

**CRAWFORD-SEBASTIAN COMMUNITY
DEVELOPMENT COUNCIL, INC.**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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Contact Person: Mark Whitmer, Executive Director

**CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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Hubbs, Belcher and Company, CPA's,

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
Crawford-Sebastian Community Development Council, Inc.
Fort Smith, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of **Crawford-Sebastian Community Development Council, Inc.** (a nonprofit organization), which comprise the statement of financial position as of **September 30, 2015**, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 **Crawford-Sebastian Community Development Council, Inc.** as of **September 30, 2015**, and the changes in net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **Crawford-Sebastian Community Development Council, Inc.'s September 30, 2014** financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated **January 22, 2015**. In our opinion, the summarized comparative information presented therein as of and for the year ended **September 30, 2014**, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Member of:

*American Institute of
Certified Public
Accountants

*Arkansas Society of
Certified Public
Accountants

*Oklahoma Society of
Certified Public
Accountants

*Governmental Audit
Quality Center

*Employee Benefit
Plan Audit Quality
Center

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 activities by program and schedule of units of service provided are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 **March 30, 2016**, on our consideration of **Crawford-Sebastian Community Development Council, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control over financial reporting and compliance.



Hubbs, Belcher & Company, p.a.

Certified Public Accountants

Van Buren, Arkansas 72956

March 30, 2016

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 1)	\$ 1,004,898	\$ 768,419
Accounts receivable		
Contracts and grants (Note 1)	182,758	80,154
Shared maintenance and other (Note 1)	57,309	65,481
Deferred loans receivable (Note 1)	51,502	-
Due from related entities (Note 1)	6,000	-
Inventory		
Food and commodities (Note 3)	2,027,038	1,202,159
Materials (Note 3)	6,771	9,808
Real estate held for resale (Note 3)	726,439	852,089
Prepays (Note 4)	115,541	41,033
TOTAL CURRENT ASSETS	<u>4,178,256</u>	<u>3,019,143</u>
PROPERTY AND EQUIPMENT		
Construction in progress (Note 1)	510,142	40,359
Land and buildings (Note 1)	3,746,190	3,681,148
Furniture, fixtures, and equipment (Note 1)	800,709	705,696
TOTAL PROPERTY AND EQUIPMENT	<u>5,057,041</u>	<u>4,427,203</u>
Less: accumulated depreciation (Note 1)	(1,009,228)	(879,505)
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>4,047,813</u>	<u>3,547,698</u>
TOTAL ASSETS	<u>\$ 8,226,069</u>	<u>\$ 6,566,841</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable (Note 11)	\$ 32,229	\$ 30,343
Accrued payroll (Note 12)	11,128	7,873
Accrued compensated absences (Note 10)	70,530	56,934
Accrued interest (Note 6)	672	1,004
Financed insurance premiums (Note 6)	31,564	32,053
Current portion of long-term debt (SHOP loans payable) (Note 6)	383,604	303,949
TOTAL CURRENT LIABILITIES	<u>529,727</u>	<u>432,156</u>
LONG-TERM LIABILITIES	<u>287,111</u>	<u>104,179</u>
TOTAL LIABILITIES	<u>816,838</u>	<u>536,335</u>
NET ASSETS		
Unrestricted (Note 1)	7,334,231	5,955,506
Permanently restricted (Note 1)	75,000	75,000
TOTAL NET ASSETS	<u>7,409,231</u>	<u>6,030,506</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,226,069</u>	<u>\$ 6,566,841</u>

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015 AND 2014

	2015			2014
	UNRESTRICTED	PERMANENTLY RESTRICTED	TOTAL	
SUPPORT AND REVENUES				
Federal awards	\$ 4,690,554	\$ -	\$ 4,690,554	\$ 4,130,736
Grants and contracts	735,313	-	735,313	960,709
Charges, fees, and other income	119,300	-	119,300	175,468
Shared maintenance income	708,840	-	708,840	645,245
Donated property, goods and services (Note 7)	11,863,801	-	11,863,801	12,660,785
Contributions	158,903	-	158,903	162,857
Fundraising	200,284	-	200,284	113,002
Rental income	4,500	-	4,500	4,125
Homes and land sales	513,393	-	513,393	156,000
Gain on sale of vehicles	-	-	-	1,400
Interest income	484	-	484	413
TOTAL SUPPORT AND REVENUES	18,995,372	-	18,995,372	19,010,740
EXPENSES				
PROGRAM EXPENSES				
Advertising	8,673	-	8,673	8,734
Automobile expense	40,244	-	40,244	43,453
Cost of home and land sales	591,853	-	591,853	-
Daycare homes and centers	519,353	-	519,353	490,109
Dental clinic	29,659	-	29,659	27,379
Depreciation (Note 1)	150,087	-	150,087	122,889
Down payment assistance	267,292	-	267,292	338,945
Education assistance	1,994	-	1,994	-
Employee benefits	177,697	-	177,697	163,493
Food costs and commodities distributed	10,865,742	-	10,865,742	13,135,117
Home repair assistance	508,788	-	508,788	560,175
Housing efficiency and safety assistance	158,588	-	158,588	158,000
Insurance	113,316	-	113,316	128,256
Interest	5,047	-	5,047	2,630
Loss on sale of assets	614	-	614	-
Loss on sale of real estate	-	-	-	73,132
Maintenance and repairs	148,973	-	148,973	79,822
Miscellaneous	99,728	-	99,728	246,272
Office expense	48,199	-	48,199	41,123
Other contract service	10,294	-	10,294	112,968
Payroll taxes	87,165	-	87,165	86,291
Postage	17,757	-	17,757	22,350
Printing	12,036	-	12,036	8,366
Professional services	601,352	-	601,352	391,674
Re-housing assistance	-	-	-	2,581
Real property acquired	15,331	-	15,331	18,581
Rent	34,451	-	34,451	36,308
Rental assistance	55,867	-	55,867	42,029
Salaries	918,092	-	918,092	910,272
Shipping	104,153	-	104,153	99,621
Small business assistance	37,229	-	37,229	24,412
Supplies	22,038	-	22,038	13,268
Subscriptions	54,733	-	54,733	30,833
Telephone	16,214	-	16,214	17,490
Travel	61,967	-	61,967	42,427
Utilities	47,946	-	47,946	40,748
Utility assistance	1,020,858	-	1,020,858	952,581
Weatherization materials	538,101	-	538,101	381,149
TOTAL PROGRAM EXPENSES	17,391,431	-	17,391,431	18,853,478
SUPPORTING SERVICES				
FUNDRAISING EXPENSES	61,103	-	61,103	84,518
GENERAL AND ADMINISTRATIVE EXPENSES	164,113	-	164,113	143,572
TOTAL SUPPORTING SERVICES	225,216	-	225,216	228,090
TOTAL EXPENSES	17,616,647	-	17,616,647	19,081,568
CHANGE IN NET ASSETS	1,378,725	-	1,378,725	(70,828)
NET ASSETS, BEGINNING OF YEAR	5,955,506	75,000	6,030,506	6,101,334
NET ASSETS, END OF YEAR	\$ 7,334,231	\$ 75,000	\$ 7,409,231	\$ 6,030,506

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,378,725	\$ (70,828)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	190,886	141,898
Donation of property and equipment	-	(1,128,000)
Donated inventory - HOME lots	-	(5,000)
Loss on sale of real estate held for resale	-	73,132
Loss on sale of assets	614	-
Changes in assets and liabilities:		
Contracts and grants receivable	(102,603)	52,646
Shared maintenance and other accounts receivable	8,172	6,678
Neighborworks loans receivable	(51,502)	-
Due from related entities	(6,000)	-
Inventory - food and commodities	(824,879)	1,397,268
Inventory - materials	3,037	(4,014)
Inventory - real estate held for resale	125,650	(369,993)
Prepaid expenses	(74,508)	8,888
Accounts payable	1,886	19,699
Accrued payroll	3,255	(26,828)
Accrued interest	(332)	1,004
Accrued compensated absences	13,595	5,540
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	665,996	102,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in process expenditures	(469,783)	(31,114)
Capital expenditures	(221,832)	(35,008)
Proceeds from sale of real estate held for resale	-	156,000
Proceeds from sale of vehicles	-	1,400
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(691,615)	91,278
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
SHOP loans payable	30,000	45,000
ADFA loans payable	37,442	-
Building construction loans payable	270,000	-
Financed insurance premiums	59,158	51,489
Repayments on:		
SHOP loans payable	(69,661)	(20,742)
Building construction loans payable	(5,194)	-
Financed insurance premiums	(59,647)	(19,436)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	262,098	56,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	236,479	249,679
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	768,419	518,740
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,004,898	\$ 768,419
SUPPLEMENTAL DISCLOSURE:		
Interest paid	\$ 5,379	\$ 2,630

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Crawford-Sebastian Community Development Council, Inc. (the "Organization") is a community action agency whose purpose is to make improvements in the lives of low-income individuals, families, and the communities in which they live, with the goal for clients to achieve self-sufficient living. The Organization currently serves the following counties: Crawford, Sebastian, Franklin, Logan, Scott, Polk, Carroll, Johnson, Madison, Washington, Yell and Benton counties of the State of Arkansas.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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. In these financial statements, assets, revenues, and expenses are recorded at fair value at the date of the donation and involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2015 and 2014, the organization had cash equivalents of \$1,004,898 and \$768,419, respectively.

Contracts and Grants Receivable

The organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is deemed necessary. If accounts become uncollectible, they will be charged to operations when that determination is made. Determination of collectability is made by management based on individual accounts and consideration of such factors as current economic conditions. Credit extended is generally uncollateralized. Past-due status is based on contractual terms. Past-due accounts are not charged interest. As of September 30, 2015 and 2014, the organization had contracts and grants receivable of \$182,758 and \$80,154, respectively.

