	<u>\$ 357,304</u>	<u>\$ 504,487</u>	<u>\$ 4,526,228</u>	<u>\$ 523,438</u>	<u>\$ (122,036)</u>	<u>\$ 21,479,079</u>	<u>\$ 17,331,509</u>

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Consolidating Statements of Activities

Year Ended June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
REVENUE AND SUPPORT									
WITHOUT DONOR RESTRICTIONS									
Contributions	\$ 3,116,134	\$ 42,019	\$ 106,920	\$ 17,980	\$ 122,687	\$ -	\$ -	\$ 3,405,740	\$ 2,458,097
Grants	5,016,415	243,857	154,913	101,169	186	-	(233,513)	5,283,027	6,094,272
Donated food products	14,498,764	-	-	-	-	-	-	14,498,764	11,052,511
Shared maintenance fee	86,687	-	-	-	-	-	-	86,687	107,062
Program services	1,914,322	-	-	-	-	-	(185,408)	1,728,914	2,436,543
Other income	-	300	3,295	8,407	18,152	-	-	30,154	33,313
Interest income	1,551	-	-	-	227,373	-	-	228,924	228,698
TOTAL	24,633,873	286,176	265,128	127,556	368,398	-	(418,921)	25,262,210	22,410,496
NET ASSETS RELEASED FROM RESTRICTIONS									
For program operations	1,671,795	577,960	180,776	-	260,500	6,669	-	2,697,700	1,923,421
For capital additions	450,775	-	-	-	-	-	-	450,775	171,827
TOTAL	2,122,570	577,960	180,776	-	260,500	6,669	-	3,148,475	2,095,248
	<u>26,756,443</u>	<u>864,136</u>	<u>445,904</u>	<u>127,556</u>	<u>628,898</u>	<u>6,669</u>	<u>(418,921)</u>	<u>28,410,685</u>	<u>24,505,744</u>
EXPENSES AND LOSSES									
Program	22,821,229	756,729	369,754	106,030	358,626	6,669	(270,347)	24,148,690	21,843,515
Supporting services:									
Management and general	2,434,565	35,759	49,429	5,000	32,261	-	(103,642)	2,453,372	1,845,544
Fundraising	562,318	24,199	12,896	-	7,837	-	(44,932)	562,318	518,273
TOTAL	25,818,112	816,687	432,079	111,030	398,724	6,669	(418,921)	27,164,380	24,207,332
Loss on sale of homes	121,912	-	-	23,262	-	-	-	145,174	60,606
TOTAL	25,940,024	816,687	432,079	134,292	398,724	6,669	(418,921)	27,309,554	24,267,938
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS									
	<u>\$ 816,419</u>	<u>\$ 47,449</u>	<u>\$ 13,825</u>	<u>\$ (6,736)</u>	<u>\$ 230,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,131</u>	<u>\$ 237,806</u>

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Consolidating Statements of Activities

Year Ended June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
WITHOUT DONOR RESTRICTIONS									
NET ASSETS, beginning	9,350,924	53,278	198,277	504,858	1,695,920	-	-	11,803,257	11,565,451
Change in accounting principle (Note 2)	12,759	-	-	(104,020)	(897,720)	-	-	(988,981)	-
NET ASSETS, beginning, as restated	9,363,683	53,278	198,277	400,838	798,200	-	-	10,814,276	11,565,451
NET ASSETS, ending	\$ 10,180,102	\$ 100,727	\$ 212,102	\$ 394,102	\$ 1,028,374	\$ -	\$ -	\$ 11,915,407	\$ 11,803,257
REVENUE AND SUPPORT									
WITH DONOR RESTRICTIONS									
Contributions	3,002,666	694,135	200,985	-	265,000	-	-	4,162,786	1,898,965
Interest income	-	-	-	-	15,470	8,899	-	24,369	-
TOTAL	3,002,666	694,135	200,985	-	280,470	8,899	-	4,187,155	1,898,965
NET ASSETS RELEASED FROM RESTRICTIONS									
For program operations	(1,671,795)	(577,960)	(180,776)	-	(260,500)	(6,669)	-	(2,697,700)	(1,923,421)
For capital additions	(450,775)	-	-	-	-	-	-	(450,775)	(171,827)
TOTAL	(2,122,570)	(577,960)	(180,776)	-	(260,500)	(6,669)	-	(3,148,475)	(2,095,248)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS									
	880,096	116,175	20,209	-	19,970	2,230	-	1,038,680	(196,283)
WITH DONOR RESTRICTIONS									
NET ASSETS, beginning	554,407	303,980	96,077	-	-	-	-	954,464	1,150,747
Change in accounting principle (Note 2)	(12,759)	-	-	104,020	897,720	-	-	988,981	-
NET ASSETS, beginning, as restated	541,648	303,980	96,077	104,020	897,720	-	-	1,943,445	1,150,747
Net assets transferred in	-	-	-	-	-	520,452	-	520,452	-
NET ASSETS, ending	\$ 1,421,744	\$ 420,155	\$ 116,286	\$ 104,020	\$ 917,690	\$ 522,682	\$ -	\$ 3,502,577	\$ 954,464
TOTAL CHANGE IN NET ASSETS	\$ 1,696,515	\$ 163,624	\$ 34,034	\$ (6,736)	\$ 250,144	\$ 2,230	\$ -	\$ 2,139,811	\$ 41,523

