

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

**FINANCIAL AND
SINGLE AUDIT REPORTS**

June 30, 2018

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Certified Public Accountants | Business Consultants

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, 2018 and 2017, 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. as of June 30, 2018 and 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Community Action Committee of the Lehigh Valley, Inc.'s 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary 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 December 5, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
December 5, 2018

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

**Consolidated Statements of Financial Position
June 30, 2018 and 2017**

| ASSETS | 2018 | 2017 |
|--|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 3,243,668 | \$ 2,657,575 |
| Restricted cash | 1,148,831 | 1,024,978 |
| Grant receivable | 1,603,383 | 1,339,064 |
| Unconditional promises to give | 164,819 | 345,564 |
| Program loans receivable, net of loss reserve | 515,546 | 177,301 |
| Inventory | 1,052,234 | 1,087,587 |
| Property inventory, net of loss reserve | 380,042 | 187,320 |
| Prepaid expenses | 115,324 | 89,383 |
| TOTAL CURRENT ASSETS | 8,223,847 | 6,908,772 |
| PROPERTY AND EQUIPMENT | | |
| Land | 26,477 | 26,477 |
| Land held in trust | 282,143 | 255,137 |
| Building | 8,419,418 | 8,244,792 |
| Leasehold improvements | 856,744 | 856,744 |
| Equipment | 1,455,126 | 1,440,289 |
| | 11,039,908 | 10,823,439 |
| Less: accumulated depreciation | 4,099,031 | 3,749,985 |
| TOTAL PROPERTY AND EQUIPMENT, NET | 6,940,877 | 7,073,454 |
| OTHER ASSETS | | |
| Unconditional promises to give | 11,719 | 342,282 |
| Investments | 179,272 | 147,619 |
| Program loans receivable, net of current portion | 2,031,649 | 1,472,304 |
| TOTAL OTHER ASSETS | 2,222,640 | 1,962,205 |
| TOTAL ASSETS | \$ 17,387,364 | \$ 15,944,431 |

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

**Consolidated Statements of Financial Position (cont'd)
June 30, 2018 and 2017**

| LIABILITIES AND NET ASSETS | | | |
|---|----|----------------------|----------------------|
| | | 2018 | 2017 |
| CURRENT LIABILITIES | | | |
| Current portion of long-term debt | \$ | 920,155 | \$ 314,277 |
| Line of credit | | 150,418 | 70,345 |
| Accounts payable | | 509,813 | 337,719 |
| Accrued expenses | | 571,557 | 71,743 |
| Accrued interest | | 4,477 | 3,797 |
| Accrued wages | | 337,273 | 293,720 |
| Compensated absences | | 97,529 | 98,345 |
| Deferred revenue | | 245,674 | 141,466 |
| TOTAL CURRENT LIABILITIES | | 2,836,896 | 1,331,412 |
| NONCURRENT LIABILITIES | | | |
| Long-term debt, less current maturities | | 1,834,270 | 2,369,040 |
| TOTAL NONCURRENT LIABILITIES | | 1,834,270 | 2,369,040 |
| TOTAL LIABILITIES | | 4,671,166 | 3,700,452 |
| NET ASSETS | | | |
| WITHOUT DONOR RESTRICTIONS | | | |
| CACLV | | 8,603,839 | 7,095,180 |
| CADCA | | 44,396 | 15,387 |
| CADCB | | 152,983 | 186,054 |
| LVCLT | | 586,335 | 658,461 |
| RTCLF | | 1,432,126 | 1,368,143 |
| BOARD DESIGNATED | | 745,772 | 1,549,156 |
| TOTAL WITHOUT DONOR RESTRICTIONS | | 11,565,451 | 10,872,381 |
| WITH DONOR RESTRICTIONS | | | |
| CACLV | | 699,013 | 864,394 |
| CADCA | | 375,700 | 367,544 |
| CADCB | | 76,034 | 82,160 |
| LVCLT | | - | 7,500 |
| RTCLF | | - | 50,000 |
| TOTAL WITH DONOR RESTRICTIONS | | 1,150,747 | 1,371,598 |
| TOTAL NET ASSETS | | 12,716,198 | 12,243,979 |
| TOTAL LIABILITIES AND NET ASSETS | | \$ 17,387,364 | \$ 15,944,431 |

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

**Consolidated Statements of Activities
Year Ended June 30, 2018**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 2,663,586 | \$ 1,821,388 | \$ 4,484,974 |
| Grants | 5,648,996 | - | 5,648,996 |
| Donated food products | 10,674,696 | - | 10,674,696 |
| Shared maintenance fee | 129,264 | - | 129,264 |
| Program services | 2,853,395 | - | 2,853,395 |
| Program fees, net | 65,434 | - | 65,434 |
| Interest income | 181,732 | - | 181,732 |
| | <u>22,217,103</u> | <u>1,821,388</u> | <u>24,038,491</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | |
| For program operations | 1,512,694 | (1,512,694) | - |
| For capital additions | 529,545 | (529,545) | - |
| | <u>2,042,239</u> | <u>(2,042,239)</u> | <u>-</u> |
| TOTAL REVENUE AND SUPPORT | <u>24,259,342</u> | <u>(220,851)</u> | <u>24,038,491</u> |
| EXPENSES AND GAINS | | | |
| Program | 21,306,873 | - | 21,306,873 |
| Supporting services: | | | |
| Management and general | 1,799,673 | - | 1,799,673 |
| Fundraising | 465,967 | - | 465,967 |
| TOTAL EXPENSES | <u>23,572,513</u> | <u>-</u> | <u>23,572,513</u> |
| Gain on sale of homes | (6,241) | - | (6,241) |
| TOTAL EXPENSES AND GAINS | <u>23,566,272</u> | <u>-</u> | <u>23,566,272</u> |
| CHANGE IN NET ASSETS | 693,070 | (220,851) | 472,219 |
| NET ASSETS, beginning | 10,872,381 | 1,371,598 | 12,243,979 |
| NET ASSETS, ending | \$ 11,565,451 | \$ 1,150,747 | \$ 12,716,198 |

See Notes to Financial Statements.

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

**Consolidated Statements of Activities
Year Ended June 30, 2017**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------------|
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 2,384,862 | \$ 1,745,457 | \$ 4,130,319 |
| Grants | 5,352,140 | - | 5,352,140 |
| Donated food products | 10,435,642 | - | 10,435,642 |
| Shared maintenance fee | 72,186 | - | 72,186 |
| Program services | 2,272,594 | - | 2,272,594 |
| Program fees, net | 47,104 | - | 47,104 |
| Interest income | 134,589 | - | 134,589 |
| | <u>20,699,117</u> | <u>1,745,457</u> | <u>22,444,574</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | |
| For program operations | 1,259,194 | (1,259,194) | - |
| For capital additions | 1,012,216 | (1,012,216) | - |
| | <u>2,271,410</u> | <u>(2,271,410)</u> | <u>-</u> |
| TOTAL REVENUE AND SUPPORT | <u>22,970,527</u> | <u>(525,953)</u> | <u>22,444,574</u> |
| EXPENSES AND LOSSES | | | |
| Program | 19,534,418 | - | 19,534,418 |
| Supporting services: | | | |
| Management and general | 1,852,484 | - | 1,852,484 |
| Fundraising | 403,336 | - | 403,336 |
| TOTAL EXPENSES | <u>21,790,238</u> | <u>-</u> | <u>21,790,238</u> |
| Loss on sale of homes | 15,094 | - | 15,094 |
| TOTAL EXPENSES AND LOSSES | <u>21,805,332</u> | <u>-</u> | <u>21,805,332</u> |
| CHANGE IN NET ASSETS | 1,165,195 | (525,953) | 639,242 |
| NET ASSETS, beginning | 9,707,186 | 1,897,551 | 11,604,737 |
| NET ASSETS, ending | <u>\$ 10,872,381</u> | <u>\$ 1,371,598</u> | <u>\$ 12,243,979</u> |

See Notes to Financial Statements.

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

Consolidated Statements of Functional Expenses

Year Ended June 30, 2018

(With Summarized Information from 2017)

| | | Management | | Totals | |
|--|----------------------|---------------------|-------------------|----------------------|----------------------|
| | Program | & General | Fund Raising | 2018 | 2017 |
| PERSONNEL: | | | | | |
| Salaries and wages | \$ 2,594,970 | \$ 843,368 | \$ 244,468 | \$ 3,682,806 | \$ 3,556,305 |
| Employee benefits/payroll taxes | 1,166,993 | 401,863 | 76,832 | 1,645,688 | 1,475,484 |
| Conferences and training | 41,552 | 23,468 | 4,921 | 69,941 | 59,028 |
| Travel | 40,005 | 14,148 | 5,925 | 60,078 | 63,001 |
| TOTAL PERSONNEL: | <u>3,843,520</u> | <u>1,282,847</u> | <u>332,146</u> | <u>5,458,513</u> | <u>5,153,818</u> |
| Advertising and promotion | 4,382 | - | - | 4,382 | 4,924 |
| Computer tech support | 242 | - | - | 242 | - |
| Contracted services/assistance | 536,919 | - | - | 536,919 | 193,709 |
| Costs of completed or disposed capital projects | 67,484 | - | - | 67,484 | - |
| Depreciation | 252,838 | 96,208 | - | 349,046 | 322,884 |
| Dues and subscriptions | 34,286 | 24,691 | 7,018 | 65,995 | 55,281 |
| Equipment maintenance and repairs | 39,706 | 5,384 | 7,508 | 52,598 | 46,370 |
| Facility maintenance and utilities | 362,756 | 50,816 | - | 413,572 | 522,349 |
| Food distributions | 10,710,050 | - | - | 10,710,050 | 10,060,469 |
| Food purchases | 1,234,845 | - | - | 1,234,845 | 1,055,543 |
| Insurance | 44,451 | 36,453 | - | 80,904 | 72,467 |
| Interest | 46,097 | 5,922 | - | 52,019 | 59,749 |
| Loan loss reserve | 91,500 | - | - | 91,500 | 18,668 |
| Management fees | - | - | - | - | - |
| Minor equipment purchase | 41,350 | 26,093 | - | 67,443 | 51,411 |
| Miscellaneous | 2,980 | - | - | 2,980 | - |
| Occupancy | 26,892 | 22,621 | 2,821 | 52,334 | 49,704 |
| Other expense | 12,489 | - | - | 12,489 | 38,173 |
| Payroll processing | - | - | - | - | 1,963 |
| Postage | 18,373 | 3,273 | 31,478 | 53,124 | 85,249 |
| Printing | 17,205 | 14,853 | 69,106 | 101,164 | 82,804 |
| Professional fees | 2,132,093 | 178,743 | - | 2,310,836 | 1,917,286 |
| Program contract costs and supplies | 878,540 | - | - | 878,540 | 776,156 |
| Programming and software | 1,380 | - | - | 1,380 | - |
| Project cost loss reserve | 87,000 | - | - | 87,000 | 94,000 |
| Subgrantee payments | 22,353 | - | - | 22,353 | 169,920 |
| Supplies | 585,016 | 17,577 | 4,900 | 607,493 | 710,816 |
| Telephone | 64,922 | 33,704 | 10,990 | 109,616 | 108,981 |
| Utilities | 944 | - | - | 944 | - |
| Vehicle operation and repairs | 146,260 | 488 | - | 146,748 | 137,544 |
| TOTAL OTHER: | <u>17,463,353</u> | <u>516,826</u> | <u>133,821</u> | <u>18,114,000</u> | <u>16,636,420</u> |
| TOTAL EXPENSES | <u>\$ 21,306,873</u> | <u>\$ 1,799,673</u> | <u>\$ 465,967</u> | <u>\$ 23,572,513</u> | <u>\$ 21,790,238</u> |