NeighborWorks Loans Receivable

During the year ended September 30, 2015, the organization expended some of its NeighborWorks America (NWA) capital funds. The organization received \$75,000 during 2014 from NWA to provide deferred loans as down payment assistance to eligible low income individuals who were in need of assistance to purchase a residence. The NWA capital funds are permanently restricted and require written pre-approval from NWA for any write-downs of the capital funds. The organization does not establish a monthly pay back nor do these deferred loans accrue any interest. The organization will recover these NWA capital funds by accepting payments from the low income home buyer or by recouping the capital funds during a close if the low income individual decides to sell the residence prior to pay back of the deferred loan to the organization. As of September 30, 2015, the organization had deferred loans receivable to four different individuals totaling \$51,502. As of September 30, 2015 and 2014, the organization had \$24,498 and \$75,000 of NWA capital funds available to loan out as deferred loans receivable from the NWA capital funds. As of September 30, 2015 and 2014, all NWA capital funds were FDIC insured.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Shared Maintenance

The Organization related to the River Valley Regional Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based on predetermined rates published by Feeding America. As of September 30, 2015 and 2014, the organization had shared maintenance and other receivables of \$57,309 and \$65,481, respectively.

Due From Related Entities

During the year ended September 30, 2015, the organization paid a reservation fee to Arkansas Development Finance Authority for \$6,000 on behalf of Van Buren Housing Partners Limited Partnership which reserves a low-income tax credit housing project (LIHTC) called StoneBrook Park of Van Buren located in Van Buren, Arkansas.

Inventory

Inventory consists primarily of donated materials, homes and lots, and nonperishable goods. Inventory is valued at the cost if purchased or estimated fair value at the date of donation. See Note 3 for additional information.

Contributions

Gifts of cash and other assets are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. As of September 30, 2015 and 2014, the organization had \$75,000 and \$75,000 in permanently restricted net assets, respectively.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create, or enhance, nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation, are recorded at fair values in the period received.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as unrestricted support. Other contributed services that enhance the Organization's programs, but are not so essential that they would otherwise be purchased, are not recorded as support for financial statements purposes.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing the Organization's primary objectives. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by the Organization's actions and/or passage of time. Permanently restricted net assets are subject to donor-imposed stipulations whereby the resources are to be preserved in perpetuity.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and Equipment and Long-Lived Assets

With the exception of donated assets, property and equipment is stated at cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. Donated assets are recorded at fair market value on the date of donation. The cost basis of fully depreciated property and equipment still in use by the Organization at September 30, 2015 and 2014 amounted to approximately \$412,421 and \$480,505, respectively. For the years ended September 30, 2015 and 2014, depreciation expense was \$190,886 and \$141,898, respectively.

The Organization's official capitalization policy is to capitalize all assets over \$300 and having a useful life of more than one year.

Financial Accounting Standards Board (FASB) Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicated the carrying amount of an asset may not be recoverable.

As of September 30, 2015 and 2014, the organization had construction in progress on two locations in Fort Smith, Arkansas. The organization is rehabilitating 1620 South Zero Street in Fort Smith, Arkansas as their new administrative offices and food bank and 2920 South Zero Street in Fort Smith, Arkansas as commercial space to be leased. Total construction in progress on 1620 South Zero Street as of September 30, 2015 and 2014 was \$326,092 and \$40,359, respectively. Total construction in progress on 2920 South Zero Street as of September 30, 2015 and 2014 was \$184,050 and \$0, respectively.

Income Taxes and Uncertain Tax Positions

The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute and is not subject to tax at the entity level for Federal and State income tax purposes. The Organization accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Organization files informational "Return of Organization Exempt from Income Tax" (Form 990) in the U.S. Federal jurisdiction and Arkansas. With few exceptions, the Organization is no longer subject to U.S. Federal, State, or local informational return examinations by tax authorities for the years before September 30, 2012.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on direct costs for the program during the year.

Advertising Costs

The Organization follows the policy of charging advertising to expense as incurred.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2: DEPOSITS IN FINANCIAL INSTITUTIONS

The Organization uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to significant credit risk related to cash. As of September 30, 2015, the organization had \$433,702 of FDIC insured monies and \$571,196 of uninsured and uncollateralized monies deposited in two local area banks.

NOTE 3: INVENTORY

Inventory of the Department of Energy Weatherization program is stated at the lower of cost or market determined on a first-in, first-out (FIFO) basis. Commodity Distribution inventory is stated at fair market value as determined by the United States Department of Agriculture (USDA). The Organization records River Valley Regional Food Bank inventory at fair value as established by Feeding America. The SHOP, homes, and HOME-lots program inventory consists of lots and homes available for resale. This inventory is recorded at cost if purchased and fair value at the date of donation. Improvements to inventory are also capitalized and included in inventory.

Inventory is classified as follows:

	<u>2015</u>	<u>2014</u>
Weatherization	\$ 6,771	\$ 9,808
Commodity Distribution	1,188	41,122
River Valley Regional Food Bank	2,025,850	1,161,037
SHOP Program - Lots	353,205	448,464
HOME Program - Houses	373,234	403,625
	<u>\$2,760,248</u>	<u>\$ 2,064,056</u>

NOTE 4: PREPAID ASSETS

Prepaid assets consists of travel advances, prepaid insurance, and maintenance contracts. As of September 30, 2015 and 2014, prepaid assets amounted to \$115,541 and \$41,033, respectively.

NOTE 5: EMPLOYEE BENEFIT PLANS

The Organization sponsors a 403(b) Thrift Plan (the "Plan") for all employees meeting age and length of service requirements. Participation is voluntary, and the employee may contribute up to 20% of their pay or as limited by the Internal Revenue Service. The Organization matches the employee's contribution up to a maximum of 4% per participating employee. Employees become fully invested in the Plan after two years of service. The contribution charged to expense for the years ended September 30, 2015 and 2014, is \$26,720 and \$30,989, respectively.

NOTE 6: NOTES PAYABLE

During June 2015, the organization financed their insurance premiums in full from First Insurance Funding Corporation. The total cost of the insurance premium was \$59,158. The financing comes with a small financing fee and 0% interest. As of September 30, 2015 and September 30, 2014, the organization had a balance of \$31,564 and \$39,781 on their commercial premium finance agreement. All of this financing is considered short-term.

During September 4, 2015, the organization entered into a mortgage with the Arkansas Development Finance Authority (ADFA) on seven lots in the Bluebird Subdivision on Cedarville, Arkansas. The mortgage is evidenced by a promissory note that is payable principally from the development and sale of real property dwelling units on the seven lots upon the closing of the sale of each dwelling unit, and such payment shall be in an amount equal to the amount of the disbursement made by ADFA to finance construction costs and expenses incurred in connection with each dwelling unit, less any homebuyer mortgage subsidy that was provided to the homebuyer not to exceed \$25,000 per dwelling unit. In no event, shall the term of the note exceed 18 months from the date of execution on this note which is September 4, 2015. Of the original principal

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
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FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 6: NOTES PAYABLE (CONT'D)

amount of \$630,000, \$175,000 will be available as a mortgage subsidy to the homebuyers for an applicable period of affordability. The affordable period will vary depending on the amount of funds used as mortgage subsidies towards each individual purchase not to exceed \$25,000 per dwelling unit. The note carries 0% interest until paid in full. The ADFA promissory note is made up of Home Investment Partnerships Program (HOME) federal funds under CFDA #14.239 and is listed as such on the Schedule of Expenditures of Federal Awards. As of September 30, 2015, \$37,442 was drawn from the ADFA promissory note to payoff previous obligations to the Housing Assistance Council (HAC) to release their interest in the 7 lots.

During May 28, 2015, the organization entered into a loan agreement with BancorpSouth Bank to receive \$270,000 in a single advance for commercial property improvement. The loan is payable in monthly installments of \$2,763, beginning July 5, 2015 and maturing on June 5, 2025. The interest rate is 4.15% per year until May 28, 2020 and then will become variable at .900% above the prime rate as published in the money rates section of the Wall Street Journal. The variable rate may change as often as every 60 months and may not change more than 2% each time the rate can change. In the event of prepayment, prepayment penalties may be assessed as follows: 5% of the principal amount paid prior to maturity and during the first year of the term hereof, 4% of the principal amount paid prior to maturity and during the second year of the term thereof, 3% of the principal amount paid prior to maturity and during the third year of the term thereof, 2% of the principal amount paid prior to maturity and during the fourth year of the term thereof, and 1% of the principal amount paid prior to maturity and during the fifth year of the term thereof. This loan is secured by land and building at 2920 South Zero Street, Fort Smith, Arkansas. As of September 30, 2015, the loan carried a balance of \$264,807 and accrued interest of \$672.

SHOP (Self-Help Homeownership Opportunity Program) loans to the Organization administered by the Housing Assistance Council (HAC) consist of the following as of September 30, 2015 and 2014:

<u>Loan Date</u>	<u>Development</u>	<u>Loan Amount</u>	<u>Loan Balance</u>		<u>Maturity Date</u>	<u>Comments</u>
			<u>2015</u>	<u>2014</u>		
May 29, 2013	Bluebird Estates	\$ 98,870	\$ 30,966	\$ 79,628	12/31/2015	(a) (c) (d)
May 29, 2013	Bluebird Estates	285,000	267,000	283,500	12/31/2015	(a) (b)
June 2, 2014	Forest Oaks	\$ 45,000	70,500	45,000	12/31/2017	(a) (b) (e)
Total			<u>\$ 368,466</u>	<u>\$ 408,128</u>		

Legend:

- (a) Mortgage & security agreement on real estate
- (b) Loan balance reflects the potentially forgivable 90% portion upon satisfaction of certain pre-defined terms and conditions
- (c) Loan carries an interest rate of 5% and no forgivable portion (other two loans are 0% interest)
- (d) Applicable accrued interest as of September 30, 2015 and 2014 was \$0 and \$1,004, respectively.
- (e) \$30,000 was advanced on this loan during 2015 for the purchase of two properties which is why the balance is over the original loan amount. This \$30,000 is represented on the Schedule of Expenditure of Federal Awards under CFDA #14.247

SHOP loans are used for development of residential housing employing the self-help construction method. SHOP loans bearing interest of 0%, require a stipulating percentage of principal repayment of the total loan (plus a 1% pass through agency service fee); the remaining percentage of the loan, as stipulated in the loan agreement is potentially forgivable. The forgivable portion of loan balances will be reflected when all such stipulations are approved and earned as determined by the Housing Assistance Council (HAC).