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
PROGRAM EXPENSES									
PERSONNEL:									
Salaries and wages	\$ 2,235,506	\$ 241,825	\$ 102,099	\$ -	\$ 126,168	\$ 3,644	\$ -	\$ 2,709,242	\$ 2,688,227
Employee benefits/ payroll taxes	993,595	116,864	46,790	-	61,698	1,678	-	1,220,625	1,186,369
Conferences and training	34,858	2,260	502	-	320	-	-	37,940	77,064
Travel	32,889	2,582	285	-	675	-	-	36,431	39,017
TOTAL PERSONNEL	3,296,848	363,531	149,676	-	188,861	5,322	-	4,004,238	3,990,677
Advertising and promotion	-	3,398	190	-	-	-	-	3,588	488
Computer tech support	-	911	-	-	255	-	-	1,166	83
Contracted services/ assistance	271,684	-	-	-	-	-	-	271,684	448,045
Costs of completed or disposed capital projects	-	-	-	-	-	-	-	-	4,404
Depreciation	261,620	420	-	-	615	-	-	262,655	260,555
Dues and subscriptions	19,733	2,944	474	150	9,440	-	-	32,741	36,643
Equipment maintenance and repairs	63,660	4,596	3,289	-	344	34	-	71,923	56,319
Facility maintenance and utilities	261,757	-	-	-	-	-	-	261,757	312,526
Food distributions	14,335,712	-	-	-	-	-	-	14,335,712	11,203,273
Food purchases	1,518,110	-	-	-	-	-	-	1,518,110	1,284,321
Grants - Southside Revitalization	-	-	146,013	-	-	-	-	146,013	144,525
Insurance	61,417	832	302	4,085	757	-	-	67,393	53,311
Interest	-	-	-	-	40,641	-	-	40,641	42,717
Provision for loan losses	-	-	-	-	95,519	-	-	95,519	56,292
Management fees	-	5,432	14,433	-	2,434	1,535	(23,834)	-	-
Minor equipment purchases	23,201	-	-	-	-	-	-	23,201	13,101
Miscellaneous	-	-	-	-	1,090	-	-	1,090	6,890
Occupancy	-	20,840	18,469	-	-	-	(13,000)	26,309	27,263
Other expense	22,010	4,433	-	95	-	21	-	26,559	28,896
Payroll processing fees	-	-	-	-	2,342	-	-	2,342	-
Postage	23,757	279	50	-	697	-	-	24,783	16,328
Printing	7,678	53	157	-	179	-	-	8,067	31,223
Professional fees	1,650,983	-	21,246	602	13,250	(243)	-	1,685,838	1,972,547
Program contract costs and supplies	-	309,485	-	101,077	-	-	-	410,562	535,177