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

**Consolidated Statements of Cash Flows
Year Ended June 30, 2018**

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 472,219 | \$ 639,242 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 349,046 | 322,884 |
| Provision for loan losses | 91,500 | 18,668 |
| Non-cash loss provision | (7,000) | (14,000) |
| (Increase) decrease in assets: | | |
| Grant receivable | (264,319) | 21,201 |
| Unconditional promises to give | 511,308 | 543,207 |
| Inventory | 35,353 | (375,173) |
| Property inventory | (185,722) | 65,251 |
| Prepaid expenses | (25,941) | (28,161) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 172,094 | (230,654) |
| Accrued wages | 43,553 | 48,682 |
| Accrued expense | 499,814 | (6,086) |
| Accrued interest | 680 | (500) |
| Compensated absences | (816) | 12,928 |
| Deferred revenue | 104,208 | 22,020 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,795,977</u> | <u>1,039,509</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash paid for land leases | (27,006) | (6,500) |
| Purchase of investments | (31,653) | (36,347) |
| Program loans disbursed | (1,440,257) | (732,773) |
| Program loans repaid | 451,167 | 513,972 |
| Purchase of property and equipment | (189,463) | (165,870) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(1,237,212)</u> | <u>(427,518)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds on line of credit, net of payments | 80,073 | - |
| Proceeds of notes payable | 750,000 | 240,000 |
| Payments on notes payable | (678,892) | (827,977) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>151,181</u> | <u>(587,977)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 709,946 | 24,014 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning | 3,682,553 | 3,658,539 |
| Ending | <u><u>\$ 4,392,499</u></u> | <u><u>\$ 3,682,553</u></u> |

See Notes to Financial Statements.

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

Consolidated Statements of Cash Flows
Year Ended June 30, 2018

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 3,243,668 | \$ 2,657,575 |
| Restricted cash | <u>1,148,831</u> | <u>1,024,978</u> |
| | <u>\$ 4,392,499</u> | <u>\$ 3,682,553</u> |
| SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for: | | |
| Interest | <u>\$ 52,019</u> | <u>\$ 59,749</u> |

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

Notes to the Financial Statements June 30, 2018 and 2017

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.

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, 2018 and 2017

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.

Community Action Financial Services (CAFS)

Community Action Financial Services includes the Home Ownership Counseling Program, the Family Savings Account and Individual Development Account programs and foreclosure mitigation.

The Home Ownership Counseling Program reaches out to low-income households to encourage home ownership, conduct training seminars on the home-buying process and provide individual counseling. The Family Savings Account and Individual Development Account programs provide opportunities for individuals to save money for specific purposes such as paying for education, buying or renovating a home, buying a car, or starting a business. When the savings goal is reached, government funds offer a full match for the saved funds. Foreclosure mitigation assists homeowners at risk of foreclosure with a range of intervention techniques designed to protect the owners from losing their homes.

SHE (Self-Esteem, Health, Education)

SHE (Self-Esteem, Health, Education) 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

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.

Housing Rehabilitation Program

CACLV is creating a new housing program that will incorporate some of its existing programs – home ownership counseling, the land trust, and weatherization – into a new structure consisting for now of a Construction Management Unit with a Construction Manager..

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

Notes to the Financial Statements June 30, 2018 and 2017

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.

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.

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.

West Ward Neighborhood Partnership (WWNP)

The West Ward Neighborhood Partnership works with the citizens of the West Ward in Easton to make improvements to their neighborhood to improve the quality of life through such community development initiatives as replacing sidewalks, rehabilitating houses, planting trees, developing community and backyard gardens, improving streetscapes, assisting small businesses, planning and carrying out youth development activities, and painting murals.

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.

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 COMMITTEE OF THE LEHIGH VALLEY, INC. AND SUBSIDIARIES

Notes to the Financial Statements June 30, 2018 and 2017

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.

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.

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 Recognition

Revenue is recognized in the period the service is performed.

Sales of real estate on LVCLT is 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.

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

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Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 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 has 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 these loans at 2.17% and 1.45% for the years ended June 30, 2018 and 2017. The interest is recorded as an in-kind contribution and in-kind interest expense.

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, 2018 and 2017, 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 13.

Advertising Expense

Advertising costs are expensed as incurred and were \$4,382 and \$4,924 for years ended June 30, 2018 and 2017, respectively.

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

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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.

Grants

A substantial portion of the Organization's revenue is derived from donor restricted grants and contracts from governmental agencies. These grants and contracts are recorded based on the terms of the grantor allotment, which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Accordingly, revenue is recognized based on project expenses incurred. Amounts received but not yet earned are reported as deferred revenues.

Property and Equipment

CACLV property and equipment 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 of \$1,000 or more are recorded at cost and depreciated over their estimated useful lives on the straight-line basis.

Depreciation charged to expense is \$349,046 and \$322,884 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 land held in trust was \$282,143 and \$255,137, respectively.

Property Inventory

Property inventory represents costs incurred by the CACLV and LVCLT for housing 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.

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

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Program Loans Receivable

Loans are reported for RTCLF 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 reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Organization uses 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 portfolio, 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 loan portfolio, 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 fully or partially charges off the 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 five 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.

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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 2018 and 2017.

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 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

The reclassifications associated with the adoption of ASU-14 have had the following effect on net assets at June 30, 2017:

| <u>Net Asset Class</u> | <u>As Originally Presented</u> | <u>After Adoption of ASU 2016-14</u> |
|---------------------------------------|------------------------------------|--|
| Unrestricted net assets | \$ 10,872,381 | \$ - |
| Temporarily restricted net assets | 1,366,598 | - |
| Permanently restricted net assets | 5,000 | - |
| Net assets without donor restrictions | - | 10,872,381 |
| Net assets with donor restrictions | - | 1,371,598 |
| | <u>\$ 12,243,979</u> | <u>\$ 12,243,979</u> |

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the 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 December 5, 2018, the date which the financial statements were available to be issued.

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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, 2018, available to meet general expenditures within one year of the balance sheet date are listed below:

| | 2018 |
|--|---------------------|
| Cash and cash equivalents | \$ 4,392,499 |
| Grant receivable | 1,603,383 |
| Unconditional promises to give | 164,819 |
| Program loans receivable, net of loss reserve | 515,546 |
| Less: Contractual or donor-imposed restriction making financial assets unavailable for general expenditure | (2,294,578) |
| | <u>\$ 4,381,669</u> |

NOTE 4. RESTRICTED CASH

Restricted cash as of June 30, 2018 and 2017 was restricted for the following purposes:

| | 2018 | 2017 |
|-----------------------------|----------------|----------------|
| CACLV | | |
| Family and resident savings | \$ 44,738 | \$ 23,458 |
| True endowment (SHFB) | 5,000 | 5,000 |
| | <u>49,738</u> | <u>28,458</u> |
| CADCA | | |
| Development projects | <u>375,700</u> | <u>367,544</u> |

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| | 2018 | 2017 |
|--------------------------|---------------------|---------------------|
| CADCB | | |
| Development projects | 76,034 | 82,160 |
| LVCLT | | |
| Future property expenses | 64,660 | 72,160 |
| RTCLF | | |
| Lending | 192,345 | 12,001 |
| Patient capital fund | - | 50,000 |
| CDFI fund | 24,528 | - |
| City of Bethlehem fund | 390,354 | 412,655 |
| | 582,699 | 474,656 |
| | <u>\$ 1,148,831</u> | <u>\$ 1,024,978</u> |

NOTE 5. PROMISES TO GIVE

Unconditional Promises to Give

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

| | 2018 | 2017 |
|---|-------------------|-------------------|
| CACLV | | |
| Donor restricted for cost of facilities, acquisition and improvement | \$ 187,538 | \$ 715,846 |
| Less: allowance for pledges receivable | 6,000 | 21,000 |
| Less: discounts for pledges receivable | 5,000 | 7,000 |
| | <u>\$ 176,538</u> | <u>\$ 687,846</u> |

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

| | 2018 | 2017 |
|--------------------|-------------------|-------------------|
| CACLV | | |
| Less than one year | \$ 164,819 | \$ 345,564 |
| One to five years | 11,719 | 342,282 |
| | <u>\$ 176,538</u> | <u>\$ 687,846</u> |

Conditional Promises to Give

During the year ended June 30, 2018, 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 totaling \$550,000 per year payable over the next two years, and \$50,000 in year three contingent upon future Commonwealth of Pennsylvania tax credits, under its Neighborhood Partnership Program. Pledge payments of \$550,000 and \$550,000 were received in 2018 and 2017, respectively.

CADCA has received conditional pledges from the Wells Fargo Regional Foundation in the amount of \$130,001 over the next two years for the Jordon Heights Neighborhood Implementation Project. Grant installments of \$86,666 and \$43,333 were received in 2018 and 2017, respectively from previous pledges. The remaining pledge at June 30, 2018 of \$130,001 is payable in semiannual

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installments through December 31, 2019, contingent each year upon the Organization achieving stated measurable outputs and raising remaining project budgets.

CADCB has received conditional pledges totaling \$200,000 per year payable over the next two years contingent upon future Commonwealth of Pennsylvania tax credits, under its Neighborhood Assistance Act Program. Pledge payments received against these commitments were \$200,000 in both 2018 and 2017.