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7: IN-KIND DONATIONS

During the years ended September 30, 2015 and 2014, the Organization received the following non-cash donations of materials, services, and use of facilities that have been reflected in the financial statements of the Organization:

	2015	2014
Other	\$ 3,489	\$ 20,675
Dental professional services and salaries	518,557	332,642
Donated good and services for use in River Valley Regional Food Bank	11,334,755	11,174,468
Donated property included in inventory	7,000	5,000
Donated building for use by Organization	-	1,128,000
	\$ 11,863,801	\$ 12,660,785

NOTE 8: CONCENTRATIONS, CONTINGENCIES, AND COMMITMENTS

A large portion of the Organization's support is derived from federal awards administered through contracts with the State of Arkansas or directly through the federal agency. These award programs are subject to audit by the federal or state governments or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives, cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

Federal award contracts are renegotiated annually. For the year ended September 30, 2015, this support represented approximately 25% of the Organization's total revenue and support; and, 66% of total unrestricted revenue and support excluding donated goods and services. For the year ended September 30, 2014, this support represented approximately 22% of the Organization's total unrestricted revenue and support; and, 65% of the total unrestricted revenue and support excluding donated goods and services. The loss of these contracts would have an adverse effect on the Organization's ability to continue in existence.

The organization provides services and sales within Crawford, Sebastian, Franklin, Logan, Scott, Polk, Carroll, Johnson, Madison, Washington, Benton and Yell in Arkansas. The Organization grants credit to participants who live within this two county service area. At September 30, 2015 and 2014, the Organization had extended credit to participants (accounts receivable – shared maintenance and other) of \$57,309 and \$65,481, respectively.

The Organization maintains a contractual agreement with Feeding America as a member organization. As a part of this contract, the Organization agrees to meet specific compliance requirements related to the storage and handling of food, financial, and administrative areas. The Organization is subject to compliance audits conducted by Feeding America. Potential negative results from these compliance audits may cause the support of Feeding America to be removed which would have a negative impact on the Organization.

NOTE 9: NONCASH TRANSACTIONS

During the year ended September 30, 2015, the Organization received noncash donations in the form of real estate held for resale inventory (5 different properties) in the amount of \$7,000 from various sources.

During the year ended September 30, 2014, the Organization received noncash donations in the form of real estate held for resale inventory in the amount of \$5,000 from the City of Fort Smith. The Organization also received a building which is being remodeled in the form of construction in process with a fair market value of \$1,128,000. The Organization also acquired a note payable in the amount of \$45,000 related to lots bought in a subdivision called Forest Oaks. The \$45,000 is shown as federal awards on the Schedule of Expenditures of Federal Awards under CFDA #14.247, Self-Help Homeownership Opportunity Program (SHOP). See Note 6 for more information.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 10: ACCRUED COMPENSATED ABSENCES

Employees of the Organization earn a vested right to compensation for a maximum of 240 hours of unused vacation. All regular full-time employees will accrue and use annual leave time in accordance with the guidelines specified below. Regular part-time employees who work a minimum of 20 hours per week will accrue annual leave time based on scheduled hours to work. Accrued compensated absences as of September 30, 2015 and 2014 were \$70,530 and \$56,934, respectively.

<u>Years of Employment</u>	<u>Paid Vacation Time</u>
Through 3 years	8 hours per month
Beginning 4 thru 5 years	10 hours per month
Beginning 6 thru 12 years	12 hours per month
Beginning 13 thru 20 years	14 hours per month
After 20 years	15 hours per month

NOTE 11: ACCOUNTS PAYABLE

Program Directors and upper management of staff of the Organization are issued credit cards bearing both Crawford-Sebastian Community Development Council, Inc.'s name and the name of the individual. Various other credit cards will be available at the following physical locations: Main office, Community Dental Clinic and River Valley Regional Food Bank. A maximum credit limit of not greater than \$4,500 per card account will be established, with no increases in credit limits to be incurred. Personal use of any Organization credit card is strictly prohibited. As of September 30, 2015 and 2014, accounts payable was \$32,229 and \$30,343, respectively. Accounts payable consists of standard utilities, credit from Lowes for weatherization materials and Chase credit services for standard food and travel expenses.

NOTE 12: ACCRUED PAYROLL

Accrued payroll represents the amount due to staff but unpaid at the end of September 30, as the pay date for the last pay period does not normally coincide with the end of the financial accounting period. Accrued salaries are settled within a week of the financial year end. The Organization considers the carrying amount of accrued payroll to be equivalent to its net fair value. Accrued payroll as of September 30, 2015 and 2014 was \$11,128 and \$7,873, respectively.

NOTE 13: ASSUMPTION OF REGIONAL HOUSING SOLUTIONS (RHS)

The Organization assumed control of Regional Housing Solutions (RHS) from the Housing Authority of the City of Fort Smith, Arkansas. Regional Housing solutions was originally formed November 2, 2005 as a 501(c)(3) Community Housing Development Corporation as defined by the Arkansas Housing Development Finance Authority and the US Department of Housing and Urban Development. On February 4, 2015, the existing directors of RHS resigned and three new directors were nominated and selected unanimously, all of which were current directors on the Organization's board. RHS has one employee who is also employed by the Organization. On the date of assumption, RHS had no liabilities or assets and is in good standing with the State of Arkansas. The only acquisition costs to control RHS by the Organization are legal fees and the legal fees are assumed not to be material. Management of the Organization elected not to consolidate RHS because of funding purposes but have presented the following summary of unaudited financial data of RHS as of September 30, 2015:

Statement of Financial Position		Statement of Activities	
Cash	<u>\$17,200</u>	Support and Revenues	
Total Assets	<u>17,200</u>	Grants	\$12,000
Accounts payable	<u>448</u>	Funding from CSCDC	5,915
Total Liabilities	<u>448</u>	Interest income	<u>1</u>
		Total Support and Revenues	<u>17,916</u>
Unrestricted Net Assets	<u>16,752</u>	Expenses	
Total Liabilities and Net Assets	<u>\$17,200</u>	Office supplies	651
		Travel	<u>513</u>
		Total Expenses	<u>1,164</u>
		Change in Net Assets	<u>\$16,752</u>

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 14: FUNCTIONAL EXPENSES

During the years ended September 30, 2015 and 2014, functional expenses were incurred for:

	2015	2014
Program Services		
Department of Workforce Services	\$ 47,503	\$ 38,090
Community Services Block Grant	304,719	293,446
HEAP	1,082,886	1,019,668
Self Help Housing	111,018	111,915
Housing Preservation	25,026	-
USDA Child Care Food	583,534	539,231
Commodity Distribution	207,961	359,235
Department of Energy	954,216	885,094
ADFA	257,066	442,087
City of Fort Smith	763,264	363,714
Neighborworks	85,610	70,467
HPRP	604	358
River Valley Regional Food Bank	11,518,183	13,539,325
Housing and Urban Development	144,701	123,051
Dental Clinic	680,079	532,500
SHOP	187,970	19,246
Assets for Independence	31,951	11,610
Non-Federal	357,920	502,649
Enterprise Rural Initiative	47,220	1,792
Total Program Services	17,391,431	18,853,478
General and Administrative	164,113	143,572
Fundraising	61,103	84,518
Total Operating Expenses	\$ 17,616,647	\$ 19,081,568

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 15: RIVER VALLEY REGIONAL FOOD BANK

The River Valley Regional Food Bank is a program of the Organization. For the years ended September 30, 2015 and 2014, the schedule of the activities of this program is as follows on the next page:

	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUE		
Grants and contracts	\$ 450,472	\$ 247,160
Charges, fees, and other income	7,542	4,720
Shared maintenance income	708,840	645,245
Donated goods and services	11,334,755	11,174,469
Contributions	116,797	108,428
Fundraising	195,288	113,002
Rent income	-	2,625
Interest income	137	119
TOTAL SUPPORT AND REVENUE	<u>12,813,831</u>	<u>12,295,768</u>
EXPENSES		
Advertising	2,331	526
Automobile expense	28,971	31,440
Depreciation	116,409	90,173
Employee benefits	40,224	38,583
Food cost	10,692,100	12,775,966
Fundraising	60,264	84,518
Insurance	40,700	32,293
Maintenance and repairs	121,953	36,893
Miscellaneous	(15,724)	81,445
Office expense	4,947	5,581
Other contract services	5,419	6,023
Payroll taxes	19,578	17,916
Postage	3,544	5,905
Printing	660	980
Professional services	66,280	14,301
Real property acquired	1,002	1,075
Rent	8,538	10,435
Salaries	220,382	230,622
Shipping	103,972	98,822
Supplies	572	6,154
Subscriptions	11,700	17,999
Travel	12,940	5,561
Telephone	2,953	3,047
Utilities	28,732	27,585
TOTAL EXPENSES	<u>11,578,447</u>	<u>13,623,843</u>
INTERFUND TRANSFERS	<u>204,943</u>	<u>4,330</u>
REVENUE IN EXCESS OF EXPENSES	<u>\$ 1,440,327</u>	<u>\$ (1,323,745)</u>

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 25, 2016, which is the date the financial statements were available to be issued.