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
PROGRAM EXPENSES (CONT.)									
Project cost loss reserve	\$ 19,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,000	\$ 279,000
Rents	25,800	-	-	-	-	-	-	25,800	25,800
Subgrantee payments	233,513	22,465	1,584	-	-	-	(233,513)	24,049	86,342
Supplies	524,482	4,472	1,940	21	624	-	-	531,539	683,237
Telephone	45,072	12,638	9,467	-	1,578	-	-	68,755	67,951
Utilities	-	-	2,464	-	-	-	-	2,464	895
Vehicle operation and repairs	155,192	-	-	-	-	-	-	155,192	174,686
TOTAL OTHER	19,524,381	393,198	220,078	106,030	169,765	1,347	(270,347)	20,144,452	17,852,838
TOTAL PROGRAM EXPENSES	\$ 22,821,229	\$ 756,729	\$ 369,754	\$ 106,030	\$ 358,626	\$ 6,669	\$ (270,347)	\$ 24,148,690	\$ 21,843,515
MANAGEMENT AND GENERAL EXPENSES									
PERSONNEL:									
Salaries and wages	1,062,604	-	-	-	-	-	-	1,062,604	877,862
Employee benefits/ payroll taxes	323,051	-	-	-	-	-	-	323,051	391,677
Conferences and training	26,973	-	-	-	-	-	-	26,973	28,613
Travel	8,062	-	-	-	-	-	-	8,062	12,011
TOTAL PERSONNEL	1,420,690	-	-	-	-	-	-	1,420,690	1,310,163
Contracted services/ assistance	418,587	-	-	-	-	-	-	418,587	-
Depreciation	93,485	-	-	-	-	-	-	93,485	87,316
Dues and subscriptions	25,122	-	-	-	-	-	-	25,122	21,333
Equipment maintenance and repairs	15,637	-	-	-	-	-	-	15,637	8,766
Facility maintenance and utilities	70,458	-	-	-	-	-	-	70,458	87,973
Insurance	45,010	-	-	-	-	-	-	45,010	41,765
Interest	5,054	-	-	-	-	-	-	5,054	6,086
Management fees	-	29,943	48,688	-	25,011	-	(103,642)	-	-
Minor equipment purchase	18,810	-	-	-	-	-	-	18,810	24,629
Other expense	22,409	-	-	-	-	-	-	22,409	19,496
Payroll processing	-	-	-	-	-	-	-	-	4,037
Postage	4,764	-	-	-	-	-	-	4,764	-
Printing	5,079	-	-	-	-	-	-	5,079	6,074

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2020

(With Summarized Totals for June 30, 2019)

	CACLV	CADCA	CADCB	LVCLT	RTCLF	LNCRLF	Eliminations	Totals	
								2020	2019
MANAGEMENT AND GENERAL EXPENSES (CONT.)									
Professional fees	225,391	5,816	741	5,000	7,250	-	-	244,198	173,117
Supplies	23,368	-	-	-	-	-	-	23,368	15,775
Telephone	38,743	-	-	-	-	-	-	38,743	37,989
Vehicle operation and repairs	1,958	-	-	-	-	-	-	1,958	1,025
TOTAL OTHER	<u>1,013,875</u>	<u>35,759</u>	<u>49,429</u>	<u>5,000</u>	<u>32,261</u>	<u>-</u>	<u>(103,642)</u>	<u>1,032,682</u>	<u>535,381</u>
TOTAL MANAGEMENT AND GENERAL	<u>\$ 2,434,565</u>	<u>\$ 35,759</u>	<u>\$ 49,429</u>	<u>\$ 5,000</u>	<u>\$ 32,261</u>	<u>\$ -</u>	<u>\$ (103,642)</u>	<u>\$ 2,453,372</u>	<u>\$ 1,845,544</u>
FUND RAISING EXPENSES									
PERSONNEL:									
Salaries and wages	\$ 126,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,607	\$ 281,490
Employee benefits/ payroll taxes	283,574	-	-	-	-	-	-	283,574	106,895
Conferences and training	5,809	-	-	-	-	-	-	5,809	7,549
Travel	2,823	-	-	-	-	-	-	2,823	5,463
TOTAL PERSONNEL	<u>418,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>418,813</u>	<u>401,397</u>
Dues and subscriptions	6,987	-	-	-	-	-	-	6,987	6,989
Equipment maintenance and repairs	12,995	-	-	-	-	-	-	12,995	-
Management fees	-	24,199	12,896	-	7,837	-	(44,932)	-	-
Minor equipment purchases	-	-	-	-	-	-	-	-	4,555
Other expense	6,646	-	-	-	-	-	-	6,646	4,698
Postage	16,647	-	-	-	-	-	-	16,647	27,970
Printing	62,945	-	-	-	-	-	-	62,945	55,913
Supplies	25,252	-	-	-	-	-	-	25,252	4,659
Telephone	12,033	-	-	-	-	-	-	12,033	12,092
TOTAL OTHER	<u>143,505</u>	<u>24,199</u>	<u>12,896</u>	<u>-</u>	<u>7,837</u>	<u>-</u>	<u>(44,932)</u>	<u>143,505</u>	<u>116,876</u>
TOTAL FUND RAISING EXPENSES	<u>\$ 562,318</u>	<u>\$ 24,199</u>	<u>\$ 12,896</u>	<u>\$ -</u>	<u>\$ 7,837</u>	<u>\$ -</u>	<u>\$ (44,932)</u>	<u>\$ 562,318</u>	<u>\$ 518,273</u>
TOTAL EXPENSES	<u>\$ 25,818,112</u>	<u>\$ 816,687</u>	<u>\$ 432,079</u>	<u>\$ 111,030</u>	<u>\$ 398,724</u>	<u>\$ 6,669</u>	<u>\$ (418,921)</u>	<u>\$ 27,164,380</u>	<u>\$ 24,207,332</u>