NOTE 6. PROGRAM AND FORGIVABLE LOANS RECEIVABLE

Program loans receivable for RTCLF 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 \$180,624 and \$133,302 for the years ended June 30, 2018 and 2017, respectively. Aggregate loans receivable at June 30 were comprised of the following:

| | 2018 | 2017 |
|---------------------------------|---------------------|---------------------|
| Micro Loans: | | |
| CDFI funds | \$ 12,354 | \$ 18,393 |
| Government and corporate grants | 49,500 | 62,195 |
| Investor loan funds | 516,928 | 387,084 |
| Unrestricted funds | 636,396 | 420,483 |
| | <u>1,215,178</u> | <u>888,155</u> |
| Small Business Loans: | | |
| CDFI funds | - | - |
| Government and corporate grants | 477,596 | 365,977 |
| Investor loan funds | 557,628 | 247,121 |
| Unrestricted funds | 512,493 | 272,552 |
| | <u>1,547,717</u> | <u>885,650</u> |
| Total loans outstanding | 2,762,895 | 1,773,805 |
| Loss reserve | <u>(215,700)</u> | <u>(124,200)</u> |
| | <u>\$ 2,547,195</u> | <u>\$ 1,649,605</u> |

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Scheduled annual maturities of term loans receivable at June 30, 2018 are as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|---------------------|
| 2019 | 727,760 |
| 2020 | 437,315 |
| 2021 | 373,038 |
| 2022 | 341,685 |
| 2023 | 240,425 |
| Thereafter | 642,672 |
| | <u>\$ 2,762,895</u> |

The Organization 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, 2018 and 2017, the amount included in the City of Bethlehem loan fund is as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-------------------|-------------------|
| Repayment of loans, interest and fees | \$ 365,826 | \$ 412,655 |
| Outstanding loan balances | <u>527,096</u> | <u>428,173</u> |
| | <u>\$ 892,922</u> | <u>\$ 840,828</u> |

The Organization has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Organization's portfolio. For purposes of determining the allowance for loan losses, the Organization segments loans in its portfolio by product type. The Organization's 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 Organization uses 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, 2018 and 2017 the loss percentage used for small business and micro loans was 7% for both years when evaluated collectively. The Organization considers the allowance for loan losses of \$215,700 and \$124,200 adequate to cover loan losses inherent in the loan portfolio, as of June 30, 2018 and 2017, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

| <u>Year Ended</u> <u>June 30, 2018</u> | <u>Micro</u> <u>Loans</u> | <u>Small</u> <u>Business</u> <u>Loans</u> | <u>Total</u> |
|---|------------------------------|---|-------------------|
| Loan loss reserve: | | | |
| Beginning balances | \$ 77,835 | \$ 46,365 | \$ 124,200 |
| Charge-offs | - | - | - |
| Recoveries | - | - | - |
| Provision | <u>40,064</u> | <u>51,436</u> | <u>91,500</u> |
| Ending balances | <u>\$ 117,899</u> | <u>\$ 97,801</u> | <u>\$ 215,700</u> |

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| | | | |
|---------------------------------------|---------------------|---------------------|---------------------|
| Ending balances: | | | |
| Individually evaluated for impairment | \$ 51,693 | \$ - | \$ 51,693 |
| Collectively evaluated for impairment | 66,206 | 97,801 | 164,007 |
| | <u>\$ 117,899</u> | <u>\$ 97,801</u> | <u>\$ 215,700</u> |
| Program Loans Receivables: | | | |
| Ending balances: | | | |
| Individually evaluated for impairment | \$ 160,334 | \$ 16,437 | \$ 176,771 |
| Collectively evaluated for impairment | 1,054,844 | 1,531,280 | 2,586,124 |
| | <u>\$ 1,215,178</u> | <u>\$ 1,547,717</u> | <u>\$ 2,762,895</u> |
| | | | |
| | Year Ended | Small | |
| | June 30, 2017 | Business | |
| | | Loans | Total |
| Loan loss reserve: | | | |
| Beginning balances | \$ 76,830 | \$ 32,270 | \$ 109,100 |
| Charge-offs | (4,813) | - | (4,813) |
| Recoveries | - | 1,245 | 1,245 |
| Provision | 5,818 | 12,850 | 18,668 |
| Ending balances | <u>\$ 77,835</u> | <u>\$ 46,365</u> | <u>\$ 124,200</u> |
| Ending balances: | | | |
| Individually evaluated for impairment | \$ 12,000 | \$ - | \$ 12,000 |
| Collectively evaluated for impairment | 65,835 | 46,365 | 112,200 |
| | <u>\$ 77,835</u> | <u>\$ 46,365</u> | <u>\$ 124,200</u> |
| Program Loans Receivables: | | | |
| Ending balances: | | | |
| Individually evaluated for impairment | \$ 118,358 | \$ - | \$ 118,358 |
| Collectively evaluated for impairment | 769,797 | 885,650 | 1,655,447 |
| | <u>\$ 888,155</u> | <u>\$ 885,650</u> | <u>\$ 1,773,805</u> |

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, 2018 and 2017.

| | | | | | |
|---------------------|----------------------|---------------------|--------------------|-----------------|--------------|
| | <u>June 30, 2018</u> | <u>Unclassified</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Total</u> |
| Micro Loans: | | | | | |
| CDFI funds | \$ 12,354 | \$ - | \$ - | \$ - | \$ 12,354 |
| Government and | | | | | |
| Corporate grants | 49,500 | - | - | - | 49,500 |
| Investor loan funds | 473,394 | 36,284 | 7,250 | | 516,928 |
| Unrestricted funds | 519,596 | 36,313 | 80,487 | | 636,396 |

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| <u>June 30, 2018</u> | <u>Unclassified</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Total</u> |
|--------------------------|-------------------------|------------------------|---------------------|---------------------|
| Small Business Loans: | | | | |
| CDFI funds | - | - | - | - |
| Government and | | | | |
| Corporate grants | 477,596 | - | - | 477,596 |
| Investor loan funds | 541,191 | 16,437 | - | 557,628 |
| Unrestricted funds | 512,493 | - | - | 512,493 |
| | <u>\$ 2,586,124</u> | <u>\$ 89,034</u> | <u>\$ 87,737</u> | <u>\$ 2,762,895</u> |
| <u>June 30, 2017</u> | <u>Unclassified</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Total</u> |
| Micro Loans: | | | | |
| CDFI funds | \$ 18,393 | \$ - | \$ - | \$ 18,393 |
| Government and | | | | |
| Corporate grants | 55,885 | 6,310 | - | 62,195 |
| Investor loan funds | 340,410 | 12,000 | 34,674 | 387,084 |
| Unrestricted funds | 355,109 | 22,755 | 42,619 | 420,483 |
| Small Business Loans: | | | | |
| CDFI funds | - | - | - | - |
| Government and | | | | |
| Corporate grants | 365,977 | - | - | 365,977 |
| Investor loan funds | 247,121 | - | - | 247,121 |
| Unrestricted funds | 272,552 | - | - | 272,552 |
| | <u>\$ 1,655,447</u> | <u>\$ 41,065</u> | <u>\$ 77,293</u> | <u>\$ 1,773,805</u> |

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, 2018 and 2017.

| | | | Greater | | Total |
|-----------------------|-----------------|-----------------|------------------|------------------|---------------------|
| | 31-60 Days | 61-90 Days | Than 90 Days | Total | Program Loans |
| <u>June 30, 2018</u> | <u>Past Due</u> | <u>Past Due</u> | <u>Past Due</u> | <u>Past Due</u> | <u>Receivables</u> |
| Micro Loans: | | | | | |
| CDFI funds | \$ - | \$ - | \$ - | \$ - | \$ 12,354 |
| Government and | | | | | |
| Corporate grants | - | - | - | - | 49,500 |
| Investor loan funds | 1,659 | 1,063 | 7,272 | 9,994 | 516,928 |
| Unrestricted funds | 3,799 | 3,145 | 11,565 | 18,509 | 636,396 |
| Small Business Loans: | | | | | |
| CDFI funds | - | - | - | - | - |
| Government and | | | | | |
| Corporate grants | - | - | - | - | 477,596 |
| Investor loan funds | 906 | 906 | 1,629 | 3,441 | 557,628 |
| Unrestricted funds | - | - | - | - | 512,493 |
| | <u>\$ 6,364</u> | <u>\$ 5,114</u> | <u>\$ 20,466</u> | <u>\$ 31,944</u> | <u>\$ 2,762,895</u> |

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| <u>June 30, 2017</u> | <u>31-60 Days Past Due</u> | <u>61-90 Days Past Due</u> | <u>Greater Than 90 Days Past Due</u> | <u>Total Past Due</u> | <u>Total Program Loans Receivables</u> |
|------------------------------------|--------------------------------|--------------------------------|--|---------------------------|--|
| Micro Loans: | | | | | |
| CDFI funds | \$ - | \$ - | \$ - | \$ - | \$ 18,393 |
| Government and Corporate grants | 24 | - | - | 24 | 62,195 |
| Investor loan funds | 624 | 635 | 8,115 | 9,374 | 387,084 |
| Unrestricted funds | 2,619 | 1,518 | 11,593 | 15,730 | 420,483 |
| Small Business Loans: | | | | | |
| CDFI funds | - | - | - | - | - |
| Government and Corporate grants | - | - | - | - | 365,977 |
| Investor loan funds | - | - | - | - | 247,121 |
| Unrestricted funds | - | - | - | - | 272,552 |
| | <u>\$ 3,267</u> | <u>\$ 2,153</u> | <u>\$ 19,708</u> | <u>\$ 25,128</u> | <u>\$ 1,773,805</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 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, 2018 and 2017 are \$15,000 and \$0, respectively. The outstanding loans are scheduled to mature in the year ended June 30, 2023.

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 \$1.68 and \$1.73 in 2018 and 2017, respectively, based upon amounts provided by Feeding America (formerly named America's Second Harvest). For 2018 and 2017, 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, 2018 and 2017 is as follows:

| <u>June 30, 2018</u> | | | |
|----------------------|---------------------|----------------------|----------------------------------|
| <u>Source</u> | <u>Total pounds</u> | <u>Value</u> | <u>Valuation Methodology</u> |
| USDA/ CSFP-TEFAP | 1,747,813 | \$ 1,652,903 | Commodity price list |
| Donated | 5,370,115 | 9,021,793 | \$1.68 per pound |
| Purchase | 2,301,407 | 1,234,845 | Cost |
| | <u>9,419,335</u> | <u>\$ 11,909,541</u> | |

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

| June 30, 2017 | | | |
|------------------|------------------|----------------------|-----------------------|
| Source | Total pounds | Value | Valuation Methodology |
| USDA/ CSFP-TEFAP | 1,836,648 | \$ 1,561,305 | Commodity price list |
| Donated | 5,129,675 | 8,874,337 | \$1.73 per pound |
| Purchase | 2,037,975 | 1,055,543 | Cost |
| | <u>9,004,298</u> | <u>\$ 11,491,185</u> | |

NOTE 8. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30, 2018 and 2017:

| June 30, 2018 | | |
|------------------|-------------------|-------------------|
| | Cost | Fair Value |
| Annuity contract | <u>\$ 153,658</u> | <u>\$ 179,272</u> |

| June 30, 2017 | | |
|------------------|-------------------|-------------------|
| | Cost | Fair Value |
| Annuity contract | <u>\$ 126,974</u> | <u>\$ 147,619</u> |

NOTE 9. ENDOWMENT

CACLV's endowment consists of an individual fund established for Second Harvest Food Bank. As of June 30, 2018 and 2017 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 27 lots and 25 lots at June 30, 2018 and 2017, respectively. There was one home sold in both 2018 and 2017.

NOTE 11. LINE OF CREDIT

CACLV has a \$2,000,000 revolving line of credit. Interest was at Prime Rate plus .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 January 31, 2019. The balance outstanding on the line of credit was \$0 as of June 30, 2018 and 2017.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

LVCLT has a \$500,000 revolving line of credit with an interest rate of 4.25%. The Line is secured by two of the properties owned by LVCLT. The line of credit currently expires on August 6, 2019. The balance outstanding on the line of credit was \$150,418 and \$70,345 as of June 30, 2018 and 2017, respectively.