During February 2015, two for-profit entities were created with the help of Strategic Realty called Van Buren GP, LLC and Van Buren Housing Partners Limited Partnership. Crawford-Sebastian Community Development Council (“the Organization”) owns 100% of Van Buren GP, LLC and Van Buren GP, LLC owns .01% of Van Buren Housing Partners Limited Partnership with the intent to act as a general partner and a potential investor will own 99.99% of Van Buren Housing Partners Limited Partnership as a limited partner. On February 26, 2015, the Organizations board had approved an application for tax credits to the Arkansas Development Finance Authority (ADFA) to build a 41 unit single family rental development after a presentation by a representative from Strategic Realty and an employee of the organization. The reservation fee was \$6,000 and is presented as a due from related entity on the organizations Statement of Financial Position. On August 28, 2015, the ADFA notified the organization they had selected StoneBrook Park of Van Buren (the Development) for reservation of 2015 Federal Low-Income Housing Tax Credits (LIHTC) which would be constructed by Van Buren Housing Partners Limited Partnership and the ADFA determined the project satisfied the requirements for allocation of a housing credit amount under the ADFA’s Housing Credit Program’s 2015 Qualified Allocation Plan and Section 42(m)(2) of the Internal Revenue Code. During November 2015, a representative from the organization and the owner of Strategic Realty secured a loan at a local bank to purchase the land in which the StoneBrook Park of Van Buren LIHTC project would be constructed for \$231,000. Neither, Van Buren GP, LLC or Van Buren Housing Partners Limited Partnership had assets to purchase the property so the owner of Strategic Realty guaranteed the mortgage at the local bank. As of March 15, 2016, the original mortgage to purchase the land has been refinanced with the same local bank and a construction loan was obtained all in the name of Van Buren Housing Partners Limited Partnership in the amount of \$3.5 million. A construction account was also created in the name of Van Buren Housing Partners Limited Partnership with a local bank. On March 29, 2016, a representative of the organization, Van Buren Housing Partners Limited Partnership and Van Buren GP, LLC signed an agreement for additional loan proceeds from the ADFA for \$630,000. The terms of the loans with the local bank and ADFA and the total assets and liabilities of all related entities with the organization were unknown as of the date of this audit report. Van Buren Housing Partners Limited Partnership hopes to close with its limited partner investor on March 29, 2016. As of the date of this audit report, there was no finalized partnership agreement for Van Buren Housing Partners Limited Partnership. However, there was a letter of understanding dated February 26, 2015 from the investor to the organization designed to address the basic business terms of the StoneBrook Park development with the organizations interest with Van Buren Housing Partners Limited Partnership. Below are some of the potential disclosures and guarantees referenced in the letter of understanding:

- The LIHTC project will be managed by Strategic Realty
- The General Partner and an acceptable guarantor will guarantee:
 - a) a lien free completion of construction at a fixed price amount in accordance with the plans and specifications and the construction budget approved by the limited partner
 - b) the lease-up of the property and ensure the project partnership achieves three consecutive months of 1.15 debt service coverage
 - c) the conversion of all permanent mortgages
 - d) fund operating deficits for five years following the later of 1) permanent mortgage commencement or the achievement of three consecutive months of 1.15 debt service coverage (the “Operating Deficit Guarantee Period”
 - e) the annual tax credit amounts (not capped)
 - f) In the event of a recapture of tax credit, the general partner and acceptable guarantor will fund any loss of tax credit and associated costs that are incurred during the compliance period
- The developer fee could be 10 to 15% of total construction cost on the StoneBrook Park of Van Buren development in which 10% would be provided to the organization (CSCDC) and 90% would be paid to other parties

SUPPLEMENTARY INFORMATION

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF ACTIVITIES BY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	DEPARTMENT OF WORKFORCE SERVICE	CSBG	HEAP	SELF HELP HOUSING	HOUSING PRESERVATION	USDA CHILD CARE FOOD	COMMODITY DISTRIBUTION	DEPART- MENT OF ENERGY	ADFA	CITY OF FORT SMITH
SUPPORT AND REVENUES										
Federal awards	\$ 47,455	\$ 343,224	\$ 1,070,697	\$ 114,400	\$ 23,985	\$ 634,907	\$ 166,726	\$ 1,075,403	\$ 328,484	\$ 498,125
Grants and contracts	-	15,415	-	-	-	-	-	-	-	-
Charges, fees, and other income	-	-	-	-	-	-	-	12,379	-	27,772
Shared maintenance income	-	-	-	-	-	-	-	-	-	-
Donated property, goods and services	-	-	-	-	-	-	-	-	-	7,000
Contributions	-	-	-	-	-	-	-	500	-	-
Fundraising	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Home and land sales	-	-	-	-	-	-	-	-	-	365,393
Interest income	-	-	36	4	-	-	-	60	-	56
TOTAL SUPPORT AND REVENUES	47,455	358,639	1,070,733	114,404	23,985	634,907	166,726	1,088,342	328,484	898,346
EXPENSES										
PROGRAM SERVICES										
Advertising	-	-	-	249	199	-	-	185	576	1,428
Automobile expense	-	-	-	4,322	-	-	-	5,075	95	663
Cost of home and land sales	-	-	-	-	-	-	-	-	-	440,015
Day care homes and centers	-	-	-	-	-	518,448	-	-	-	-
Dental clinic	-	-	-	-	-	-	-	-	-	-
Depreciation	-	4,815	153	-	-	911	-	6,872	-	-
Down payment assistance	8,307	-	-	-	-	-	-	-	-	154,583
Education assistance	1,994	-	-	-	-	-	-	-	-	-
Employee benefits	175	36,144	8,547	14,696	123	7,491	4,239	22,505	2,904	411
Food costs and commodities distributed	-	1,979	-	-	-	17	174,179	2,807	50	448
Home repair assistance	22,244	-	-	1,530	20,272	-	-	-	227,995	22,638
Housing efficiency and safety assistance	-	-	-	-	-	-	-	158,588	-	-
Insurance	24	7,168	600	8,814	48	582	335	28,452	429	11,590
Interest	-	-	-	-	-	-	-	-	-	-
Loss on sale of assets	-	-	-	-	-	-	-	-	-	-
Maintenance and repairs	-	1,940	804	400	-	-	-	4,091	-	1,349
Miscellaneous	-	15,882	223	(5,362)	588	266	-	1,983	(4,252)	89,831
Office expense	-	8,527	5,377	2,419	-	1,720	654	5,119	1,001	436
Other contract service	-	1,396	-	-	-	-	536	-	-	525
Payroll taxes	642	15,279	5,020	6,248	326	3,318	2,271	13,781	1,761	917
Postage	191	1,366	5,056	994	-	369	4	1,869	494	1,080
Printing	1	3,802	3,250	193	-	2,977	-	58	47	80
Professional services	500	16,187	732	265	-	531	-	894	-	6,281
Real property acquired	-	-	-	2,869	-	-	163	1,938	7,650	527
Rent	563	5,961	3,428	-	-	3,850	-	4,492	-	5,244
Rental assistance	-	-	-	-	-	-	-	-	-	-
Salaries	8,386	150,597	43,569	65,537	2,900	39,026	21,922	144,981	15,869	9,525
Shipping	-	-	-	-	-	-	-	42	-	87
Small business assistance	4,000	-	-	-	570	-	-	49	35	10,400
Supplies	-	107	-	1,378	-	-	-	345	215	(70)
Subscriptions	-	24,422	-	800	-	100	-	2,818	220	1,977
Telephone	104	2,354	816	1,885	-	275	-	1,003	-	2,380
Travel	372	6,793	982	3,781	-	3,653	1,012	8,129	1,202	200
Utilities	-	-	-	-	-	-	2,646	39	775	699
Utility assistance	-	-	1,004,329	-	-	-	-	-	-	-
Weatherization materials	-	-	-	-	-	-	-	538,101	-	-
TOTAL PROGRAM SERVICES	47,503	304,719	1,082,886	111,018	25,026	583,534	207,961	954,216	257,066	763,264
SUPPORTING SERVICES										
FUNDRAISING EXPENSES	-	-	-	-	-	-	-	-	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	-	61,435	-	-	-	-	-	2,227	-	-
TOTAL SUPPORTING EXPENSES	-	61,435	-	-	-	-	-	2,227	-	-
TOTAL EXPENSES	47,503	366,154	1,082,886	111,018	25,026	583,534	207,961	956,443	257,066	763,264
INTERFUND TRANSFERS	-	(2)	-	782	-	-	-	(40,833)	-	(199,696)
CHANGE IN NET ASSETS	(48)	(7,517)	(12,153)	4,168	(1,041)	51,373	(41,235)	91,066	71,418	(64,614)
NET ASSETS, BEGINNING OF YEAR	7,956	(3,148)	44,814	(3,556)	443	60,429	41,734	22,582	(84,623)	398,265
NET ASSETS, END OF YEAR	\$ 7,908	\$ (10,665)	\$ 32,661	\$ 612	\$ (598)	\$ 111,802	\$ 499	\$ 113,648	\$ (13,205)	\$ 333,651

