

**MONTGOMERY COUNTY COMMUNITY
ACTION DEVELOPMENT COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Berkowitz & Berkowitz

Certified Public Accountants

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

Report on the Financial Statements

We have audited the accompanying financial statements of Montgomery County Community Action Development Commission (CADCOM, a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

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

Opinion

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

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of CADCOM's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CADCOM's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CADCOM's internal control over financial reporting and compliance.

Berkowitz & Berkowitz

Fort Washington, Pennsylvania
December 10, 2019

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

Assets

Current Assets

Cash & Cash Equivalents	\$	272,678
Accounts Receivable		378,472
Prepaid Expenditures		<u>14,188</u>

Total Current Assets 665,338

Property & Equipment net of
accumulated depreciation of \$660,459 512,960

Other Assets - Security Deposit 1,600

Total Assets \$ 1,179,898

Liabilities & Net Assets

Current Liabilities

Accounts Payable & Accrued Expenditures	\$	56,366
Refundable Advances		<u>125,439</u>

Total Current Liabilities 181,805

Total Liabilities 181,805

Net Assets

Without Donor Restrictions	545,494
With Donor Restrictions	<u>452,599</u>

Total Net Assets 998,093

Total Liabilities & Net Assets \$ 1,179,898

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

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES and CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues & Other Support</u>			
Grants & Contracts	\$ 1,206,328	\$ 162,287	\$ 1,368,615
Program Income	124,604	-0-	124,604
Contributions	7,109	14,544	21,653
Investment Income	373	-0-	373
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>205,304</u>	<u>(205,304)</u>	<u>-0-</u>
 <u>Total Revenues & Other Support</u>	 <u>1,543,718</u>	 <u>(28,473)</u>	 <u>1,515,245</u>
 <u>Expenditures</u>			
Program Services:			
Community Service Programs	946,951	-0-	946,951
Weatherization Programs	109,791	-0-	109,791
Food Resource Programs	61,016	-0-	61,016
Other Community Programs	<u>57,905</u>	<u>-0-</u>	<u>57,905</u>
 <u>Total Program Services</u>	 1,175,663	 -0-	 1,175,663
Supporting Services:			
Management & General	202,926	-0-	202,926
Fund Raising	<u>56,072</u>	<u>-0-</u>	<u>56,072</u>
 <u>Total Supporting Services</u>	 <u>258,998</u>	 <u>-0-</u>	 <u>258,998</u>
 <u>Total Expenditures</u>	 <u>1,434,661</u>	 <u>-0-</u>	 <u>1,434,661</u>
 <u>Change in Net Assets</u>	 109,057	 <u>(28,473)</u>	 80,584
 <u>Net Assets, July 1, 2018</u>	 <u>436,437</u>	 <u>481,072</u>	 <u>917,509</u>
 <u>Net Assets, June 30, 2019</u>	 <u>\$ 545,494</u>	 <u>\$ 452,599</u>	 <u>\$ 998,093</u>

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

**MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2019

	<u>Community Services Programs</u>	<u>Weatherization Programs</u>	<u>Food Resources Programs</u>	<u>Other Community Programs</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Fringe Benefits & Payroll Taxes	\$ 586,824	\$ 48,205	\$ 46,478	\$ -0-	\$ 681,507	\$ 126,739	\$ 36,676	\$ 844,922
Travel	8,254	98	294	137	8,783	1,666	516	10,965
Supplies	-0-	-0-	744	1,165	1,909	131	-0-	2,040
Contracted Services	80,946	5,569	4,441	1,668	92,624	15,593	5,059	113,276
Other Costs	98,800	5,415	3,306	9,484	117,005	51,055	11,362	179,422
Space Costs	61,440	337	1,786	-0-	63,563	7,742	2,459	73,764
Program Costs	<u>110,687</u>	<u>50,167</u>	<u>3,967</u>	<u>45,451</u>	<u>210,272</u>	<u>-0-</u>	<u>-0-</u>	<u>210,272</u>
 Total	 \$ <u>946,951</u>	 \$ <u>109,791</u>	 \$ <u>61,016</u>	 \$ <u>57,905</u>	 \$ <u>1,175,663</u>	 \$ <u>202,926</u>	 \$ <u>56,072</u>	 \$ <u>1,434,661</u>