LVCLT paid interest on the line of credit of \$5,771 and \$2,861 for the years ended June 30, 2018 and 2017, respectively.

RTCLF has a \$150,000 unsecured revolving credit agreement with an interest rate of 5.00%. The balance on the line was \$0 as of June 30, 2018 and 2017. The line of credit expires November 15, 2018.

NOTE 12. NOTES PAYABLE

Long-term debt at June 30, 2018 and 2017 consists of the following:

| | <u>2018</u> | <u>2017</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. | \$ 155,661 | \$ 179,017 |
| 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 | 314,300 |
| Mortgage payable to bank, Beginning January 2015, 36 interest only monthly payments followed by 59 payments of principal and interest of \$11,493 based on the 30 day LIBOR rate plus 2.15%, not to exceed 4.75%. Variable interest rate at June 30, 2018 was 4.20%. All remaining principal and interest is due December 10, 2022. The loan is collateralized by the building and guaranteed by CACLV. | <u>175,864</u> | <u>700,000</u> |
| TOTAL DEBT, CACLV | 644,425 | 1,193,317 |
| Less: current portion | <u>25,155</u> | <u>24,277</u> |
| TOTAL DEBT, CACLV, NON-CURRENT PORTION | <u>619,270</u> | <u>1,169,040</u> |

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

| | <u>2018</u> | <u>2017</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 July 2018 to June 2025. | 1,975,000 | 1,335,000 |
| Loans payable to various individuals, non-interest bearing. Final payments are due in five years from execution date in various periods from December 2018 through February 2023. | <u>135,000</u> | <u>155,000</u> |
| TOTAL DEBT, RTCLF | <u>2,110,000</u> | <u>1,490,000</u> |
| Less: current portion | <u>895,000</u> | <u>290,000</u> |
| TOTAL DEBT, RTCLF, NON-CURRENT PORTION | <u>1,215,000</u> | <u>1,200,000</u> |
| TOTAL DEBT, NON-CURRENT PORTION | <u>\$ 1,834,270</u> | <u>\$ 2,369,040</u> |

Maturities of long-term debt are as follows:

| <u>Year Ending June 30,</u> | <u>CACLV</u> | <u>RTCLF</u> | <u>Total</u> |
|-----------------------------|-------------------|---------------------|---------------------|
| 2019 | \$ 25,155 | \$ 895,000 | \$ 920,155 |
| 2020 | 26,189 | 120,000 | 146,189 |
| 2021 | 27,267 | 75,000 | 102,267 |
| 2022 | 28,391 | 60,000 | 88,391 |
| 2023 | 205,427 | 560,000 | 765,427 |
| Thereafter | <u>331,996</u> | <u>400,000</u> | <u>731,996</u> |
| | <u>\$ 644,425</u> | <u>\$ 2,110,000</u> | <u>\$ 2,754,425</u> |

Interest paid on long-term debt for the Organization was \$52,019 and \$59,749 for the years ended June 30, 2018 and 2017, respectively.

The long-term debt is subject to several financial covenants. As of June 30, 2018, the Organization is in compliance with all financial covenants.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

The financial statements for the years ended June 30, 2018 and 2017 reflect net assets with donor restrictions for the following purposes:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| <i>Subject to expenditure for specific purpose:</i> | | |
| <u>CACLV</u> | | |
| General program operations | \$ 118,937 | \$ 104,152 |
| Second Harvest Food Bank operations | 282,735 | 39,396 |
| Second Harvest Food Bank building and equipment | 292,341 | 715,846 |
| | <u>694,013</u> | <u>859,394</u> |
| <u>CADCA</u> | | |
| General program operations | 7,111 | 23,710 |
| Neighborhood Assistance Program | 321,486 | 300,501 |
| Jordan Heights project | 47,103 | 43,333 |
| | <u>375,700</u> | <u>367,544</u> |
| <u>CADCB</u> | | |
| Neighborhood Assistance Program | 76,034 | 79,660 |
| Wells Fargo Community Day | - | 2,500 |
| | <u>76,034</u> | <u>82,160</u> |
| <u>LVCLT</u> | | |
| Slate Belt area project costs | - | 7,500 |
| | <u>-</u> | <u>-</u> |
| <u>RTCLF</u> | | |
| Patient Capital Fund | - | 50,000 |
| | <u>-</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>\$ 1,150,747</u> | <u>\$ 1,371,598</u> |

Net assets 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 as follows for the years ended June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| <i>Satisfaction of purpose restrictions:</i> | | |
| <u>CACLV</u> | | |
| General program operations | \$ 240,735 | \$ 212,828 |
| Second Harvest Food Bank operations | 309,823 | 100,536 |
| Second Harvest Food Bank building and equipment | 529,545 | 1,012,216 |
| | <u>1,080,103</u> | <u>1,325,580</u> |

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------------------|-------------------------|
| <u>CADCA</u> | | |
| General program operations | \$ 86,599 | \$ 116,226 |
| Neighborhood Assistance Program | 529,015 | 520,266 |
| Jordan Heights project | 82,896 | 61,625 |
| | <u>698,510</u> | <u>698,117</u> |
| <u>CADCB</u> | | |
| Neighborhood Assistance Program | 203,626 | 239,463 |
| Wells Fargo Community Day | 2,500 | 8,250 |
| | <u>206,126</u> | <u>247,713</u> |
| <u>LVCLT</u> | | |
| Slate Belt area project costs | <u>7,500</u> | <u>-</u> |
| <u>RTCLF</u> | | |
| Patient Capital Fund | <u>50,000</u> | <u>-</u> |
| TOTAL RELEASED FROM RESTRICTIONS | <u>\$ 2,042,239</u> | <u>\$ 2,271,410</u> |

NOTE 14. 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 \$219,753 and \$182,353 for 2018 and 2017, respectively.

NOTE 15. BOARD DESIGNATED NET ASSETS

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>2018</u> | <u>2017</u> |
|--------------------------|----------------|------------------|
| <u>CACLV</u> | | |
| Board designated for: | | |
| Second Harvest Food Bank | \$ - | \$ 351,151 |
| Capital reserve | 250,000 | 500,000 |
| Operating reserve | 250,000 | 500,000 |
| | <u>500,000</u> | <u>1,351,151</u> |

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

| | 2018 | 2017 |
|-----------------------|-------------------|---------------------|
| RTCLF | | |
| Board designated for: | | |
| Endowment | \$ 10,005 | \$ 10,005 |
| Loan repayment fund | 235,767 | 188,000 |
| | <u>245,772</u> | <u>198,005</u> |
| | <u>\$ 745,772</u> | <u>\$ 1,549,156</u> |

NOTE 16. 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.

NOTE 17. RELATED PARTY TRANSACTIONS

The parent organization has the following related transactions with the subsidiaries as of June 30, 2018 and 2017. These transactions have been eliminated from the consolidated financial statements.

| | June 30, 2018 | | | |
|-------|-----------------------------|--------------------------|--------------------|------------------------|
| | Related party Receivable | Related party Payable | Management Fees | Subgrantee Payments |
| CACLV | \$ 52,305 | \$ 55,319 | \$ - | \$ - |
| CADCA | 22,313 | 23,322 | 84,034 | 130,000 |
| CADCB | 33,006 | 10,954 | 71,827 | 129,999 |
| LVCLT | - | 10,484 | 60,856 | 49,700 |
| RTCLF | - | 7,545 | 45,552 | - |
| | <u>\$ 107,624</u> | <u>\$ 107,624</u> | <u>\$ 262,269</u> | <u>\$ 309,699</u> |

| | June 30, 2017 | | | |
|-------|-----------------------------|--------------------------|--------------------|------------------------|
| | Related party Receivable | Related party Payable | Management Fees | Subgrantee Payments |
| CACLV | \$ 70,423 | \$ 79,803 | \$ - | \$ - |
| CADCA | 23,507 | 31,051 | 79,467 | 126,914 |
| CADCB | 23,558 | 14,174 | 73,930 | 130,001 |
| LVCLT | 32,815 | 16,762 | 76,863 | 232,178 |
| RTCLF | - | 8,513 | 38,941 | - |
| | <u>\$ 150,303</u> | <u>\$ 150,303</u> | <u>\$ 269,201</u> | <u>\$ 489,093</u> |

CADCA rents office space from CACLV. Rental expense for the years ended June 30, 2018 and 2017 was \$13,000 and \$13,000, respectively.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

NOTE 18. 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 \$76,580 and \$84,226 in 2018 and 2017, respectively. Future lease commitments are as follows:

| | <u>CACLV</u> | <u>CADCA</u> | <u>CADCB</u> | <u>Total</u> |
|-----------------------------|-------------------|-----------------|------------------|-------------------|
| <u>Year Ending June 30,</u> | | | | |
| 2019 | 72,706 | 3,400 | 13,200 | \$ 89,306 |
| 2020 | 72,162 | - | 11,000 | 83,162 |
| 2021 | 70,066 | - | - | 70,066 |
| 2022 | 51,108 | - | - | 51,108 |
| 2023 | 51,108 | - | - | 51,108 |
| Thereafter | 99,868 | - | - | 99,868 |
| | <u>\$ 417,018</u> | <u>\$ 3,400</u> | <u>\$ 24,200</u> | <u>\$ 444,618</u> |

NOTE 19. 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 20. FAIR VALUE MEASUREMENTS

The estimated fair value of the Organization's financial instruments measured on a recurring basis as of June 30, 2018 and 2017 are as follows:

| <u>June 30, 2018</u> | | |
|----------------------|-------------------|--------------------------------|
| | <u>Fair Value</u> | <u>Valuation (Level 3)</u> |
| Annuity contract | <u>\$ 179,272</u> | <u>\$ 179,272</u> |
| <u>June 30, 2017</u> | | |
| | <u>Fair Value</u> | <u>Valuation (Level 3)</u> |
| Annuity contract | <u>\$ 147,619</u> | <u>\$ 147,619</u> |

The change in the Organization's financial instrument measured on a recurring basis as of June 30, 2018 and 2017 is as follows:

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

| | <u>Balance June 30, 2017</u> | <u>Unrealized Gain</u> | <u>Additions</u> | <u>Balance June 30, 2018</u> |
|------------------|----------------------------------|----------------------------|------------------|----------------------------------|
| Annuity contract | <u>\$ 147,619</u> | <u>\$ 4,969</u> | <u>\$ 26,684</u> | <u>\$ 179,272</u> |
| | <u>Balance June 30, 2016</u> | <u>Unrealized Loss</u> | <u>Additions</u> | <u>Balance June 30, 2017</u> |
| Annuity contract | <u>\$ 111,272</u> | <u>\$ 10,166</u> | <u>\$ 26,181</u> | <u>\$ 147,619</u> |

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.