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Parent Company's Statement of Program Expenses

Year Ended June 30, 2020

	<u>Weatherization Program</u>	<u>Ontrack</u>	<u>Sixth Street Shelter</u>	<u>SHFB</u>	<u>CAFS</u>	<u>SHE</u>	<u>Work Ready Program</u>
PROGRAM EXPENSES							
PERSONNEL:							
Salaries and wages	\$ 377,163	\$ 56,576	\$ 337,520	\$ 757,801	\$ 190,172	\$ 26,789	\$ 143,549
Employee benefits/ payroll taxes	213,751	19,445	124,608	293,419	86,049	7,106	93,929
Conferences and training	7,837	-	918	10,332	1,386	769	8,273
Travel	5,615	-	266	7,442	3,350	726	1,506
TOTAL PERSONNEL	<u>604,366</u>	<u>76,021</u>	<u>463,312</u>	<u>1,068,994</u>	<u>280,957</u>	<u>35,390</u>	<u>247,257</u>
Contracted services/ assistance	-	-	6,192	-	-	-	-
Depreciation	-	-	131,553	128,305	1,011	-	751
Dues and subscriptions	51	-	591	16,191	2,076	135	23
Equipment maintenance and repairs	2,306	58	953	44,079	6,119	-	9,152
Facility maintenance and utilities	-	-	118,541	140,463	-	-	2,753
Food distributions	-	-	-	14,335,712	-	-	-
Food purchases	-	-	-	1,518,110	-	-	-
Insurance	10,273	568	18,399	24,202	1,826	534	4,020
Minor equipment purchase	-	-	6,717	7,269	1,027	-	6,154
Other expense	1,074	-	2,014	14,610	3	-	7
Postage	664	10	3,765	17,391	1,675	59	13
Printing	18	149	1,697	3,668	1,332	107	96
Professional fees	1,549,960	-	2,860	81,966	-	-	9,320
Project cost loss reserve	-	-	-	-	-	-	-
Rents	-	-	-	-	-	-	25,800
Subgrantee payments	-	-	-	1,760	-	-	-
Supplies	414,861	781	10,263	80,359	1,285	867	8,785
Telephone	7,543	-	18,174	12,739	-	779	-
Vehicle operation and repairs	19,649	-	2,278	127,671	-	302	-
TOTAL OTHER	<u>2,006,399</u>	<u>1,566</u>	<u>323,997</u>	<u>16,554,495</u>	<u>16,354</u>	<u>2,783</u>	<u>66,874</u>
TOTAL PROGRAM	<u>\$ 2,610,765</u>	<u>\$ 77,587</u>	<u>\$ 787,309</u>	<u>\$ 17,623,489</u>	<u>\$ 297,311</u>	<u>\$ 38,173</u>	<u>\$ 314,131</u>

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Parent Company's Statement of Program Expenses (cont'd)