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF ACTIVITIES BY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	NEIGHBORWORKS	HPRP	RIVER VALLEY REGIONAL FOOD BANK	HUD	DENTAL CLINIC	SHOP	ASSETS FOR INDEP- ENDENCE	NON- FEDERAL	ENTERPRISE RURAL INITIATIVE	TOTAL
SUPPORT AND REVENUES										
Federal awards	\$ 150,500	\$ -	\$ -	\$ 130,201	\$ 60,630	-	\$ 32,779	\$ -	\$ 48,713	\$ 4,726,229
Grants and contracts	-	-	450,472	-	18,953	-	23,500	191,298	-	699,638
Charges, fees, and other income	-	-	7,542	-	3,262	-	-	68,345	-	119,300
Shared maintenance income	-	-	708,840	-	-	-	-	-	-	708,840
Donated property, goods and services	-	-	11,334,755	-	518,557	-	-	3,489	-	11,863,801
Contributions	400	-	116,797	-	33,094	-	-	8,112	-	158,903
Fundraising	738	-	195,288	-	4,258	-	-	-	-	200,284
Rental income	-	-	-	-	-	-	-	4,500	-	4,500
Home and land sales	-	-	-	-	-	148,000	-	-	-	513,393
Interest income	-	-	137	-	8	1	24	158	-	484
TOTAL SUPPORT AND REVENUES	151,638	-	12,813,831	130,201	638,762	148,001	56,303	275,902	48,713	18,995,372
EXPENSES										
PROGRAM SERVICES										
Advertising	3,210	-	2,331	-	251	99	-	145	-	8,673
Automobile expense	572	-	28,971	88	-	-	-	458	-	40,244
Cost of home and land sales	-	-	-	-	-	151,838	-	-	-	591,853
Day care homes and centers	-	-	-	-	-	-	-	905	-	519,353
Dental clinic	-	-	-	-	29,659	-	-	-	-	29,659
Depreciation	-	209	116,409	223	19,331	-	1,016	148	-	150,087
Down payment assistance	3,500	-	-	-	-	34,191	19,394	47,317	-	267,292
Education assistance	-	-	-	-	-	-	-	-	-	1,994
Employee benefits	1,089	-	40,224	9,723	11,841	-	-	10,783	6,802	177,697
Food costs and commodities distributed	333	-	10,692,100	-	(5,236)	-	-	(935)	-	10,865,742
Home repair assistance	-	-	-	-	-	-	405	213,704	-	508,788
Housing efficiency and safety assistance	-	-	-	-	-	-	-	-	-	158,588
Insurance	6,340	-	40,700	579	5,881	-	3	1,306	465	113,316
Interest	-	-	-	-	-	690	-	4,357	-	5,047
Loss on sale of assets	-	-	-	-	392	-	-	222	-	614
Maintenance and repairs	-	-	121,953	-	10,811	400	-	4,599	2,626	148,973
Miscellaneous	-	395	(15,724)	-	96	873	-	14,929	-	99,728
Office expense	1,953	-	4,947	65	3,805	156	811	11,189	-	48,199
Other contract service	1,305	-	5,419	-	497	-	-	616	-	10,294
Payroll taxes	2,920	-	19,578	3,663	6,943	-	146	1,366	2,986	87,165
Postage	343	-	3,544	276	1,226	-	97	848	-	17,757
Printing	251	-	660	339	214	-	6	158	-	12,036
Professional services	2,649	-	66,280	3,803	501,708	-	-	1,522	-	601,352
Real property acquired	-	-	1,002	-	516	(277)	-	943	-	15,331
Rent	1,791	-	8,538	-	-	-	-	584	-	34,451
Rental assistance	-	-	-	55,867	-	-	-	-	-	55,867
Salaries	34,132	-	220,382	39,471	70,769	-	1,301	15,384	34,341	918,092
Shipping	31	-	103,972	-	-	-	-	21	-	104,153
Small business assistance	-	-	-	11,600	-	-	8,000	2,575	-	37,229
Supplies	2,519	-	572	33	15,708	-	-	1,231	-	22,038
Subscriptions	1,118	-	11,700	1,000	303	-	500	9,775	-	54,733
Telephone	1,887	-	2,953	-	2,501	-	-	56	-	16,214
Travel	19,667	-	12,940	1,076	979	-	272	909	-	61,967
Utilities	-	-	28,732	366	1,884	-	-	12,805	-	47,946
Utility assistance	-	-	-	16,529	-	-	-	-	-	1,020,858
Weatherization materials	-	-	-	-	-	-	-	-	-	538,101
TOTAL PROGRAM SERVICES	85,610	604	11,518,183	144,701	680,079	187,970	31,951	357,920	47,220	17,391,431
SUPPORTING SERVICES										
FUNDRAISING EXPENSES	839	-	60,264	-	-	-	-	-	-	61,103
GENERAL AND ADMINISTRATIVE EXPENSES	-	-	-	-	-	-	-	100,451	-	164,113
TOTAL SUPPORTING EXPENSES	839	-	60,264	-	-	-	-	100,451	-	17,616,647
TOTAL EXPENSES	86,449	604	11,578,447	144,701	680,079	187,970	31,951	458,371	47,220	17,616,647
INTERFUND TRANSFERS	2,911	-	204,943	-	2,564	19,567	-	6,893	2,871	-
CHANGE IN NET ASSETS	68,100	(604)	1,440,327	(14,500)	(38,753)	(20,402)	24,352	(175,576)	4,364	1,378,725
NET ASSETS, BEGINNING OF YEAR	124,947	604	3,645,898	14,496	258,353	39,512	27,115	1,435,190	(505)	6,030,506
NET ASSETS, END OF YEAR	\$ 193,047	\$ -	\$ 5,086,225	\$ (4)	\$ 219,600	\$ 19,110	\$ 51,467	\$ 1,259,614	\$ 3,859	\$ 7,409,231

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF UNITS OF SERVICE PROVIDED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Child and Adult Food Care - Homes	Breakfast	Lunch	Supplements	Supper
October	3,810	3,315	4,322	455
November	3,001	2,647	3,423	367
December	3,358	3,174	3,903	528
January	3,539	3,275	4,176	526
February	3,270	3,050	3,878	516
March	3,412	3,253	4,002	494
April	3,866	3,515	4,441	546
May	3,443	3,155	4,026	522
June	3,233	3,561	3,833	517
July	3,345	3,703	3,849	576
August	3,381	3,386	4,092	604
September	3,371	3,160	3,964	617
Total	41,029	39,194	47,909	6,268

Child and Adult Food Care - Centers	Breakfast	Lunch	Supplements	Supper
October	8,170	8,176	12,635	959
November	6,691	6,664	10,017	802
December	6,713	6,796	10,025	889
January	7,741	7,837	11,697	869
February	6,977	7,120	10,332	750
March	7,944	8,172	11,757	897
April	8,653	9,010	13,438	988
May	7,736	7,882	12,885	961
June	7,963	8,487	11,443	1,011
July	7,451	8,151	10,841	995
August	8,052	8,244	11,998	887
September	8,345	8,692	13,994	885
Total	92,436	95,231	141,062	10,893

NOTE 1: BASIS OF PRESENTATION

The Organization entered into a purchase of service contract that does not provide budgeted units of service. Therefore, budgeted units of service are not presented on this schedule.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF UNITS OF SERVICE PROVIDED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Units of Service
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
Families obtain homes	144
Prepurchase counseling provided	720
Mortgage default counseling contacts	23
Foreclosures prevented due to mortgage default counseling	11
HOME ENERGY ASSISTANCE PROGRAM	
Regular assistance applications taken	6,062
Regular assistance applications paid	5,624
Crisis assistance applications taken	1,124
Crisis assistance applications paid	980
RIVER VALLEY REGIONAL FOOD BANK AND OTHER FOOD ASSISTANCE	
Number of hunger agencies assisted by Food Bank	193
Families receiving commodities	61,604
WAP GRANT - WEATHERIZATION	
Houses weatherized	139

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Revenue</u>	<u>Expenditures</u>
Federal Awards			
U.S. Department of Agriculture			
Direct Funding:			
Rural Self-Help Housing Technical Assistance	10.420	\$ 114,400	\$ 114,400
Passed through the Arkansas Department of Human Services:			
Commodity Supplemental Food Program (noncash)	10.555	134,245	134,245
Child and Adult Care Food Program	10.558	634,907	634,907
Emergency Food Assistance Program (Admin)	10.568	32,481	32,481
Passed through Rural Development:			
Rural Housing Preservation Grants - Section 533			
Housing Preservation Grant	10.433	23,986	23,986
Community Facilities Loans and Grants	10.780	41,458	41,458
Total U.S. Department of Agriculture		<u>981,477</u>	<u>981,477</u>
U.S. Department of Housing and Urban Development			
Direct Funding:			
Emergency Solutions Grant (ESG)	14.231	130,201	130,201
Passed through the Arkansas Development Finance Authority:			
Home Investment Partnerships Program (HOME)	14.239**	365,926	365,926
Passed through the City of Fort Smith:			
Community Development Block Grant (CDBG)	14.218	24,955	24,955
Home Investment Partnerships Program (HOME)	14.239	498,125	498,125
Passed through the Housing Assistance Council (HAC):			
Self-Help Homeownership Opportunity Program (SHOP)	14.247*	30,000	30,000
Passed through Enterprise Community Partners, Inc.:			
Supportive Housing Program, Section 4 Capacity Building for Community Development and Affordable Housing	14.252	48,713	48,713
Total U.S. Department of Housing and Urban Development		<u>1,097,920</u>	<u>1,097,920</u>
U.S. Department of Treasury			
Passed through the Neighborhood Reinvestment Corporation (Neighborworks America):			
Neighborworks America	21.000	150,500	150,500
Total U.S. Department of Treasury		<u>150,500</u>	<u>150,500</u>
U.S. Department of Energy			
Passed through the Arkansas Economic Development Commission Energy Office:			
Weatherization for Low-Income Persons	81.042	1,033,945	1,033,945
Total U.S. Department of Energy		<u>\$ 1,033,945</u>	<u>\$ 1,033,945</u>

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Revenue	Expenditures
Federal Awards (continued)			
U.S. Department of Health and Human Services			
Passed through the Arkansas Department of Workforce Services:			
Temporary Assistance For Needy Families (TANF)	93.558	\$ 47,456	\$ 47,456
Passed through the Arkansas Department of Human Services:			
Low-Income Home Energy Assistance Program (LIHEAP)	93.568	1,070,697	1,070,697
Community Services Block Grant (CSBG)	93.569	326,555	326,555
Community Services Block Grant (CSBG) (carryover)	93.569	16,668	16,668
Passed through the Office of Community Services:			
Assets for Independence Demonstration Program	93.602	32,779	32,779
Total U.S. Department of Health and Human Services		<u>1,494,155</u>	<u>1,494,155</u>
Total Federal Awards		<u>\$ 4,757,997</u>	<u>\$ 4,757,997</u>

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Crawford-Sebastian Community Development Council, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the Arkansas Department of Human Services. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* - Loan

** - \$37,442 of the total are applicable to loan



Hubbs, Belcher and Company CPA's, p.a.