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

Consolidating Statements of Financial Position

June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACLV | CADCA | CADCB | LVCLT | RTCLF | Eliminations | Totals | |
|-----------------------------------|--------------|-----------|------------|------------|------------|--------------|--------------|--------------|
| | | | | | | | 2018 | 2017 |
| ASSETS | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 2,201,998 | \$ 50,868 | \$ 178,059 | \$ 105,985 | \$ 706,758 | \$ - | \$ 3,243,668 | \$ 2,657,575 |
| Restricted cash | 49,738 | 375,700 | 76,034 | 64,660 | 582,699 | - | 1,148,831 | 1,024,978 |
| Grant receivable | 1,513,449 | 31,822 | 3,615 | 52,361 | 2,136 | - | 1,603,383 | 1,339,064 |
| Unconditional promises to give | 164,819 | - | - | - | - | - | 164,819 | 345,564 |
| Accounts receivable, subsidiaries | 52,305 | 22,313 | 33,006 | - | - | (107,624) | - | - |
| Program loans receivable, | | | | | | | | |
| net of reserve of \$215,700 | - | - | - | - | 515,546 | - | 515,546 | 177,301 |
| Inventory | 1,052,234 | - | - | - | - | - | 1,052,234 | 1,087,587 |
| Property inventory, less | | | | | | | | |
| loss reserve of \$94,000 | 121,364 | - | - | 258,678 | - | - | 380,042 | 187,320 |
| Prepaid expenses | 107,795 | 5,067 | 1,344 | - | 1,118 | - | 115,324 | 89,383 |
| TOTAL | 5,263,702 | 485,770 | 292,058 | 481,684 | 1,808,257 | (107,624) | 8,223,847 | 6,908,772 |
| PROPERTY AND EQUIPMENT | | | | | | | | |
| Land | 26,477 | - | - | - | - | - | 26,477 | 26,477 |
| Land held in trust | - | - | - | 282,143 | - | - | 282,143 | 255,137 |
| Building | 8,419,418 | - | - | - | - | - | 8,419,418 | 8,244,792 |
| Leasehold improvements | 856,744 | - | - | - | - | - | 856,744 | 856,744 |
| Equipment | 1,409,508 | 19,422 | 16,449 | - | 9,747 | - | 1,455,126 | 1,440,289 |
| | 10,712,147 | 19,422 | 16,449 | 282,143 | 9,747 | - | 11,039,908 | 10,823,439 |
| Less accumulated depreciation | 4,056,808 | 19,408 | 16,449 | - | 6,366 | - | 4,099,031 | 3,749,985 |
| TOTAL | 6,655,339 | 14 | - | 282,143 | 3,381 | - | 6,940,877 | 7,073,454 |

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

Consolidating Statements of Financial Position

June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACLV | CADCA | CADCB | LVCLT | RTCLF | Eliminations | Totals | |
|--|---------------|------------|------------|------------|--------------|--------------|---------------|---------------|
| | | | | | | | 2018 | 2017 |
| OTHER ASSETS | | | | | | | | |
| Unconditional promises to give | \$ 11,719 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,719 | \$ 342,282 |
| Investments | 179,272 | - | - | - | - | - | 179,272 | 147,619 |
| Forgivable loans receivable, net of reserve of \$15,000 | - | - | - | - | - | - | - | - |
| Program loans receivable, net of current portion | - | - | - | - | 2,031,649 | - | 2,031,649 | 1,472,304 |
| TOTAL | 190,991 | - | - | - | 2,031,649 | - | 2,222,640 | 1,962,205 |
| TOTAL ASSETS | \$ 12,110,032 | \$ 485,784 | \$ 292,058 | \$ 763,827 | \$ 3,843,287 | \$ (107,624) | \$ 17,387,364 | \$ 15,944,431 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | | | | | | | |
|-----------------------------------|-----------|--------|--------|---------|------------|-----------|------------|------------|
| Current portion of | | | | | | | | |
| long-term debt | \$ 25,155 | \$ - | \$ - | \$ - | \$ 895,000 | \$ - | \$ 920,155 | \$ 314,277 |
| Line of credit | - | - | - | 150,418 | - | - | 150,418 | 70,345 |
| Accounts payable | 446,943 | 18,390 | 36,273 | 6,014 | 2,193 | - | 509,813 | 337,719 |
| Accounts payable, subsidiaries | 55,319 | 23,322 | 10,954 | 10,484 | 7,545 | (107,624) | - | - |
| Accrued expenses | 547,421 | 6,492 | 5,144 | 5,500 | 7,000 | - | 571,557 | 71,743 |
| Accrued interest | - | - | - | - | 4,477 | - | 4,477 | 3,797 |
| Accrued wages | 311,309 | 10,633 | 7,039 | 3,541 | 4,751 | - | 337,273 | 293,720 |
| Compensated absences | 80,617 | 6,851 | 3,631 | 1,535 | 4,895 | - | 97,529 | 98,345 |
| Deferred revenue | 221,146 | - | - | - | 24,528 | - | 245,674 | 141,466 |
| TOTAL | 1,687,910 | 65,688 | 63,041 | 177,492 | 950,389 | (107,624) | 2,836,896 | 1,331,412 |

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

Consolidating Statements of Financial Position

June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACL | CADCA | CADC | LVCL | RTCL | Eliminations | Totals | |
|--|---------------|------------|------------|------------|--------------|--------------|---------------|---------------|
| | | | | | | | 2018 | 2017 |
| NONCURRENT LIABILITIES | | | | | | | | |
| Long-term debt, less current maturities | \$ 619,270 | \$ - | \$ - | \$ - | \$ 1,215,000 | \$ - | \$ 1,834,270 | \$ 2,369,040 |
| TOTAL LIABILITIES | 2,307,180 | 65,688 | 63,041 | 177,492 | 2,165,389 | (107,624) | 4,671,166 | 3,700,452 |
| NET ASSETS | | | | | | | | |
| Without donor restrictions: | | | | | | | | |
| Undesignated | 8,603,839 | 44,396 | 152,983 | 586,335 | 1,432,126 | - | 10,819,679 | 9,323,225 |
| Board designated | 500,000 | - | - | - | 245,772 | - | 745,772 | 1,549,156 |
| With donor restrictions | 699,013 | 375,700 | 76,034 | - | - | - | 1,150,747 | 1,371,598 |
| TOTAL NET ASSETS | 9,802,852 | 420,096 | 229,017 | 586,335 | 1,677,898 | - | 12,716,198 | 12,243,979 |
| TOTAL LIABILITIES AND NET ASSETS | | | | | | | | |
| | \$ 12,110,032 | \$ 485,784 | \$ 292,058 | \$ 763,827 | \$ 3,843,287 | \$ (107,624) | \$ 17,387,364 | \$ 15,944,431 |

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

Consolidating Statements of Activities

Year Ended June 30, 2018

(With Summarized Totals for June 30, 2017)

| | | | | | | | Totals | | | | | | | |
|---------------------------------------|----|------------|----|-----------|----|---------|--------|---------|----|---------|----|------------|----|------------|
| | | | | | | | 2018 | 2017 | | | | | | |
| REVENUE AND SUPPORT | | | | | | | | | | | | | | |
| WITHOUT DONOR RESTRICTIONS | | | | | | | | | | | | | | |
| Contributions | \$ | 2,257,654 | \$ | 139,553 | \$ | 104,771 | \$ | 26,378 | \$ | 135,230 | \$ | 2,663,586 | \$ | 2,384,862 |
| Grants | | 5,127,191 | | 174,296 | | 185,909 | | 366,787 | | 104,512 | | 5,648,996 | | 5,352,140 |
| Donated food products | | 10,674,696 | | - | | - | | - | | - | | 10,674,696 | | 10,435,642 |
| Shared maintenance fee | | 129,264 | | - | | - | | - | | - | | 129,264 | | 72,186 |
| Program services | | 3,154,464 | | - | | - | | - | | - | | 2,853,395 | | 2,272,594 |
| Program fees, net | | - | | 19,552 | | 15,181 | | 8,843 | | 21,858 | | 65,434 | | 47,104 |
| Gain on sale of property | | - | | - | | - | | - | | - | | - | | - |
| Interest income | | 1,065 | | - | | - | | - | | 180,667 | | 181,732 | | 134,589 |
| TOTAL | | 21,344,334 | | 333,401 | | 305,861 | | 402,008 | | 442,267 | | 22,217,103 | | 20,699,117 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | | | | | | | | | | | |
| For program operations | | 550,558 | | 698,510 | | 206,126 | | 7,500 | | 50,000 | | 1,512,694 | | 1,259,194 |
| For capital additions | | 529,545 | | - | | - | | - | | - | | 529,545 | | 1,012,216 |
| TOTAL | | 1,080,103 | | 698,510 | | 206,126 | | 7,500 | | 50,000 | | 2,042,239 | | 2,271,410 |
| | | 22,424,437 | | 1,031,911 | | 511,987 | | 409,508 | | 492,267 | | 24,259,342 | | 22,970,527 |
| EXPENSES | | | | | | | | | | | | | | |
| Program | | 19,520,043 | | 918,843 | | 480,544 | | 444,462 | | 330,293 | | 21,306,873 | | 19,534,418 |
| Supporting services: | | | | | | | | | | | | | | |
| Management and general | | 1,780,919 | | 55,567 | | 43,330 | | 35,268 | | 44,207 | | 1,799,673 | | 1,852,484 |
| Fundraising | | 465,967 | | 28,492 | | 21,184 | | 8,145 | | 6,017 | | 465,967 | | 403,336 |
| TOTAL | | 21,766,929 | | 1,002,902 | | 545,058 | | 487,875 | | 380,517 | | 23,572,513 | | 21,790,238 |
| Loss on sale of homes | | - | | - | | - | | (6,241) | | - | | (6,241) | | 15,094 |
| | | 21,766,929 | | 1,002,902 | | 545,058 | | 481,634 | | 380,517 | | 23,566,272 | | 21,805,332 |