Year Ended June 30, 2020

	Community Action Better Homes (CABH)	Custody Subcontractor	Racial and Ethnic Justice Program	Slate Belt Rising	Total Program
PROGRAM EXPENSES					
PERSONNEL:					
Salaries and wages	\$ 182,947	\$ 15,994	\$ 91,896	\$ 55,099	\$ 2,235,506
Employee benefits/ payroll taxes	71,488	6,307	50,726	26,767	993,595
Conferences and training	853	-	4,490	-	34,858
Travel	9,322	-	4,410	252	32,889
TOTAL PERSONNEL	<u>264,610</u>	<u>22,301</u>	<u>151,522</u>	<u>82,118</u>	<u>3,296,848</u>
Contracted services/ assistance	111,453	-	1,266	152,773	271,684
Depreciation	-	-	-	-	261,620
Dues and subscriptions	493	-	73	100	19,733
Equipment maintenance and repairs	700	-	261	32	63,660
Facility maintenance and utilities	-	-	-	-	261,757
Food distributions	-	-	-	-	14,335,712
Food purchases	-	-	-	-	1,518,110
Insurance	589	-	534	472	61,417
Minor equipment purchase	935	-	1,032	67	23,201
Other expense	1,891	-	152	2,259	22,010
Postage	175	-	4	1	23,757
Printing	505	-	106	-	7,678
Professional fees	70	-	6,807	-	1,650,983
Project cost loss reserve	19,000	-	-	-	19,000
Rents	-	-	-	-	25,800
Subgrantee payments	-	231,753	-	-	233,513
Supplies	378	-	6,880	23	524,482
Telephone	2,489	-	1,763	1,585	45,072
Vehicle operation and repairs	33	-	5,259	-	155,192
TOTAL OTHER	<u>138,711</u>	<u>231,753</u>	<u>24,137</u>	<u>157,312</u>	<u>19,524,381</u>
TOTAL PROGRAM	<u>\$ 403,321</u>	<u>\$ 254,054</u>	<u>\$ 175,659</u>	<u>\$ 239,430</u>	<u>\$ 22,821,229</u>

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor Project Title	Federal CFDA#	Pass Through Grantor's Numbers	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued or (Deferred) Revenues At July 1, 2019	Revenue Recognized/ Expenditures	Accrued or (Deferred) Revenues At June 30, 2020
U.S. Department of Agriculture								
<i>Passed Through the Pennsylvania Association of Rehabilitation Facilities</i>								
Trade Mitigation Program Eligible Receipt Agency Operational Funds	10.178	N/A	10/01/19 - 09/30/20	\$ -	\$ 1,471	\$ -	\$ 1,471	\$ -
TOTAL	10.178			-	1,471	-	1,471	-
<i>Passed Through the Pennsylvania Association of Rehabilitation Facilities</i>								
Commodity Supplemental Food Program (Administrative)	10.565	N/A	10/01/18 - 09/30/19	-	112,393	70,791	27,391	(14,211)
Commodity Supplemental Food Program (Commodities)	10.565	N/A	10/01/19 - 09/30/20	-	644,960	171,759	734,080	260,879 #
Commodity Supplemental Food Program (Administrative)	10.565	N/A	10/01/19 - 09/30/20	-	85,267	-	113,450	28,183
Total Commodity Supplemental Food Program	10.565			-	842,620	242,550	874,921	274,851
<i>Passed Through Lehigh County, Pennsylvania</i>								
Emergency Food Assistance Program (Administrative)	10.568	N/A	10/01/18 - 09/30/19	-	60,550	11,505	49,009	(36)
Emergency Food Assistance Program (Administrative)	10.568	N/A	10/01/19 - 09/30/20	-	1,561	-	18,102	16,541
<i>Passed Through Northampton County, Pennsylvania</i>								
Emergency Food Assistance Program (Administrative)	10.568	18-1066	10/01/18 - 09/30/19	-	9,376	9,376	-	-
Emergency Food Assistance Program (Administrative)	10.568	17-1066	10/01/19 - 09/30/20	-	29,341	-	38,825	9,484
<i>Passed Through Carbon County, Pennsylvania</i>								
Emergency Food Assistance Program (Administrative)	10.568	N/A	10/01/18 - 09/30/19	-	10,098	2,406	7,692	-
Emergency Food Assistance Program (Administrative)	10.568	N/A	10/01/19 - 09/30/20	-	2,063	-	3,566	1,503
Emergency Food Assistance Program (Administrative)	10.568	N/A	10/01/19 - 09/30/20	-	83,723	-	9,830	(73,893)
Emergency Food Assistance Program (Administrative)	10.568	N/A	10/01/19 - 09/30/20	-	-	-	221,188	221,188
TOTAL	10.568			-	196,712	23,287	348,212	174,787
<i>Passed Through Lehigh County, Pennsylvania</i>								
Emergency Food Assistance Program (Commodities)	10.569	N/A	07/01/19 - 06/30/20	-	1,167,354	77,401	1,158,729	68,776 #
<i>Passed Through Northampton County, Pennsylvania</i>								
Emergency Food Assistance Program (Commodities)	10.569	17-1066	07/01/19 - 06/30/20	-	274,561	41,773	232,905	117 #
Emergency Food Assistance Program (Commodities)	10.569	Trade Mitigation	07/01/19 - 06/30/20	-	1,459,533	103,955	1,355,841	263 #
<i>Passed Through Carbon County, Pennsylvania</i>								
Emergency Food Assistance Program (Commodities)	10.569	N/A	07/01/19 - 06/30/20	-	75,727	5,819	69,908	- #
TOTAL	10.569			-	2,977,175	228,948	2,817,383	69,156
Total Food Distribution Cluster				-	4,016,507	494,785	4,040,516	518,794
Total U.S. Department of Agriculture				-	4,017,978	494,785	4,041,987	518,794
U.S. Department of Commerce								
Economic Adjustment Assistance	11.307	01-39-02815	N/A	-	-	-	355,172	-
Total U.S. Department of Commerce	11.307			-	-	-	355,172	-