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

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To the Board of Directors of
Crawford-Sebastian Community Development Council, Inc.
Fort Smith, Arkansas

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 **Crawford-Sebastian Community Development Council, Inc.** (a nonprofit organization), which comprise the statement of financial position as of **September 30, 2015**, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **March 30, 2016**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 **Crawford-Sebastian Community Development Council, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Crawford-Sebastian Community Development Council, Inc.**'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2015-001, 2015-002 & 2015-003).

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2015-004).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Crawford-Sebastian Community Development Council, Inc.**'s financial statements are free of 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*.

We have noted certain matters that we have reported to management of the Organization in a separate letter dated **March 30, 2016**.

The Organization's Response to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Crawford-Sebastian Community Development Council, Inc.**'s response was not subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

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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.



Hubbs, Belcher and Company, p.a.
Certified Public Accountants
Van Buren, Arkansas 72956

March 30, 2016



Hubbs, Belcher and Company CPA's, p.a.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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**To the Board of Directors of
Crawford-Sebastian Community Development Council, Inc.
Fort Smith, Arkansas**

Report on Compliance for Each Major Federal Program

We have audited **Crawford-Sebastian Community Development Council, Inc.**'s compliance with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* that could have a direct and material effect on each of **Crawford-Sebastian Community Development Council, Inc.**'s major federal programs for the year ended **September 30, 2015**. **Crawford-Sebastian Community Development Council, Inc.**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Crawford-Sebastian Community Development Council, Inc.**'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 **Crawford-Sebastian Community Development Council, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Crawford-Sebastian Community Development Council, Inc.**'s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 **September 30, 2015**.

Report on Internal Control Over Compliance

Management of **Crawford-Sebastian Community Development Council, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Crawford-Sebastian Community Development Council, Inc.**'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 **Crawford-Sebastian Community Development Council, Inc.**'s internal control over compliance.

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

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider findings 2015-001, 2015-002, 2015-003 and 2015-004 on the Schedule of Findings and Questioned Costs to be material weaknesses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hubbs, Belcher and Company, p.a.
Certified Public Accountants
Van Buren, Arkansas 72956

March 30, 2016

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of **Crawford-Sebastian Community Development Council, Inc.**
2. Three material weaknesses in internal control were disclosed during the audit of the financial statements and are reported in Section II of the Schedule of Findings and Questioned Costs.
3. There were no instances of noncompliance material to the financial statements of **Crawford-Sebastian Community Development Council, Inc.** which would be required to be reported in accordance with *Government Auditing Standards*.
4. One material weakness in internal control over federal programs was disclosed during the audit and is reported in Section III of the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal awards programs for **Crawford-Sebastian Community Development Council, Inc.** expresses an unmodified opinion on compliance over the major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section III of the Schedule of Findings and Questioned Costs.
7. The programs tested as major programs were the following: Weatherization for Low-Income Persons (CFDA #81.042), Home Investment Partnerships Program (HOME) (CFDA #14.239), Community Services Block Grant (CFDA #93.569), Low-Income Home Energy Assistance Program (LIHEAP) (CFDA #93.568), and Child and Adult Care Food Program (CFDA #10.558).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. **Crawford-Sebastian Community Development Council, Inc.** did not qualify as a low-risk auditee.

II. FINDING RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.

15-001: Preparation of Financial Statements

Condition: As a part of the audit engagement, we assisted management in the preparation of the Organization's financial statements. Although management reviewed and approved the financial statements and related footnotes, management's current system of internal controls lacks adequate controls to ensure the propriety and completeness of disclosure in the footnotes.

Criteria and Cause: Internal control over financial reporting includes management's controls over the preparation of the financial statements and related footnotes. An auditor can assist in assembling, or drafting, the financial statements and related footnotes; however, an auditor cannot be part of the Organization's internal control. Management does not have internal controls in place to ensure the propriety and completeness of the information in the financial statements, including disclosure in the related footnotes.

Effect: Under the current process, errors or omissions in the footnote disclosures to the financial statements are not prevented or detected and corrected on a timely basis by the Organization's management.

Recommendation: We understand that management feels that its current controls over the preparation of the financial statements are adequate, and that implementing additional controls is not practical, or feasible, with the Organization's current staff and resources. We recommend that management continue to evaluate the cost/benefit of improving internal control over the preparation of the financial statements and implement additional controls as considered necessary.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

II. FINDING RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*. (CONTINUED)

15-002: Lack of Segregation of Duties

Condition: During the year ended September 30, 2015, there was not a complete segregation of duties related to certain financial transactions, including reconciling and recording all transactions and adjustments to the general ledger. While controls are in place to segregate duties related to journal entries and financial statement review, these controls were not functioning properly throughout the entire year.

Criteria and Cause: A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize, execute, and record the same transaction. Our audit disclosed that, while controls are in place to segregate duties, they are not functioning at a level to prevent errors in financial reporting.

Effect: A lack of proper segregation of duties increases the risk that errors or fraud may occur and not be detected in a timely manner.

Recommendation: We have noted that controls are in place to review journal entries and financial statements at year end. We recommend that the Board of Directors work closely with management to determine ways to strengthen controls in place to prevent errors.

15-003: Lack of Sufficient Control Environment

Condition: During the year ended September 30, 2015, there were not enough personnel with the appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles (GAAP) commensurate with GAAP financial reporting requirements. This material weakness in the Organizations control environment contributed to the material audit adjustments of the recognition of donated land received, long-term liabilities associated with inventory held for resale, interest expense, and related receivables associated with down payment assistance for qualified low income home buyers.

Criteria and Cause: The control environment is the foundation on which an effective system of internal control is built and operated in an organization that strives to achieve its strategic objectives, provide reliable financial reporting to creditors and federal agencies, comply with applicable laws, compliance and regulations, and the safeguarding of assets. Our audit disclosed that controls were not operating at a level to prevent errors in financial reporting.

Effect: A lack of a sufficient control environment increases the risk that errors or fraud may occur and not be detected in a timely manner.

Recommendation: The organization administers many federal programs and is expanding its capacity in regards to real estate programs applicable to affordable housing. Closing statements are not being utilized to accurately record the real estate transactions under the federal programs which leads to omissions or un-recording of certain receivables, capitalized expenditures, liabilities, sales income and expenditures associated with these transactions. The control environment could be improved with closing information being dispersed to appropriate personnel.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

15-004: PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: As a part of the audit engagement, we assisted management in the preparation of the Organization's Schedule of Federal Awards. Although management reviewed and approved the Schedule of Federal Awards and related footnotes, management's current system of internal control lacks adequate controls to ensure the propriety of and completeness of disclosure in the footnotes.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

15-004: PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Criteria and Cause: Internal control over financial reporting includes management's controls over the preparation of the Schedule of Federal Awards and related footnotes. An auditor can assist in assembling, or drafting, the Schedule of Federal Awards and related footnotes; however, an auditor cannot be a part of the Organization's internal control. Management does not have internal controls in place to ensure the propriety and completeness of the information in the Schedule of Federal Awards, including the disclosure in the related footnotes.

Effect: Under the current process, errors or omissions in the footnote disclosures to the Schedule of Federal Awards might not be prevented or detected and corrected on a timely basis by the Organization's management.

Recommendation: We understand that management feels that its current controls over the preparation of the Schedule of Federal Awards are adequate and that implementing additional controls is not practical or feasible with the Organization's current staff and resources. We recommend that management continue to evaluate the cost/benefit of improving internal control over the preparation of the Schedule of Federal Awards and implement additional controls as necessary.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**FINDING RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED
IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

Community Services Block Grant (CFDA #93.569)
Self-Help Homeownership Opportunity Program (SHOP) (CFDA #14.247)
HOME Investment Partnerships Program (CFDA #14.239)
Weatherization Assistance for Low-Income Persons (CFDA #81.042)
Low-Income Home Energy Assistance Program (LIHEAP) (CFDA #93.568)
Child and Adult Care Food Program (CACFP) (CFDA #10.558)
Emergency Food Assistance Program (CFDA #10.568)
Commodity Supplemental Food Program (CFDA #10.555)

14-001: Preparation of Financial Statements

Condition: As a part of the audit engagement, we assisted management in the preparation of the Organization's financial statements. Although management reviewed and approved the financial statements and related footnotes, management's current system of internal controls lacks adequate controls to ensure the propriety and completeness of disclosure in the footnotes.

Criteria and Cause: Internal control over financial reporting includes management's controls over the preparation of the financial statements and related footnotes. An auditor can assist in assembling or drafting the financial statements and related footnotes; however, an auditor cannot be part of the Organization's internal control. Management does not have internal controls in place to ensure the propriety and completeness of the information in the financial statements, including disclosure in the related footnotes.

Effect: Under the current process, errors or omissions in the footnote disclosures to the financial statements might not be prevented or detected and corrected on a timely basis by the Organization's management.