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

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

<u>Cash Flows from Operating Activities</u>		
Change in Net Assets		\$ 80,584
Adjustments to reconcile change in net assets to net cash used in Operating Activities		
Depreciation	\$ 27,451	
Increase in Accounts Receivable	(166,186)	
Decrease in Prepaid Expenditures	10,818	
Decrease in Accounts Payable & Accrued Expenditures	(<u>16,863</u>)	
<u>Total Adjustments</u>		(<u>144,780</u>)
Net Cash used in Operating Activities		(<u>64,196</u>)
Net Decrease in Cash & Cash Equivalents		(64,196)
Cash & Cash Equivalents - July 1, 2018		<u>336,874</u>
Cash & Cash Equivalents - June 30, 2019		\$ <u><u>272,678</u></u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid for interest		\$ <u><u>1,401</u></u>

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

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1: Nature of Business & Summary of Significant Accounting Policies

Purpose and Other Information of the Agency

Montgomery County Community Action Development Commission (CADCOM) is a nonprofit agency located in Norristown, Pennsylvania. CADCOM was founded in 1966 as the Montgomery County Opportunity Board, Inc., by twenty-nine community leaders in response to the Economic Act of 1964.

The main objective of CADCOM is to provide direct services to the economically disadvantaged and to combat poverty through cooperation with Federal, State and Local governmental entities, corporations and other nonprofit agencies. CADCOM strives to promote self-sufficiency for poverty stricken residents and to initiate, develop and coordinate Community Action and Economic Development programs for community improvement as well as economic, cultural, educational, health and social development.

Programs of CADCOM include Weatherization Programs, Food Resources, Community Services Programs and others aimed at aiding the disadvantaged residents of Montgomery County. These programs are funded primarily through state and local governmental grants.

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, consequently, support and revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

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

- Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions, including, if applicable, net assets that have been designated by the Board of Directors for expenditure on specific purposes or projects.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1: Nature of Business & Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

- With Donor Restrictions - Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donors or grantors. Other donor-imposed restrictions are perpetual in nature, where the donors or grantors stipulate that resources be maintained in perpetuity.
- Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments available for current use with a maturity of three (3) months or less to be cash equivalents. As of June 30, 2019, the Organization did not have any cash equivalents.

Property, Equipment & Depreciation

CADCOM's policy is to capitalize, at cost, property and equipment over \$2,500 with an estimated useful life of three years or more. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciable assets are depreciated using the straight line method of depreciation. Estimated useful lives are as follows:

Building and Improvements	39 Years
Equipment, Furniture and Vehicles	5 - 10 Years

Depreciation expense charged to operations for the year ended June 30, 2019, was \$27,451. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account is relieved and any gain or loss is included in operations.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks for CADCOM, but these services do not meet the criteria for recognition as contributed services.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1: Nature of Business & Summary of Significant Accounting Policies (Continued)

Income Taxes

CADCOM is an organization exempt from income taxes as defined in Internal Revenue Code Section 501(c)(3).

Each year management considers whether any material tax positions CADCOM has taken is more likely than not to be sustained upon examination by the applicable tax authority. Management believes that any positions the Organization has taken are supported by substantial authority and, therefore, do not need to be measured or disclosed in these financial statements. Accordingly, the Organization has not recorded any reserves for tax positions at June 30, 2019. The Organization believes it is no longer subject to income tax examinations for years prior to 2016.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Organization maintains its cash balances in one financial institution. These accounts are insured by the Federal Deposit Insurance Corporation. At times the balances in these accounts may be in excess of federally insured limits, however, there has been no loss of funds when this has occurred.