See Notes to Schedule of Expenditure of Federal Awards.

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

<u>Federal Grantor Project Title</u>	<u>Federal CFDA#</u>	<u>Pass Through Grantor's Numbers</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued or (Deferred) Revenues At July 1, 2019</u>	<u>Revenue Recognized/ Expenditures</u>	<u>Accrued or (Deferred) Revenues At June 30, 2020</u>
<u>U.S. Department of Housing & Urban Development</u>								
<i>Passed Through the Pennsylvania Housing Finance Agency</i>								
Housing Counseling Assistance Program	14.169	N/A	10/01/19 - 06/30/20	-	24,250	13,381	38,130	27,261
TOTAL	14.169			-	24,250	13,381	38,130	27,261
<i>Passed Through the City of Allentown</i>								
Community Development Block Grant	14.218	N/A	01/01/19 - 12/31/19	10,000	10,000	5,951	4,049	-
Community Development Block Grant	14.218	N/A	01/01/20 - 12/31/20	10,000	-	-	4,284	4,284
<i>Passed Through Northampton County</i>								
Community Development Block Grant	14.218	N/A	10/18/18 - 12/31/19	30,000	25,853	13,350	14,263	1,760
Community Development Block Grant	14.218	N/A	10/01/18 - 12/31/19	15,000	2,494	2,494	15,000	15,000
Community Development Block Grant	14.218	N/A	10/01/18 - 12/31/19	30,000	30,000	11,405	18,595	-
Community Development Block Grant	14.218	N/A	01/01/20 - 12/31/20	30,000	-	-	10,300	10,300
Community Development Block Grant	14.218	N/A	10/01/19 - 12/31/20	300,000	91,181	-	104,252	13,071
TOTAL	14.218			425,000	159,528	33,200	170,743	44,415
<i>Passed Through the City of Allentown</i>								
Emergency Solutions Grant Program	14.231	N/A	01/01/19 - 12/31/19	37,654	37,654	16,015	21,639	-
Emergency Solutions Grant Program	14.231	N/A	01/01/20 - 12/31/20	43,125	-	-	6,198	6,198
TOTAL	14.231			80,779	37,654	16,015	27,837	6,198
<i>Passed Through the City of Bethlehem</i>								
Home Investment Partnerships Program (HRP Bethlehem)	14.239	N/A	05/01/18 - 07/30/19	400,000	99,199	(73,692)	153,675	(19,216)
TOTAL	14.239			400,000	99,199	(73,692)	153,675	(19,216)
Total U.S. Department of Housing & Urban Development				905,779	320,631	(11,096)	745,557	58,658
<u>U.S. Department of Justice</u>								
Fair Housing Testing Program	16.103	N/A	8/30/18 - 8/29/19	13,598	1,500	-	3,000	1,500
Total U.S. Department of Justice	16.103			13,598	1,500	-	3,000	1,500
<u>U.S. Department of Energy</u>								
<i>Passed Through the Pennsylvania Department of Community & Economic Development</i>								
Weatherization Assistance for Low-Income Persons	81.042	C000056906	07/01/18 - 06/30/19	395,365	63,774	63,774	-	-
Weatherization Assistance for Low-Income Persons	81.042	C000066455	07/01/19 - 06/30/21	432,665	312,854	-	330,808	17,954
Total U.S. Department of Energy	81.042			828,030	376,628	63,774	330,808	17,954

See Notes to Schedule of Expenditure of Federal Awards.