Recommendation: We understand that management feels that its current controls over preparation of financial statements are adequate and that implementing additional controls is not practical or feasible with the Organization's current staff and resources. We recommend that management continue to evaluate the cost/benefit of improving internal control over the preparations of the financial statements and implement additional controls as considered necessary.

Status: See Schedule of Findings and Questioned Costs reference 15-001

14-002: Preparation of Schedule of Expenditures of Federal Awards

Condition: As part of the audit engagement, we assisted management in the preparation of the Organization's Schedule of Federal Awards. Although management reviewed and approved the Schedule of Expenditures of Federal Awards and related footnotes, management's current system of internal control lacks adequate controls to ensure the propriety of and completeness of disclosure in the footnotes.

Criteria and Cause: Internal control over financial reporting includes management's controls over the preparation of the Schedule of Expenditures of Federal Awards and related footnotes. An auditor can assist in assembling, or drafting, the Schedule of Expenditures of Federal Awards and related footnotes; however, an auditor cannot be a part of the Organization's internal control. Management does not have internal controls in place to ensure the propriety and completeness of the information in the Schedule of Expenditures of Federal Awards, including the disclosure in the related footnotes.

Effect: Under the current process, errors or omissions in the footnote disclosures to the Schedule of Expenditures of Federal Awards might not be prevented or detected and corrected on a timely basis by the Organization's management.

CRAWFORD-SEBASTIAN COMMUNITY DEVELOPMENT COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Recommendation: We understand that management feels that its current controls over the preparation of the Schedule of Expenditures of Federal Awards are adequate and that implementing additional controls is not practical or feasible with the Organization's current staff and resources. We recommend that management continue to evaluate the cost/benefit of improving internal control over the preparation of the Schedule of Expenditures of Federal Awards and implement additional controls as necessary.

Status: See Schedule of Findings and Questioned Costs reference 15-004



Hubbs, Belcher and Company, CPA's,

MANAGEMENT LETTER

Clifford W. Hubbs, CPA

M. Blake Belcher, CPA

1111 Fayetteville Road
Van Buren, AR 72956

Ph. (479) 474-3454

Fax (479) 474-7165

www.llhtax.net

To the Board of Directors of
Crawford-Sebastian Community Development Council, Inc.
Fort Smith, Arkansas

In planning and performing our audit of the financial statements of **Crawford-Sebastian Community Development Council, Inc.** (the "Organization") as of and for the year ended **September 30, 2015**, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing 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 the Organizations internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies included in the Schedule of Findings and Questioned Costs in the Organization's internal control to be material weaknesses.

In addition, during our audit, we noted certain matters involving the internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated **March 30, 2016** on the financial statements of the Organization. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control and compliance and result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations so long as it does not impair our independence as auditors. Our comments are summarized as follows:

Board Review of Financial Information

During the audit, we were unable to assess from the board minutes that the Board of Directors is sufficiently reviewing accurate financial information at the meetings. Additionally, the information needs to be reviewed by the Board members directly; not a recap by management. Discussion minutes relating to the Board's review of the financial statements should be taken to clearly document the Board of Directors understanding and approval of the financial information. The financial reports provided to the Board should be a direct pull from the accounting software used by the Organization. We tested the recapped "Board Report" that was provided to the Board to review operations as of September 30, 2015 against the amounts reported in the accounting system as of September 30, 2015. The differences among the two reports were very material and auditor does not believe the board is given an actual interpretation of results.

Postings to Fund Balance

During the audit, we noted that the Organization made several journal entries to fund balance indicative that controls related to net assets have not been implemented. We recommend that no entries should be made to fund balance except when required by audit adjustments or the automatic closing entries generated by the accounting software to close out the books. All the individual funds need to be in balance to ensure accurate financial reporting.

Member of:

*American Institute of
Certified Public
Accountants

*Arkansas Society of
Certified Public
Accountants

*Oklahoma Society of
Certified Public
Accountants

*Governmental Audit
Quality Center

*Employee Benefit
Plan Audit Quality
Center

Due to/from Accounts

During the audit, we noted that the due to/from accounts did not balance. This indicates a transaction was not recorded. We recommend that these accounts be reconciled to ensure that all transactions are recorded. Auditor asked Financial Director for a breakdown of what was coded to due to/due from accounts and these accounts lacked sufficient documentation or acceptable documentation for financial statements prepared in accordance with generally accepted accounting principles.

Prepaid Expenses

Prepaid expenses represent an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. Most prepaid expenditures are current assets (consumed within one year). Any prepaid determined to be greater than one year would be classified as a long-term asset on the statement of financial position. The goal of prepaid expenses is to match their recognition as expenses with the periods in which they are actually consumed. During the audit, there were postings to prepaid expenses in which there were no future benefits to be derived.

Accounts Payable

During the audit, we noted that the Organization does not regularly track accounts payable. Currently, any invoices related to the previous month are just entered as checks dated in that month. We recommend the use of the accounts payable system that is a component of the computer accounting package (Financial Edge) currently in use. Under this method, a vendor's invoice is recorded in an open invoice journal upon receipt and approval. At any given point in time, a listing of open/unpaid invoices can be produced from the system. This listing should match all items in the open invoice file at all times. This practice would allow for a much stronger control over the accounts payable and the amounts reflected in the financial statements.

Bank Reconciliations

During the audit, we noted the payroll bank account had not been reconciled as of the date audit field work could begin (December 3, 2015). Auditor was in receipt of this bank reconciliation on February 26, 2016. This bank reconciliation was not prepared within the Financial Edge software which would give more assurance of reconciling to the client's general ledger. Timely bank reconciliations are essential to safeguarding assets from fraud and material misstatement.

Accounting Software

During the audit, we noted a difficulty the Financial Director has completing all the tasks and duties essential to the job. We believe the accounting software (Financial Edge) is a direct obstacle in the organizations ability to have reliable and accurate financial reporting. At the beginning of the audit, significant time is administered by the Financial Director and auditor to determine if all activities have actually been provided to the auditor to develop a full trial balance. A series of over 100 different funds are provided to the auditor to record a trial balance out of the accounting software. All of these trial balances are then compared to a consolidated statement of activities printed from the software to verify results from operations match the total of all funds provided. During the beginning of the audit, there are numerous communications to hunt down missing trial balances in an effort to ensure all funds are recorded to the preliminary unaudited trial balance.

This communication is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and the Arkansas Department of Human Services and is not intended to be and should not be used by anyone other than these specified parties.



Hubbs, Belcher & Company, p.a.

Certified Public Accountants

Van Buren, Arkansas 72956

March 30, 2016

Crawford-Sebastian Community Development Council, Inc.



"A COMMUNITY ACTION AGENCY"
4831 ARMOUR STREET • P. O. BOX 4069
FORT SMITH, ARKANSAS 72914-4069
PHONE 479-785-2303 • FAX 479-785-2341

March 30, 2016

Crawford-Sebastian Community Development Council, Inc. respectfully submits the following corrective action plan for the year ended September 30, 2015.

The name and address of independent public accounting firm: Hubbs, Belcher and Company, CPA's, 1111 Fayetteville Road, Van Buren, Arkansas 72956.

Audit Period: October 1, 2014 through September 30, 2015.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently and with the numbers assigned on the schedule.

15-001: Preparation of Financial Statements

WEATHERIZATION FOR LOW-INCOME PERSONS (CFDA 81.042)

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) (CFDA 14.239)

COMMUNITY SERVICES BLOCK GRANT (CFDA 93.569)

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP) (CFDA 93.568)

CHILD AND ADULT CARE FOOD PROGRAM (CFDA 10.558)

Condition: As a part of the audit engagement, we assisted management in the preparation of the Organization's financial statements. Although management reviewed and approved the financial statements and related footnotes, management's current system of internal controls lacks adequate controls to ensure the propriety and completeness of disclosure in the footnotes.

Criteria and Cause: Internal control over financial reporting includes management's controls over the preparation of the financial statements. An auditor can assist in assembling, or drafting, the financial statements and related footnotes; however, an auditor cannot be part of the Organization's internal control. Management does not have internal controls in place to ensure the propriety and completeness of the information in the financial statements, including disclosure in the related footnotes.

Effect: Under the current process, errors or omissions in the footnote disclosures to the financial statements might not be prevented or detected and correctly on a timely basis by the Organization's management.

Recommendation: We understand that management feels that its current controls over the preparation of financial statements are adequate, and that implementing additional controls is not practical, or feasible, with the Organization's current staff and resources. We recommend

Affirmative Action / Equal Opportunity Employer

that management continue to evaluate the cost/benefit of improving internal control over the preparation of the financial statements and implement additional controls as considered necessary.

Management's Response: Management will explore the option of using an outside accountant to help with the preparation of financial statements.

15-002: Lack of Segregation of Duties

Condition: During the year ended September 30, 2015, there was not a complete segregation of duties related to certain financial transactions, including reconciling and recording all transactions and adjustments to the general ledger. While controls are in place to segregate duties related to journal entries and financial statement review, these controls were not functioning properly throughout the entire year.

Criteria and Cause: A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize, execute and record the same transaction. Our audit disclosed that, while controls are in place to segregate duties, they are not functioning at a level to prevent errors in financial reporting.

Effect: A lack of proper segregation of duties increases the risk the errors or fraud may occur and not be detected in a timely manner.

Recommendation: We have noted that controls are in place to review journal entries and financial statements at year end. We recommend that the Board of Directors work closely with management to determine ways to strengthen controls in place to prevent errors.

Management's Response: Duties are segregated to prevent one person from handling all aspects of a journal entry or check payment. However, coding or posting errors are still possible due to the workload in the Finance department. More time needs to be taken to review work as it is done. We have hired an additional employee in the Finance department. Part of her duties will be to double check all journal entries to make sure they are posted correctly so that needed adjustments can be made on a more timely basis. This will add one more person to the equation of looking at all journal entries. Hiring the additional person will help with workflow so that the Financial Director and bookkeepers will have more time available to review reports.