CADCOM received approximately 84.4% of its funding from the Pennsylvania Department of Community and Economic Development. Accounts receivable from this source are approximately 94.6% of the total amount at June 30, 2019.

Compensated Absences

Eligible employees of CADCOM are entitled to paid vacations, paid sick days and personal days off depending on length of service. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. CADCOM's policy is to recognize the costs of compensated absences when they are actually paid to employees.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1: Nature of Business & Summary of Significant Accounting Policies (Continued)

Employee Benefits

Employee benefits consist principally of health care and retirement benefits for active employees. CADCOM maintains a pension plan for its employees pursuant to Section 403(b) of the Internal Revenue Code. The requirements for eligibility are the completion of two years of consecutive service for full time employees with forty hours per week of service and attainment of age twenty one.

Under this plan, employees may contribute up to six percent of their salary. The Organization will match each contribution at fifty percent, up to a maximum of three percent of salary. For the year ended June 30, 2019, the Organization contributed \$6,113 to the Plan.

Functional Expenses Allocation

The costs of providing program and other activities of the Organization have been detailed in the statement of functional expenditures and summarized in the statement of activities. Expenses are charged directly to the program or general and administrative categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefitted, based on direct charges or appropriate methods determined by management.

Budget

The annual budget, prepared by the Executive Director, is approved by the Board of Directors at CADCOM. For most grant programs, there is an unlimited flexibility per account within each budget category and a maximum flexibility of ten to twenty-five percent between budget categories. Any change above the limit will require a modification of the budget by the Grantor Organization.

Change in Accounting Principle

In August 2016, The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). This standard replaced the existing three classes of net assets (unrestricted, temporarily restricted and permanently restricted) with two classes of net assets: those without donor restrictions and those with donor restrictions. Additionally, ASU 2016-14 enhanced financial disclosures with respect to board designations, cash needs, cost allocations and underwater investments, if any. CADCOM has implemented ASU 2016-14 for the year ended June 30, 2019, and has adjusted the presentation in these financial statements accordingly.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2: Accounts Receivable

Accounts receivable at June 30, 2019, consists of the following:

Community Services Program	\$ 357,928
Food Resources Program	14,607
Other Community Programs	<u>5,937</u>
Total Accounts Receivable	\$ <u>378,472</u>

Management closely monitors receivables and considers all to be fully collectible.

Note 3: Line of Credit

The Organization has a line of credit with the bank at an interest rate of prime plus 1%. The line is secured by assets of the Organization. There was no balance due on the line of credit as of June 30, 2019. The amount of interest cost incurred for the line of credit during the year ended June 30, 2019, was \$1,401.

Note 4: Property & Equipment

Property and equipment for the year ended June 30, 2019, are stated at cost and summarized as follows:

Land	\$ 5,439
Building & Improvements	877,801
Equipment & Furniture	203,606
Vehicles	<u>86,573</u>
	1,173,419
Less: Accumulated Depreciation	<u>660,459</u>
Net Property & Equipment	\$ <u>512,960</u>

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5: Obligations Under Operating Leases

The Organization is the lessee of office space and equipment under operating leases expiring in various years through 2023. Total rental expense charged to operations was \$80,260 for the year ended June 30, 2019.

Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2019, for each of the next five years and in the aggregate are as follows:

June 30, 2020	\$ 43,608
June 30, 2021	43,608
June 30, 2022	43,608
June 30, 2023	21,804
June 30, 2024	-0-
Thereafter	<u>-0-</u>
Total Minimum Future Rental Payments	\$ <u>152,628</u>

Note 6: Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenditures satisfying restricted program purposes and within the contract period, where applicable. Total amount of net assets released from restriction was \$205,304.

Management fully expects to comply with all restrictions for both spending purposes and within the contract periods.