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor Project Title	Federal CFDA#	Pass Through Grantor's Numbers	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued or (Deferred) Revenues At July 1, 2019	Revenue Recognized/ Expenditures	Accrued or (Deferred) Revenues At June 30, 2020
<i>U.S. Department of Health & Human Services</i>								
<i>Passed Through the Pennsylvania</i>								
<i>Department of Public Welfare</i>								
Temporary Assistance to Needy Families (Supported Work/Supported Engagement Program)	93.558	4100064754	01/01/19 - 09/30/19	225,541	165,968	69,293	96,675	-
Temporary Assistance to Needy Families (Supported Work/Supported Engagement Program)	93.558	4100064754	10/01/19 - 09/30/20	300,722	-	-	193,570	193,570
TOTAL	93.558			526,263	165,968	69,293	290,245	193,570
<i>Passed Through the Pennsylvania</i>								
<i>Department of Community & Economic Development</i>								
Low-Income Home Energy Assistance	93.568	C000061716	10/01/18 - 9/30/19	3,501,146	148,041	81,110	66,931	-
Low-Income Home Energy Assistance	93.568	C000061716	10/01/19 - 9/30/21	889,370	735,452	-	757,541	22,089
TOTAL	93.568			4,390,516	883,493	81,110	824,472	22,089
<i>Passed Through the Pennsylvania</i>								
<i>Department of Community & Economic Development</i>								
Community Services Block Grant	93.569	C000067069	01/01/19 - 12/31/19	2,673,870	755,476	127,048	628,428	-
Community Services Block Grant	93.569	C000067069	01/01/20 - 12/31/20	1,439,502	399,746	-	592,702	192,956
TOTAL	93.569			4,113,372	1,155,222	127,048	1,221,130	192,956
Total U.S. Department of Health & Human Services				9,030,151	2,204,683	277,451	2,335,847	408,615
Total Federal Awards				\$ 10,777,558	\$ 6,921,420	\$ 824,914	\$ 7,457,199	\$ 1,005,521

Beginning and ending accrued indicates beginning and ending inventory values of commodities.

See Notes to Schedule of Expenditure of Federal Awards.

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Notes to the Schedule of Federal Awards
Year Ended June 30, 2020**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Action Committee of the Lehigh Valley, 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.

NOTE 3. INDIRECT COST RATE

Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries have elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. SUBRECIPIENTS

The Combined Organization provides no federal awards to subrecipients.

NOTE 5. FOOD DISTRIBUTION CLUSTER

Emergency Food Assistance Program – CFDA# 10.568 and 10.569 and Commodity Supplemental Food Program – CFDA# 10.565

Nonmonetary assistance is reported in the schedule at the fair market value, as determined by the County funding agencies, of the commodities received and disbursed.

NOTE 6. NONCASH FEDERAL AWARDS EXPENDED

The following represents noncash federal awards expended include in the schedule of expenditures of federal awards:

Commodity Supplemental Food Program - Food Commodities (10.565)	\$	734,080
Emergency Food Assistance Program - Food Commodities (10.569)		2,817,383
	\$	<u>3,551,463</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries
Bethlehem, Pennsylvania

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 consolidated financial statements of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' consolidated 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 consolidated financial statements. 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 purpose.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
March 19, 2021



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

To the Board of Directors
Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries
Bethlehem, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' major federal programs for the year ended June 30, 2020. Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
March 19, 2021

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I: Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

* Material weaknesses identified? yes no

* Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

* Material weaknesses identified? yes no

* Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

CFDA Number

10.565, 10.568 & 10.569
11.307

Name of Federal Program

Food Distribution Cluster
Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

**COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.
AND SUBSIDIARIES**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section II: Financial Statement Findings

No findings to be reported.