15-003: Lack of Sufficient Control Environment

Condition: During the year ended September 30, 2015, there were not personnel with the appropriate level of accounting knowledge, experience and training in the application of generally accepted principles (GAAP) commensurate with GAAP financial reporting requirements. This material weakness in the Organization's control environment contributed to the material audit adjustments of the recognition of donated land received, long-term liabilities associated with inventory held for resale, interest expense, and related receivables associated with down payment assistance for qualified low income home buyers.

Criteria and Cause: The control environment is the foundation on which an effective system of internal control is built and operated in an organization that strives to achieve its strategic objectives, provide reliable financial reporting to creditors and federal agencies, comply with applicable laws, regulations, and the safeguarding of assets. Our audit disclosed that controls were not operating at a level to prevent errors in financial reporting.

Effect: A lack of sufficient control environment increases the risk that errors or fraud may occur and not be detected in a timely manner.

Recommendation: The organization administers many federal programs and is expanding its capacity in regards to real estate programs applicable to affordable housing. Closing statements are not being utilized to accurately record the real estate transactions under the federal programs which leads to omissions or un-recording of certain receivables, capitalized expenditures, liabilities, sales income and expenditures associated with these transactions. The control environment could be improved with closing information being dispersed to appropriate personnel.

Management's Response: The Financial Director has little experience in recording real estate transactions but has registered for a class in early May dedicated to real estate accounting. Management believes that with this guidance and training, the real estate transactions will be recorded correctly before next year's audit. Management will acquire the services of a third party firm or individual with experience in real estate transactions to work in the finance department to ensure the transactions are recorded properly. Closing statements are provided timely, but in order to make sure that the finance director is not missing any statements, the program director will send a monthly report to the finance director showing everything bought or sold during the month. These transactions will be compared to the transactions recorded in the finance department. If the finance director is missing a settlement statement, she can make it known at that time.

15-004: Preparation of Schedule of Expenditures of Federal Awards

Condition: As a part of the audit engagement, we assisted management in the preparation of the Organization's Schedule of Federal Awards. Although management reviewed and approved the Schedule of Federal Awards and related footnotes, management's current system of internal control lacks adequate controls to ensure the propriety of and completeness of disclosure in the footnotes.

Criteria and Cause: Internal control over financial reporting includes management's controls over the preparation of the Schedule of Federal Awards. An auditor can assist in assembling, or drafting, the Schedule of Federal Awards and related footnotes; however, an auditor cannot be part of the Organization's internal control. Management does not have internal controls in place to ensure the propriety and completeness of the information in the Schedule of Federal Awards, including disclosure in the related footnotes.

Effect: Under the current process, errors or omissions in the footnote disclosures to the Schedule of Federal Awards might not be prevented or detected and corrected on a timely basis by the Organization's management.

Recommendation: We understand that management feels that its current controls over the preparation of the Schedule of Federal Awards are adequate, and that implementing additional controls is not practical, or feasible, with the Organization's current staff and resources. We recommend that management continue to evaluate the cost/benefit of improving internal control over the preparation of the Schedule of Federal Awards and implement additional controls as considered necessary.

Management's Response: Management compiled the majority of information for the SEFA, with the exception of two items that we did not get the information from the funding source until after the audit had begun. It is understood that the auditor has to check the information provided. We do not agree with this finding since we did prepare the SEFA.

MANAGEMENT LETTER POINTS

The following comments represent items noted during the FY 15 audit.

Board Review of Financial Information

During the audit, we were unable to assess from the board minutes that the Board of Directors is sufficiently reviewing financial information at the meetings. Additionally, the information needs to be reviewed by the Board members directly; not a recap by management. Discussion minutes relating to the Board's review of the financial statements should be taken to clearly document the Board of Directors understanding and approval of the financial information. The financial reports provided to the Board should be a direct pull from the accounting software used by the Organization. We tested the recapped "Board Report" that was provided to the Board to review operations as of September 30, 2015 against the amounts reported in the accounting system as of September 30, 2015. The differences among the two reports were very material and auditor does not believe the board is given an actual interpretation of results.

Management's response: For FY 15, the auditor was furnished copies of detailed minutes regarding the financial information discussions. The board is very involved and discusses each program financially at every board meeting. A customized report for each grant period was created in the accounting software, Financial Edge, to get the numbers for the recap but there is not a report available that supplies the information needed for the board report for multiple grant years. Detailed reports are always available for review at each Board meeting. The board report numbers are based on grant periods, not fiscal year. This could be why the reports that the auditor compared did not match each other. This would cause a large difference but it was never questioned by the auditor. An explanation could have been given and this point would have been unnecessary. In short, the auditor did not do the research involved to see that CSCDC is in fact providing detailed and accurate reports to the board.

Postings to Fund Balance

During the audit, we noted that the Organization made several journal entries to fund balance indicative that controls related to net assets have not been implemented. We recommend that no entries should be made to fund balance except when required by audit adjustments or the automatic closing entries

generated by the accounting software to close out the books. All the individual funds need to be in balance to ensure accurate financial reporting.

Management's response: No entries will be made to fund balance accounts unless given by the auditor or automatic postings at closeout. On occasion, it is necessary to make an entry to fund balance but all documentation is supplied to auditor. For example, DOE funds have multiple program numbers within one grant and when the accounting software closes at year end, there are multiple fund balances that need to be consolidated into the main program number (200 is main account but fund balances have amounts in 200 through 209 and all need to be closed out to 200). An entry must be made to correct this.

Due to/Due from Accounts

During the audit, we noted that the due to/due from accounts did not balance. This indicated a transaction was not recorded. We recommend that these accounts be reconciled to ensure all transactions are recorded. Auditor asked Financial Director for a breakdown of what was coded to due to/due from accounts and these accounts lacked sufficient documentation or acceptable documentation for financial statements prepared in accordance with generally accepted accounting principles.

Management's response: Although these accounts did not balance at September 30, part of the problem was a timing issue. Many of the entries are because of deposits in transit at the end of the month. Special attention will be given to these accounts to ensure that they are in balance.

Prepaid Expenses

Prepaid Expenses represent an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. Most prepaid expenditures are current assets (consumed within one year). Any prepaid determined to be greater than one year would be classified as long-term asset on the statement of financial position. The goal of prepaid expenses is to match their recognition as expenses with the periods in which they are actually consumed. During the audit, there were postings to prepaid expenses in which there were no future benefits to be derived.

Management's response: Especially in the Self Housing program, we must pay an invoice before client funds are available. Surveys and perc tests are required before their funding can be approved. Once their funding is in place, C-SCDC is reimbursed. If the client's funding falls through, then we expense the item. It may take months before funding is approved but surveys and perc tests must be done before their funding can be approved. We keep a spreadsheet so we know which clients owe money to C-SCDC. As far as prepaid expenses which there were not future benefits to be derived, this is an incorrect statement. Although there was a balance at September 30, this does not mean that it will never be cleared.

Accounts Payable

During the audit, we noted that the Organization does not regularly track accounts payable. Currently, any invoices related to the previous month are just entered as checks dated in that month. We recommend the use of the accounts payable system that is a component of the computer accounting package (Financial Edge) currently in use. Under this method, a vendor's invoice is recorded in an open invoice journal upon receipt and approval. At any given point in time, a listing of open/unpaid invoices can be produced from the system. This listing should match all items in the open invoice file at all times.

This practice would allow for a much stronger control over the accounts payable and the amounts reflected in the financial statements.

Management's response: Accounts payables are tracked regularly. Once an invoice is received and coded, it is entered in the AP module in Financial Edge. This is done on a weekly basis before checks are produced each Wednesday during the month. At the end of the month, invoices are entered then paid with last day of the month on the check. If we receive an invoice dated in the prior month and books have been closed already, then it is entered in the month received.

Bank Reconciliations

During the audit, we noted the payroll bank account had not been reconciled as of the date audit field work could begin (December 3, 2015). Auditor was in receipt of this bank reconciliation on February 26, 2016. This bank reconciliation was not prepared with the Financial Edge software which would give more assurance of reconciling to the client's general ledger. Timely bank reconciliations are essential to safeguarding assets from fraud and material misstatement.

Management's response: The payroll module in Financial Edge does not post to the GL correctly. We have to do payroll journal entries to post in the general ledger. We have been trying to get help from Blackbaud to get this problem fixed with no avail. We use the check register from Financial Edge to do the bank reconciliation in an Excel spreadsheet. The number is then compared to the GL. We can assure anyone that the balance is correct. This software issue is one of the many reasons we are not happy with Financial Edge.

Accounting Software

During the audit, we noted difficulty the Financial Director has completing all the tasks and duties essential to the job. We believe the accounting software (Financial Edge) is a direct obstacle in the organizations ability to have reliable and accurate financial reporting. At the beginning of the audit, significant time is administered by the Financial Director and auditor to determine if all activities have actually been provided to the auditor to develop a full trial balance. A series of over 100 different funds are provided to the auditor to record a trial balance out of the accounting software. All of these trial balances are then compared to a consolidated statement of activities printed from the software to verify results from operations match the total of all funds provided. During the beginning of the audit, there are numerous communications to hunt down missing trial balances in an effort to ensure all funds are recorded to the preliminary unaudited trial balance.

Management's response: Financial Edge is not a user friendly software. In order to get reports, you have to make sure all of the correct parameters are chosen. The former Financial Director and a former bookkeeper set up the software and the number of accounts they set up is overkill. We are trying to eliminate the use of many of the accounts in order to reduce activity. We are required to keep our funds separately by grant so we cannot reduce the number of programs/funds. We have begun searching for a more user friendly and reliable software.

Sincerely,



Mark Whitmer

Executive Director

Crawford-Sebastian Community Development Council, Inc.