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

Consolidating Statements of Activities

Year Ended June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACLV | CADCA | CADCB | LVCLT | RTCLF | Eliminations | Totals | |
|-----------------------------------|--------------|------------|-------------|-------------|--------------|--------------|---------------|---------------|
| | | | | | | | 2018 | 2017 |
| CHANGE IN NET ASSETS | | | | | | | | |
| WITHOUT DONOR | | | | | | | | |
| RESTRICTIONS | \$ 657,508 | \$ 29,009 | \$ (33,071) | \$ (72,126) | \$ 111,750 | \$ - | \$ 693,070 | \$ 1,165,195 |
| WITHOUT DONOR RESTRICTIONS | | | | | | | | |
| NET ASSETS, beginning | 8,446,331 | 15,387 | 186,054 | 658,461 | 1,566,148 | - | 10,872,381 | 9,707,186 |
| NET ASSETS, ending | \$ 9,103,839 | \$ 44,396 | \$ 152,983 | \$ 586,335 | \$ 1,677,898 | \$ - | \$ 11,565,451 | \$ 10,872,381 |
| REVENUE AND SUPPORT | | | | | | | | |
| WITH DONOR RESTRICTIONS | | | | | | | | |
| Contributions | 914,722 | 706,666 | 200,000 | - | - | - | 1,821,388 | 1,745,457 |
| TOTAL | 914,722 | 706,666 | 200,000 | - | - | - | 1,821,388 | 1,745,457 |
| NET ASSETS RELEASED FROM | | | | | | | | |
| RESTRICTIONS | | | | | | | | |
| For program operations | (550,558) | (698,510) | (206,126) | (7,500) | (50,000) | - | (1,512,694) | (1,259,194) |
| For capital additions | (529,545) | - | - | - | - | - | (529,545) | (1,012,216) |
| TOTAL | (1,080,103) | (698,510) | (206,126) | (7,500) | (50,000) | - | (2,042,239) | (2,271,410) |
| CHANGE IN NET ASSETS | | | | | | | | |
| WITH DONOR | | | | | | | | |
| RESTRICTIONS | (165,381) | 8,156 | (6,126) | (7,500) | (50,000) | - | (220,851) | (525,953) |
| WITH DONOR RESTRICTIONS | | | | | | | | |
| NET ASSETS, beginning | 864,394 | 367,544 | 82,160 | 7,500 | 50,000 | - | 1,371,598 | 1,897,551 |
| NET ASSETS, ending | \$ 699,013 | \$ 375,700 | \$ 76,034 | \$ - | \$ - | \$ - | \$ 1,150,747 | \$ 1,371,598 |
| TOTAL CHANGE IN | | | | | | | | |
| NET ASSETS | \$ 492,127 | \$ 37,165 | \$ (39,197) | \$ (79,626) | \$ 61,750 | \$ - | \$ 472,219 | \$ 639,242 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACLV | CADCA | CADCB | LVCLT | RTCLF | Eliminations | Totals | |
|--|--------------|------------|------------|-----------|------------|--------------|--------------|--------------|
| | | | | | | | 2018 | 2017 |
| PROGRAM EXPENSES | | | | | | | | |
| PERSONNEL: | | | | | | | | |
| Salaries and wages | \$ 1,993,196 | \$ 256,845 | \$ 158,277 | \$ 82,008 | \$ 104,644 | \$ - | \$ 2,594,970 | \$ 2,413,088 |
| Employee benefits/ payroll taxes | 877,884 | 124,511 | 73,351 | 32,384 | 58,863 | - | 1,166,993 | 1,032,749 |
| Conferences and training | 31,341 | 2,258 | 2,405 | 1,015 | 4,533 | - | 41,552 | 35,445 |
| Travel | 31,370 | 2,625 | 1,348 | 2,773 | 1,889 | - | 40,005 | 44,036 |
| TOTAL PERSONNEL: | 2,933,791 | 386,239 | 235,381 | 118,180 | 169,929 | - | 3,843,520 | 3,525,318 |
| Advertising and promotion | - | 2,788 | 180 | 414 | 1,000 | - | 4,382 | 4,744 |
| Computer tech support | - | 20 | 20 | 162 | 40 | - | 242 | - |
| Contracted services/ assistance | 536,919 | - | - | - | - | - | 536,919 | 190,636 |
| Costs of completed or disposed capital projects | 67,484 | - | - | - | - | - | 67,484 | - |
| Depreciation | 249,903 | 168 | - | - | 2,767 | - | 252,838 | 225,175 |
| Dues and subscriptions | 22,421 | 2,862 | 549 | 420 | 8,034 | - | 34,286 | 35,534 |
| Equipment maintenance and repairs | 32,426 | 4,449 | 1,559 | 621 | 651 | - | 39,706 | 35,258 |
| Facility maintenance and utilities | 362,756 | - | - | - | - | - | 362,756 | 422,165 |
| Food distributions | 10,710,050 | - | - | - | - | - | 10,710,050 | 10,060,469 |
| Food purchases | 1,234,845 | - | - | - | - | - | 1,234,845 | 1,055,543 |
| Insurance | 42,219 | 488 | 335 | 1,087 | 322 | - | 44,451 | 37,085 |
| Interest | 16,384 | - | - | - | 29,713 | - | 46,097 | 52,142 |
| Loan loss reserve | - | - | - | - | 91,500 | - | 91,500 | 18,668 |
| Management fees | - | 5,036 | 8,506 | 22,943 | 2,328 | (38,813) | - | - |
| Minor equipment purchases | 41,350 | - | - | - | - | - | 41,350 | 22,542 |
| Miscellaneous | - | - | - | 2,980 | - | - | 2,980 | - |
| Occupancy | - | 21,676 | 18,216 | - | - | (13,000) | 26,892 | 44,966 |
| Other expense | 1,507 | 4,258 | 2,118 | - | 4,606 | - | 12,489 | 9,357 |
| Postage | 17,040 | 257 | 69 | 295 | 712 | - | 18,373 | 67,895 |
| Printing | 15,229 | 463 | 339 | 2 | 1,172 | - | 17,205 | 56,654 |
| Professional fees | 2,127,554 | - | 3,890 | 84 | 565 | - | 2,132,093 | 1,757,598 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACL | CADCA | CADC | LVCL | RTCL | Eliminations | Totals | |
|-------------------------------|---------------|------------|------------|------------|------------|--------------|---------------|---------------|
| | | | | | | | 2018 | 2017 |
| PROGRAM EXPENSES (CONT.) | | | | | | | | |
| Program contract costs | | | | | | | | |
| and supplies | \$ - | \$ 472,071 | \$ 182,226 | \$ 209,243 | \$ 15,000 | \$ - | \$ 878,540 | \$ 772,858 |
| Programming and software | - | - | - | - | 1,380 | - | 1,380 | - |
| Project cost loss reserve | - | - | - | 87,000 | - | - | 87,000 | 94,000 |
| Rents | 25,800 | - | - | - | - | (25,800) | - | - |
| Subgrantee payments | 315,359 | 2,000 | 14,693 | - | - | (309,699) | 22,353 | 159,920 |
| Supplies | 578,900 | 3,766 | 2,263 | 87 | - | - | 585,016 | 685,186 |
| Telephone | 41,846 | 12,302 | 10,200 | - | 574 | - | 64,922 | 63,942 |
| Utilities | - | - | - | 944 | - | - | 944 | - |
| Vehicle operation and repairs | 146,260 | - | - | - | - | - | 146,260 | 136,763 |
| TOTAL OTHER: | 16,586,252 | 532,604 | 245,163 | 326,282 | 160,364 | (387,312) | 17,463,353 | 16,009,100 |
| TOTAL PROGRAM EXPENSES | \$ 19,520,043 | \$ 918,843 | \$ 480,544 | \$ 444,462 | \$ 330,293 | \$ (387,312) | \$ 21,306,873 | \$ 19,534,418 |

MANAGEMENT AND

GENERAL EXPENSES

PERSONNEL:

| | | | | | | | | |
|------------------------------------|------------------|----------|----------|----------|----------|----------|------------------|------------------|
| Salaries and wages | 843,368 | - | - | - | - | - | 843,368 | 886,123 |
| Employee benefits/ payroll taxes | 401,863 | - | - | - | - | - | 401,863 | 366,025 |
| Conferences and training | 23,468 | - | - | - | - | - | 23,468 | 16,668 |
| Travel | 14,148 | - | - | - | - | - | 14,148 | 12,677 |
| TOTAL PERSONNEL: | 1,282,847 | - | - | - | - | - | 1,282,847 | 1,281,493 |
| Advertising and promotion | - | - | - | - | - | - | - | 180 |
| Contracted services/ assistance | - | - | - | - | - | - | - | 3,073 |
| Depreciation | 96,208 | - | - | - | - | - | 96,208 | 97,709 |
| Dues and subscriptions | 24,691 | - | - | - | - | - | 24,691 | 13,900 |
| Equipment maintenance | - | - | - | - | - | - | - | - |
| and repairs | 5,384 | - | - | - | - | - | 5,384 | 11,112 |
| Facility maintenance and utilities | 50,816 | - | - | - | - | - | 50,816 | 100,184 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACLV | CADCA | CADCB | LVCLT | RTCLF | Eliminations | Totals | |
|--|---------------------|------------------|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| | | | | | | | 2018 | 2017 |
| MANAGEMENT AND GENERAL EXPENSES (CONT.) | | | | | | | | |
| Insurance | \$ 36,453 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 36,453 | \$ 35,382 |
| Interest | 5,922 | - | - | - | - | - | 5,922 | 7,607 |
| Management fees | - | 50,506 | 42,137 | 29,768 | 37,207 | (159,618) | - | - |
| Minor equipment purchase | 26,093 | - | - | - | - | - | 26,093 | 23,159 |
| Other expense | 22,621 | - | - | - | - | - | 22,621 | 26,085 |
| Payroll processing | - | - | - | - | - | - | - | 1,963 |
| Postage | 3,273 | - | - | - | - | - | 3,273 | 4,990 |
| Printing | 14,853 | - | - | - | - | - | 14,853 | 13,127 |
| Professional fees | 159,989 | 5,061 | 1,193 | 5,500 | 7,000 | - | 178,743 | 159,688 |
| Program contract costs and supplies | - | - | - | - | - | - | - | 3,298 |
| Rents | - | - | - | - | - | - | - | 4,738 |
| Subgrantee payments | - | - | - | - | - | - | - | 10,000 |
| Supplies | 17,577 | - | - | - | - | - | 17,577 | 20,005 |
| Telephone | 33,704 | - | - | - | - | - | 33,704 | 34,010 |
| Vehicle operation and repairs | 488 | - | - | - | - | - | 488 | 781 |
| TOTAL OTHER: | 498,072 | 55,567 | 43,330 | 35,268 | 44,207 | (159,618) | 516,826 | 570,991 |
| TOTAL MANAGEMENT AND GENERAL | \$ 1,780,919 | \$ 55,567 | \$ 43,330 | \$ 35,268 | \$ 44,207 | \$ (159,618) | \$ 1,799,673 | \$ 1,852,484 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Consolidating Statements of Functional Expenses

Year Ended June 30, 2018

(With Summarized Totals for June 30, 2017)

| | CACLV | CADCA | CADCB | LVCLT | RTCLF | Eliminations | Totals | |
|------------------------------------|----------------------|---------------------|-------------------|-------------------|-------------------|---------------------|----------------------|----------------------|
| | | | | | | | 2018 | 2017 |
| FUND RAISING EXPENSES | | | | | | | | |
| PERSONNEL: | | | | | | | | |
| Salaries and wages | \$ 244,468 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 244,468 | \$ 257,094 |
| Employee benefits/ payroll taxes | 76,832 | - | - | - | - | - | 76,832 | 76,710 |
| Conferences and training | 4,921 | - | - | - | - | - | 4,921 | 6,915 |
| Travel | 5,925 | - | - | - | - | - | 5,925 | 6,288 |
| TOTAL PERSONNEL: | 332,146 | - | - | - | - | - | 332,146 | 347,007 |
| | | | | | | | | |
| Dues and subscriptions | 7,018 | - | - | - | - | - | 7,018 | 5,847 |
| Equipment maintenance | | | | | | | | |
| and repairs | 7,508 | - | - | - | - | - | 7,508 | - |
| Management fees | - | 28,492 | 21,184 | 8,145 | 6,017 | (63,838) | - | - |
| Minor equipment purchases | - | - | - | - | - | - | - | 5,710 |
| Other expense | 2,821 | - | - | - | - | - | 2,821 | 2,731 |
| Postage | 31,478 | - | - | - | - | - | 31,478 | 12,364 |
| Printing | 69,106 | - | - | - | - | - | 69,106 | 13,023 |
| Supplies | 4,900 | - | - | - | - | - | 4,900 | 5,625 |
| Telephone | 10,990 | - | - | - | - | - | 10,990 | 11,029 |
| TOTAL OTHER: | 133,821 | 28,492 | 21,184 | 8,145 | 6,017 | (63,838) | 133,821 | 56,329 |
| TOTAL FUND RAISING EXPENSES | \$ 465,967 | \$ 28,492 | \$ 21,184 | \$ 8,145 | \$ 6,017 | \$ (63,838) | \$ 465,967 | \$ 403,336 |
| | | | | | | | | |
| TOTAL EXPENSES | \$ 21,766,929 | \$ 1,002,902 | \$ 545,058 | \$ 487,875 | \$ 380,517 | \$ (610,768) | \$ 23,572,513 | \$ 21,790,238 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Parent Company's Statement of Program Expenses