Section III: Federal Award Findings

Finding 2020-001 - Material Weakness

U.S. Department of Agriculture

Passed through Lehigh, Northampton and Carbon counties from Commonwealth of Pennsylvania

Program: Food Distribution Cluster– CFDA# 10.565, 10.568 & 10.569

Condition: The Organization distributed food to an ineligible participant agency under the Emergency Food Assistance Program.

Criteria: Eligibility requirements for the program require that participating agencies have a program agreement on file with the Organization and maintain self-declaration forms for all individuals who receive the commodities at the participating agency.

Cause: Controls related to food distribution at the Organization allowed federal commodities under the Emergency Food Assistance Program to be distributed to a participating agency without the proper eligibility for the program.

Effect: One participating agency and its related agencies received federal commodities during the program year that they were ineligible to receive.

Context: A sample of participating agencies was taken from the food distributed during the year ended June 30, 2020 for proper eligibility documentation. One agency was found that did not have the proper documentation to receive assistance under the program. Once discovered, all distributions to the agency and its related entities were compiled to determine the amount of the unallowed distributions.

Questioned Costs: \$57,605.

Recommendation: The Organization should revise the control procedures that allowed the federal commodities to be distributed to an ineligible agency. Additional controls over the program should be implemented to be sure the proper eligibility documentation is on file before these food commodities are distributed. The Organization should contact their oversight agency for instructions on how to correct the questioned costs.

View of Responsible Officials and Planned Corrective Action: The Organization agrees with the recommendation and has already revised the controls related to the program. The Organization will contact the United States Department of Agriculture contact to correct the questioned costs in this finding.



C A C L V

CORRECTIVE ACTION PLAN FOR YEAR ENDING JUNE 30, 2020

3 March 2021

U.S. Department of Agriculture, The Emergency Food Assistance Program, passed through the Pennsylvania Department of Agriculture and Lehigh, Northampton and Carbon counties, Pennsylvania Food Distribution Cluster, CFDA# 10.565, 10.568 and 10.569

Independent public accounting firm:

Buckno Lisicky & Company
645 Hamilton Street, Suite 204
Allentown, PA 18101

Audit period: Year Ended June 30, 2020.

The Community Action Committee of the Lehigh Valley, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2020.

The findings from the June 30, 2020, schedule of findings and questioned costs are addressed below. The findings are numbered consistently with the numbers assigned in the schedule.

Federal Awards Findings

Finding 2020-001, Material Weakness

Recommendation

The Organization should revise the control procedures that allowed the federal commodities to be distributed to an ineligible agency. Additional controls over the program should be implemented to be sure the proper eligibility documentation is on file before these food commodities are distributed. The Organization should contact their oversight agency for instructions on how to correct the questioned costs.

Corrective Action

The Community Action Committee of the Lehigh Valley, Inc., d/b/a Second Harvest Food Bank of Lehigh Valley and Northeast Pennsylvania, proposes the following adjustments to correct the finding in our audit of the Temporary Emergency Food Assistance Program for the fiscal year ending June 30, 2020. CACLV will monitor the disbursement of federal commodities by implementing new and more aggressive controls. When federal commodities are ordered by any nonprofit affiliated with the Second Harvest Food Bank for the

Community Action Committee of the Lehigh Valley

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purpose of distributing food assistance, the Food Bank's Agency Relations Coordinator will review the eligibility of the nonprofit. The Food Bank's Operations Manager will review the product and sign off on the agency's eligibility. Finally, CACLV's Fiscal Department will review all federal distributions each month.

Additionally, the Second Harvest Food Bank will no longer offer federal product during its "Free Friday" promotion to ensure that ineligible organizations do not mistakenly receive the product. Although there were \$57,605 in questioned costs, the Pennsylvania Department of Agriculture determined that the product was used for congregate feeding and was therefore an eligible use. No replacement product will need to be purchased nor will the Second Harvest Food Bank need to make monetary amends for the referenced costs. The Pennsylvania Department of Agriculture will meet with CACLV management and Second Harvest Food Bank staff to address this finding and provide proper training to review and reinforce the proper disbursement of federally funded product.

We want to assure the Department that we take our stewardship of federal resources very seriously and fully intend to operate our program with no further incident.

Sincerely,

A handwritten signature in black ink, appearing to read "A. L. Jennings". The signature is stylized and somewhat cursive.

Alan L. Jennings
Executive Director