Note 7: Liquidity and Availability of Resources

The Organization has \$665,338 of financial assets available within one year of the date of the balance sheet to meet cash needs for general expenditures consisting of cash and cash equivalents of \$272,678, accounts receivables of \$378,472 and prepaid expenses of \$14,188. Accounts receivable are expected to be collected within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due and to operate within a prudent range of financial soundness and stability.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 8: Subsequent Events

The Organization has evaluated subsequent events through December 10, 2019, which is the date these financial statements were available to be issued. No events, other than those described in these notes, have occurred that require disclosure or adjustments.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Federal Expenditures</u>	<u>DCED Funds</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-Through Agency: Pennsylvania Department of Community and Economic Development				
Community Services Block Grant	93.569	C000066880	\$ 1,179,348	\$ 1,137,754
Low-Income Home Energy Assistance	93.568	C000061731	<u>99,106</u>	<u>143,380</u>
<u>Total U.S. Department of Health and Human Services</u>			<u>1,278,454</u>	<u>1,281,134</u>
<u>U.S. Department of Agriculture</u>				
Pass-Through Agency: Pennsylvania Department of Human Services & Pennsylvania Association of Regional Food Banks				
Supplemental Nutrition Assistance Program	10.561	4100066394	<u>31,590</u>	<u>-0-</u>
<u>Total U.S. Department of Agriculture</u>			<u>31,590</u>	<u>-0-</u>
<u>Total Expenditures of Federal Awards</u>			\$ <u>1,310,044</u>	\$ <u>1,281,134</u>

See accompanying notes to schedule of expenditures of federal awards.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2019

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Montgomery County Community Action Development Commission under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Montgomery County Community Action Development Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: Relationship to Basic Financial Statement

Federal awards expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal awards differences between generally accepted accounting principles and applicable government regulations regarding eligible program expenditures.

Note 4: Expenditures

The expenditures reflected are for the year ended June 30, 2019, regardless of the grant period.

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2019

Note 5: De Minimus Cost Rate

CADCOM has not elected to use the 10% de minimus cost rate allowed under the Uniform Guidance.

Note 6: DCED Funds

The Schedule of Expenditures of Federal Awards includes a column to display funding received by CADCOM from the Pennsylvania Department of Community & Economic Development (DCED). The funds are reported on the cash basis of accounting as required by DCED.

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INDEPENDENT AUDITOR'S 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
Montgomery County Community Action
Development Commission
Norristown, PA 19401

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 Montgomery County Community Action Development Commission (CADCOM, a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

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

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

Compliance and Other Matters

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

Purpose of this Report

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

Berkowitz & Berkowitz

Fort Washington, Pennsylvania
December 10, 2019

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

To the Board of Directors
Montgomery County Community Action
Development Commission
Norristown, PA 19401

Report on Compliance for Each Major Federal Program

We have audited Montgomery County Community Action Development Commission's (CADCOM) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CADCOM's major federal programs for the year ended June 30, 2019. CADCOM's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CADCOM's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CADCOM's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CADCOM's compliance.

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

Opinion on Each Major Federal Program

In our opinion, CADCOM 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, 2019.

Report on Internal Control over Compliance

Management of CADCOM 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 CADCOM's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CADCOM's internal control over compliance.

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

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

To the Board of Directors
Montgomery County Community Action Development Commission
Norristown, PA 19401

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.

Berkowitz & Berkowitz

Fort Washington, Pennsylvania
December 10, 2019

MONTGOMERY COUNTY COMMUNITY ACTION DEVELOPMENT COMMISSION

SCHEDULE OF FINDINGS and QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Montgomery County Community Action Development Commission were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Montgomery County Community Action Development Commission were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Montgomery County Community Action Development Commission expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs included:

Community Service Block Grant	CFDA #93.569
Low-Income Home Energy Assistance	CFDA #93.568
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Montgomery County Community Action Development Commission was determined to be a low-risk auditee.

Findings - Financial Statements Audit

No findings were reported.

Findings and Questioned Costs- Major Federal Award Programs Audit

No findings or questioned costs were reported.