Year Ended June 30, 2018

| | Weatherization Program | Ontrack | Sixth Street Shelter | SHFB | CAFS | SHE | Work Ready Program |
|---|---------------------------|-------------------|-------------------------|----------------------|-------------------|------------------|-----------------------|
| PROGRAM EXPENSES | | | | | | | |
| PERSONNEL: | | | | | | | |
| Salaries and wages | \$ 361,785 | \$ 241,506 | \$ 289,194 | \$ 604,086 | \$ 183,223 | \$ 43,505 | \$ 119,803 |
| Employee benefits/ payroll taxes | 165,639 | 122,739 | 106,543 | 284,800 | 77,094 | 8,654 | 46,944 |
| Conferences and training | 2,004 | 190 | 194 | 13,944 | 27 | 10,540 | 1,100 |
| Travel | 3,753 | - | 721 | 16,692 | 3,973 | 1,840 | 1,186 |
| TOTAL PERSONNEL: | 533,181 | 364,435 | 396,652 | 919,522 | 264,317 | 64,539 | 169,033 |
| Contracted services/ assistance | - | - | 16,723 | - | - | 4,600 | - |
| Costs of completed or disposed capital projects | - | - | - | - | - | - | - |
| Depreciation | - | - | 128,458 | 121,445 | - | - | - |
| Dues and subscriptions | 1,335 | - | 233 | 16,865 | 2,896 | 95 | 223 |
| Equipment maintenance and repairs | 3,743 | 398 | 742 | 18,851 | 4,579 | - | 4,049 |
| Facility maintenance and utilities | 14,217 | 4,738 | 161,423 | 164,198 | 3,386 | - | 14,230 |
| Food distributions | - | - | - | 10,710,050 | - | - | - |
| Food purchases | - | - | - | 1,234,845 | - | - | - |
| Insurance | 9,844 | 1,910 | 12,597 | 14,364 | 346 | - | 2,676 |
| Interest | - | - | - | 16,384 | - | - | - |
| Minor equipment purchase | 527 | 2,225 | 732 | 5,420 | 116 | 2,098 | 30,233 |
| Other expense | - | - | 184 | 1,323 | - | - | - |
| Postage | 511 | 6,899 | 735 | 6,026 | 2,291 | 109 | 195 |
| Printing | - | 868 | 2,845 | 7,494 | 1,892 | 821 | 282 |
| Professional fees | 2,098,892 | 213 | 3,825 | 8,355 | 46 | 2,063 | 9,114 |
| Rents | - | - | - | - | - | - | 25,800 |
| Subgrantee payments | - | - | - | - | - | - | - |
| Supplies | 465,216 | 3,898 | 3,379 | 78,985 | 2,405 | 10,086 | 5,952 |
| Telephone | 8,532 | 200 | 16,310 | 12,672 | - | 846 | 1,624 |
| Vehicle operation and repairs | 22,723 | - | 1,895 | 113,927 | - | 3,024 | - |
| TOTAL OTHER: | 2,625,540 | 21,349 | 350,082 | 12,531,204 | 17,957 | 23,742 | 94,377 |
| TOTAL PROGRAM | \$ 3,158,721 | \$ 385,784 | \$ 746,734 | \$ 13,450,726 | \$ 282,274 | \$ 88,281 | \$ 263,410 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

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

Year Ended June 30, 2018

| | Housing Rehabilitation Program | Custody Subcontractor | Racial and Ethnic Justice Program | Slate Belt Rising | WWNP | Total Program |
|--|--------------------------------------|--------------------------|---|----------------------|------------------|----------------------|
| PROGRAM EXPENSES | | | | | | |
| PERSONNEL: | | | | | | |
| Salaries and wages | \$ - | \$ 25,717 | \$ 54,533 | \$ 60,625 | \$ 9,219 | \$ 1,993,196 |
| Employee benefits/ payroll taxes | - | 10,711 | 31,053 | 20,349 | 3,358 | 877,884 |
| Conferences and training | - | - | 3,056 | 11 | 275 | 31,341 |
| Travel | 52 | - | 2,322 | 512 | 319 | 31,370 |
| TOTAL PERSONNEL: | 52 | 36,428 | 90,964 | 81,497 | 13,171 | 2,933,791 |
| Contracted services/ assistance | - | 387,692 | 8,900 | 119,004 | - | 536,919 |
| Costs of completed or disposed capital projects | 67,484 | - | - | - | - | 67,484 |
| Depreciation | - | - | - | - | - | 249,903 |
| Dues and subscriptions | - | - | 54 | 721 | - | 22,421 |
| Equipment maintenance and repairs | - | - | 27 | 37 | - | 32,426 |
| Facility maintenance and utilities | - | - | 494 | - | 70 | 362,756 |
| Food distributions | - | - | - | - | - | 10,710,050 |
| Food purchases | - | - | - | - | - | 1,234,845 |
| Insurance | - | - | 199 | 282 | - | 42,219 |
| Interest | - | - | - | - | - | 16,384 |
| Minor equipment purchase | - | - | - | - | - | 41,350 |
| Other expense | - | - | - | - | - | 1,507 |
| Postage | - | - | 14 | 252 | 7 | 17,040 |
| Printing | - | - | 369 | 599 | 59 | 15,229 |
| Professional fees | - | - | 5,043 | 3 | - | 2,127,554 |
| Rents | - | - | - | - | - | 25,800 |
| Subgrantee payments | 5,660 | 309,699 | - | - | - | 315,359 |
| Supplies | - | - | 4,381 | 3,981 | 618 | 578,900 |
| Telephone | - | - | 650 | 859 | 153 | 41,846 |
| Vehicle operation and repairs | - | - | 4,690 | - | - | 146,260 |
| TOTAL OTHER: | 73,144 | 697,391 | 24,821 | 125,738 | 907 | 16,586,252 |
| TOTAL PROGRAM | \$ 73,196 | \$ 733,819 | \$ 115,785 | \$ 207,235 | \$ 14,078 | \$ 19,520,043 |

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

| Federal Grantor Project Title | Federal CFDA# | Pass Through Grantor's Numbers | Grant Period Beginning/ Ending Dates | Grant Amount | Total Received for Year | Passed Through To Subrecipients | Accrued or (Deferred) Revenues At July 1, 2017 | Revenue Recognized/ Expenditures | Accrued or (Deferred) Revenues At June 30, 2018 |
|---|------------------|--------------------------------------|--|-----------------|----------------------------|---------------------------------------|---|--|--|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed Through the Pennsylvania Association of Rehabilitation Facilities | | | | | | | | | |
| Commodity Supplemental Food Program (Administrative Cos | 10.565 | N/A | 10/01/16 - 09/30/17 | \$ - | \$ 84,668 | \$ - | \$ 42,334 | \$ 43,215 | \$ 881 |
| Commodity Supplemental Food Program (Administrative Cos | 10.565 | N/A | 10/01/17 - 09/30/18 | - | 42,622 | - | - | 128,412 | 85,790 |
| Commodity Supplemental Food Program (Food Commodities | 10.565 | N/A | 10/01/13 - 09/30/14 | - | 572,530 | - | 159,398 | 543,296 | 130,164 # |
| Total Commodity Supplemental Food Program | 10.565 | | | - | 699,820 | - | 201,732 | 714,923 | 216,835 |
| Passed Through Lehigh County, Pennsylvania | | | | | | | | | |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | N/A | 10/01/16 - 09/30/17 | - | 34,531 | - | 14,030 | 20,501 | - |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | N/A | 10/01/17 - 09/30/18 | - | 7,864 | - | - | 24,139 | 16,275 |
| Passed Through Northampton County, Pennsylvania | | | | | | | | | |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | 16-1066 | 10/01/16 - 09/30/17 | - | 28,184 | - | 10,953 | 17,231 | - |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | 17-1066 | 10/01/17 - 09/30/18 | - | 5,844 | - | - | 15,642 | 9,798 |
| Passed Through Carbon County, Pennsylvania | | | | | | | | | |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | N/A | 10/01/16 - 09/30/17 | - | 5,689 | - | 2,588 | 3,101 | - |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | N/A | 10/01/17 - 09/30/18 | - | 1,271 | - | - | 3,872 | 2,601 |
| TOTAL | 10.568 | | | - | 83,383 | - | 27,571 | 84,486 | 28,674 |
| Passed Through Lehigh County, Pennsylvania | | | | | | | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | N/A | 10/01/17 - 09/30/18 | - | 701,818 | - | 77,718 | 715,533 | 91,433 # |
| Passed Through Northampton County, Pennsylvania | | | | | | | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | 17-1066 | 10/01/16 - 09/30/18 | - | 241,412 | - | 60,798 | 227,064 | 46,450 # |
| Passed Through Carbon County, Pennsylvania | | | | | | | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | N/A | 10/01/16 - 09/30/18 | - | 54,977 | - | 10,744 | 59,865 | 15,632 # |
| TOTAL | 10.569 | | | - | 998,207 | - | 149,260 | 1,002,462 | 153,515 |
| Total Food Distribution Cluster | | | | - | 1,781,410 | - | 378,563 | 1,801,871 | 399,024 |
| Total U.S. Department of Agriculture | | | | - | 1,781,410 | - | 378,563 | 1,801,871 | 399,024 |
| U.S. Department of Housing & Urban Development | | | | | | | | | |
| Passed Through the Pennsylvania Housing Finance Agency | | | | | | | | | |
| Housing Counseling Assistance Program | 14.169 | | 08/01/13 - 03/31/15 | 50,000 | (11,365) | - | (11,365) | - | - |
| Housing Counseling Assistance Program | 14.169 | | 10/01/19 - 06/30/18 | - | 7,945 | - | - | 10,062 | 2,117 |
| TOTAL | 14.169 | | | 50,000 | (3,420) | - | (11,365) | 10,062 | 2,117 |
| Passed Through the City of Allentown | | | | | | | | | |
| Community Development Block Grant | 14.218 | | 10/01/17 - 12/31/17 | 10,000 | 10,000 | - | - | 10,000 | - |
| Community Development Block Grant | 14.218 | | 01/01/18 - 12/31/18 | 10,000 | - | - | - | 4,008 | 4,008 |
| Passed Through the City of Easton | | | | | | | | | |
| Community Development Block Grant | 14.218 | | 01/01/17 - 12/31/18 | 5,000 | 5,000 | - | - | 5,000 | - |

See Notes to Schedule of Expenditure of Federal Awards.

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

| Federal Grantor Project Title | Federal CFDA# | Pass Through Grantor's Numbers | Grant Period Beginning/ Ending Dates | Grant Amount | Total Received for Year | Passed Through To Subrecipients | Accrued or (Deferred) Revenues At July 1, 2017 | Revenue Recognized/ Expenditures | Accrued or (Deferred) Revenues At June 30, 2018 |
|---|---------------|--------------------------------|--------------------------------------|--------------|-------------------------|---------------------------------|--|----------------------------------|---|
| <i>Passed Through Northampton County</i> | | | | | | | | | |
| Community Development Block Grant | 14.218 | | 01/01/16 - 12/31/16 | 30,000 | 7,662 | - | 7,662 | - | - |
| Community Development Block Grant | 14.218 | | 01/01/17 - 07/31/18 | 30,000 | 27,206 | - | 7,849 | 22,058 | 2,701 |
| Community Development Block Grant | 14.218 | | 10/18/17 - 12/31/18 | 30,513 | - | - | - | 5,730 | 5,730 |
| Community Development Block Grant | 14.218 | | 05/01/16 - 07/31/18 | 40,000 | 39,683 | - | 16,363 | 23,320 | - |
| Community Development Block Grant | 14.218 | | 10/01/16 - 07/31/18 | 20,000 | 20,000 | - | - | - | (20,000) |
| Community Development Block Grant | 14.218 | | 10/01/17 - 12/31/18 | 20,000 | - | - | - | 394 | 394 |
| Community Development Block Grant | 14.218 | | 10/18/16 - 12/31/17 | 20,000 | 20,000 | - | 8,488 | 11,512 | - |
| Community Development Block Grant | 14.218 | | 10/01/17 - 12/31/18 | 20,000 | - | - | - | 10,446 | 10,446 |
| Community Development Block Grant | 14.218 | B-12-US-42-0012 | 07/01/13 - 12/31/17 | 450,000 | 82,438 | 49,700 | 32,738 | 49,700 | - |
| TOTAL | 14.218 | | | 685,513 | 211,989 | 49,700 | 73,100 | 142,168 | 3,279 |
| <i>Passed Through the City of Allentown</i> | | | | | | | | | |
| Emergency Solutions Grant Program | 14.231 | | 07/01/16 - 06/30/17 | 30,000 | 1,348 | - | 1,348 | - | - |
| Emergency Solutions Grant Program | 14.231 | | 10/01/17 - 12/31/17 | 30,000 | 30,000 | - | - | 30,000 | - |
| Emergency Solutions Grant Program | 14.231 | | 01/01/18 - 12/31/18 | 28,000 | - | - | - | 9,975 | 9,975 |
| <i>Passed Through Lehigh County</i> | | | | | | | | | |
| Emergency Solutions Grant Program | 14.231 | C000064184 | 09/19/16 - 03/19/18 | 148,700 | 148,700 | - | 1,910 | 146,790 | - |
| TOTAL | 14.231 | | | 236,700 | 180,048 | - | 3,258 | 186,765 | 9,975 |
| <i>Supportive Housing Program</i> | | | | | | | | | |
| | 14.235 | PA0209L3T091508 | 10/01/16 - 9/30/17 | 64,325 | 46,011 | - | 36,362 | 9,649 | - |
| TOTAL | 14.235 | | | 64,325 | 46,011 | - | 36,362 | 9,649 | - |
| <i>Home Investment Partnerships Program</i> | | | | | | | | | |
| <i>U.S. Department of Housing and Urban Development (Direct Funded)</i> | | | | | | | | | |
| Allentown Home Funds - Housing Rehab Program | 14.239 | | 05/01/18 - 07/30/18 | 130,833 | - | - | - | 90,120 | 90,120 |
| TOTAL | 14.239 | | | 130,833 | - | - | - | 90,120 | 90,120 |
| <i>Total U.S. Department of Housing & Urban Development</i> | | | | | | | | | |
| | | | | 1,167,371 | 434,628 | 49,700 | 101,355 | 438,764 | 105,491 |
| <i>U.S. Department of Energy</i> | | | | | | | | | |
| <i>Passed Through the Pennsylvania Department of Community & Economic Development</i> | | | | | | | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | C000056906 | 07/01/13 - 06/30/17 | 6,947,728 | (288) | - | (288) | - | - |
| Weatherization Assistance for Low-Income Persons | 81.042 | C000056906 | 07/01/16 - 06/30/17 | 6,947,728 | 82,993 | - | 82,993 | - | - |
| Weatherization Assistance for Low-Income Persons | 81.042 | C000066455 | 07/01/17 - 06/30/18 | 357,480 | 278,914 | - | - | 355,562 | 76,648 |
| Total U.S. Department of Energy | 81.042 | | | 14,252,936 | 361,619 | - | 82,705 | 355,562 | 76,648 |

See Notes to Schedule of Expenditure of Federal Awards.

COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

| Federal Grantor Project Title | Federal CFDA# | Pass Through Grantor's Numbers | Grant Period Beginning/ Ending Dates | Grant Amount | Total Received for Year | Passed Through To Subrecipients | Accrued or (Deferred) Revenues At July 1, 2017 | Revenue Recognized/ Expenditures | Accrued or (Deferred) Revenues At June 30, 2018 |
|---|------------------|--------------------------------------|--|-----------------|----------------------------|---------------------------------------|---|--|--|
| U.S. Department of Health & Human Services <i>Passed Through the Pennsylvania Department of Public Welfare</i> | | | | | | | | | |
| Temporary Assistance to Needy Families (Supported Work/Supported Engagement Program) | 93.558 | 4100064754 | 10/01/16 - 9/30/17 | 300,722 | 214,639 | - | 151,690 | 62,949 | - |
| Temporary Assistance to Needy Families (Supported Work/Supported Engagement Program) | 93.558 | 4100064754 | 10/01/17 - 9/30/18 | 300,722 | 129,320 | - | - | 212,321 | 83,001 |
| TOTAL | 93.558 | | | 601,444 | 343,959 | - | 151,690 | 275,270 | 83,001 |
| <i>Passed Through the Pennsylvania Department of Community & Economic Development</i> | | | | | | | | | |
| Low-Income Home Energy Assistance | 93.568 | C000061716-2 | 10/01/15 - 6/30/17 | 1,030,502 | 9,680 | - | 9,680 | - | - |
| Low-Income Home Energy Assistance | 93.568 | C000061716-4 | 10/01/16 - 9/30/17 | 1,730,663 | 76,155 | - | 31,977 | 44,178 | - |
| Low-Income Home Energy Assistance | 93.568 | C000061716 | 10/01/17 - 9/30/18 | 2,587,516 | 714,167 | - | - | 755,778 | 41,611 |
| TOTAL | 93.568 | | | 5,348,681 | 800,002 | - | 41,657 | 799,956 | 41,611 |
| <i>Passed Through the Pennsylvania Department of Community & Economic Development</i> | | | | | | | | | |
| Community Services Block Grant | 93.569 | C000057122 | 01/01/17 - 12/31/17 | 4,458,176 | 671,772 | 129,999 | 164,182 | 507,590 | - |
| Community Services Block Grant | 93.569 | C000067069 | 01/01/18 - 12/31/18 | 740,674 | 433,203 | 130,000 | - | 702,676 | 269,473 |
| TOTAL | 93.569 | | | 5,198,850 | 1,104,975 | 259,999 | 164,182 | 1,210,266 | 269,473 |
| Total U.S. Department of Health & Human Services | | | | 11,148,975 | 2,248,936 | 259,999 | 357,529 | 2,285,492 | 394,085 |
| U.S. Department of Homeland Security <i>Passed Through the United Way of Lehigh Valley</i> | | | | | | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | N/A | 10/01/17 - 01/31/18 | 34,309 | 34,309 | - | - | 34,309 | - |
| TOTAL | 97.024 | | | 34,309 | 34,309 | - | - | 34,309 | - |
| Total U.S. Department of Homeland Security | | | | 34,309 | 34,309 | - | - | 34,309 | - |
| Total Federal Awards | | | | \$ 26,603,591 | \$ 4,860,902 | \$ 309,699 | \$ 920,152 | \$ 4,915,998 | \$ 975,248 |

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, 2018**

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. under programs of the federal government for the year ended June 30, 2018. 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., 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 and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations* 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. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. SUBRECEIPIENTS

The Organization provided federal awards to subrecipients, all of which are non-profit subsidiaries of the auditee, as follows:

| <u>Program Title/ Recipient Agency</u> | <u>Federal CFDA Number</u> | <u>Amount Provided</u> |
|--|--------------------------------|----------------------------|
| <u>Community Services Block Grant</u> | 93.569 | |
| Community Action Development Corporation of Allentown (CADCA) | | \$ 130,000 |
| Community Action Development Corporation of Bethlehem (CADCB) | | 129,999 |
| | | <u>\$ 259,999</u> |
| <u>Community Development Block Grant</u> | 14.218 | |
| Lehigh Valley Community Land Trust (LVCLT) | | \$ 49,700 |
| | | <u>\$ 49,700</u> |

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

**Notes to the Schedule of Federal Awards
Year Ended June 30, 2018**

NOTE 5. FOOD DISTRIBUTION CLUSTER

Emergency Food Assistance Program – CFDA 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) | \$ 543,296 |
| Emergency Food Assistance Program - Food Commodities (10.569) | <u>1,002,462</u> |
| | <u>\$ 1,545,758</u> |



Certified Public Accountants | Business Consultants

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 financial statements of Community Action Committee of the Lehigh Valley, Inc. and Subsidiaries (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2018. The financial statements of the subsidiaries' were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the subsidiaries.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Buckno Lisicky & Co PC

Allentown, Pennsylvania
December 5, 2018

**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, 2018. 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 the federal statutes, regulations, and 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, 2018.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Buckno Lisicky & Co PC

Allentown, Pennsylvania
December 5, 2018

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Section I: Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

* Material weaknesses identified? yes X no

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

Noncompliance material to financial
statements noted? yes X no

Federal Awards:

Internal control over major programs:

* Material weaknesses identified? yes X no

* Significant deficiencies identified
that are not considered to be
material weaknesses? yes X 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 X no

Identification of major programs:

CFDA Number

81.042

93.568

Name of Federal Program

Weatherization Assistance for Low Income
Persons
Low-Income Home Energy Assistance

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

\$750,000

Auditee qualified as low-risk auditee?

 X yes no

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Section II: Financial Statement Findings

No findings to be reported.

Section III: Federal Award Findings

No findings to be reported.