

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

FINANCIAL REPORT

JUNE 30, 2021



ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hampton Roads Community Action Program, Inc.
Newport News, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Hampton Roads Community Action Program, Inc. (HRCAP), which comprise the statement of financial position as of June 30, 2021, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HRCAP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HRCAP as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, which is summarized for the year ended June 30, 2021, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 schedule of expenditures of federal awards 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.

Remaining supplemental information has not 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. Capital outlays are presented using modified accrual basis of accounting.

The financial statements of Hampton Roads Community Action Program, Inc. as of and for the year ended June 30, 2020, were audited by other auditors, whose report, dated January 26, 2021, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023 on our consideration of HRCAP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HRCAP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HRCAP's internal control over financial reporting and compliance.

PBMares, LLP

Newport News, Virginia
March 15, 2023

FINANCIAL STATEMENTS

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,394,582
Grants receivable	1,583,111
Total current assets	<u>4,977,693</u>
Property and Equipment	
Automotive equipment	1,478,890
Equipment	960,914
Real estate	549,366
Furniture and fixtures	101,625
Leasehold improvements	583,614
	<u>3,674,409</u>
Less - accumulated depreciation	<u>(2,354,719)</u>
Total property and equipment	<u>1,319,690</u>
Total assets	<u><u>\$ 6,297,383</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 853,438
Accrued salaries	414,573
Accrued annual leave	276,180
Paycheck Protection Program loan	1,900,569
Total current liabilities	<u>3,444,760</u>
Net Assets	
Without donor restrictions	1,363,976
With donor restrictions	1,488,647
Total net assets	<u>2,852,623</u>
Total liabilities and net assets	<u><u>\$ 6,297,383</u></u>

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants awarded:			
Federal	\$ -	\$ 20,076,564	\$ 20,076,564
State	-	293,301	293,301
Local	482,144	393,764	875,908
Private grants	-	312,122	312,122
Total support	482,144	21,075,751	21,557,895
Revenue			
Donations	39,952	11,461	51,413
Interest income	51	-	51
Other revenue	98,213	36,986	135,199
In-kind revenue	-	1,656,306	1,656,306
Net assets released from restrictions	22,457,747	(22,457,747)	-
Total revenue	22,595,963	(20,752,994)	1,842,969
Total support and revenue	23,078,107	322,757	23,400,864
Expenses			
Program services:			
Head Start / Early Head Start	13,336,992	-	13,336,992
VA Department of Social Services	1,710,841	-	1,710,841
Redevelopment and Housing	45,015	-	45,015
Department of Veterans Affairs	597,843	-	597,843
U.S. Housing & Urban Development	71,752	-	71,752
Childcare	177,040	-	177,040
Other	4,744,942	-	4,744,942
HRCAP Agency	609,099	-	609,099
Total program services	21,293,524	-	21,293,524
Support services:			
Management and general	1,773,322		1,773,322
Total expenses	23,066,846	-	23,066,846
Change in net assets	11,261	322,757	334,018
Net Assets			
Beginning of year, as previously reported	1,213,192	121,034	1,334,226
Adjustment for understatement of fixed assets	139,523	1,044,856	1,184,379
Balance at beginning of year, as restated	1,352,715	1,165,890	2,518,605
End of year	\$ 1,363,976	\$ 1,488,647	\$ 2,852,623

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services								Support Services		Total
	Head Start	VA	Redevelopment	Department	U.S. Housing	Childcare	Other	HRCAP	Subtotal	Management & General	
	Early Head Start	Department of Social Services	and Housing	of Veteran Affairs	& Urban Development						
Salaries	\$ 7,098,994	\$ 552,853	\$ 37,097	\$ 189,732	\$ 49,629	\$ 121,226	\$ 979,986	\$ 146,535	\$ 9,176,052	\$ 1,013,546	\$ 10,189,598
Fringe benefits	1,804,069	160,130	7,918	49,124	15,600	31,659	287,737	60,143	2,416,380	290,526	2,706,906
Contractual	2,400	34,091	-	-	-	20	51,641	47,567	135,719	-	135,719
Travel	11,048	4,232	-	843	-	-	10,534	1,204	27,861	1,507	29,368
Rent	718,263	75,554	-	-	-	-	-	39,294	833,111	68,467	901,578
Building maintenance	222,520	9,674	-	-	-	-	8,502	11,110	251,806	31,457	283,263
Consumable supplies	823,073	45,954	-	11,389	-	10,968	40,731	28,471	960,586	71,332	1,031,918
Emergency services	-	302,056	-	314,722	-	-	-	-	616,778	-	616,778
Program activities	-	-	-	-	-	-	2,820,450	21,487	2,841,937	878	2,842,815
Equipment maintenance	306,530	26,746	-	-	-	-	16,050	1,726	351,052	-	351,052
Other costs	882,098	211,148	-	31,546	6,523	13,167	471,849	242,202	1,858,533	295,608	2,154,141
Depreciation	99,202	891	-	487	-	-	57,462	9,360	167,402	1	167,403
In-kind expense	1,368,795	287,512	-	-	-	-	-	-	1,656,307	-	1,656,307
Total expenses	\$ 13,336,992	\$ 1,710,841	\$ 45,015	\$ 597,843	\$ 71,752	\$ 177,040	\$ 4,744,942	\$ 609,099	\$ 21,293,524	\$ 1,773,322	\$ 23,066,846

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

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Cash Flows from Operating Activities	
Change in net assets	\$ 334,018
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	167,403
Paycheck Protection Program loan forgiveness	(99,431)
Net changes in assets and liabilities:	
Grants receivable	(340,570)
Accounts receivable	370
Accounts payable	682,823
Accrued salaries	(7,935)
Accrued annual leave	10,184
Net cash provided by operating activities	746,862
Cash Flows from Investing Activities	
Acquisition of property and equipment	(302,714)
Net cash used in investing activities	(302,714)
Net increase in cash	444,148
Cash	
Beginning of year	2,950,434
End of year	<u>\$ 3,394,582</u>
Supplemental Disclosures of Cash Flow Information	
Noncash	
Restatement of net assets for understatement of fixed assets	<u>\$ 1,184,379</u>

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

Nature of activities: Hampton Roads Community Action Program, Inc. (HRCAP) is a nonprofit organization organized to carry out community action programs, which are generally funded by grants from federal, state and local governments.

A description of the activities of HRCAP follows:

<p>Head Start and Early Head Start Programs</p>	<p>The Head Start and Early Head Start programs provide comprehensive health, educational, nutritional, social, and other developmental services to preschool children, infants and toddlers.</p>
<p>Virginia Department of Social Services Programs</p>	<p>The Community Services Block Grants provide administrative costs to operate other programs offered by HRCAP as well as the Senior Center, which encourages participation in recreational, educational, nutritional and cultural activities.</p> <p>The Federal TANF workforce development provides job readiness, training and placement assistance to TANF eligible low-income residents in Newport News.</p> <p>The Project Discovery program assists middle and high school students to reach a higher level of personal motivation and assists in setting and achieving educational goals.</p> <p>The Domestic Violence Education and Intervention program serves at-risk residents in the Virginia cities of Newport News, Hampton, Norfolk, Portsmouth, and Chesapeake by providing education, advocacy, and counseling.</p> <p>The Virginia Cares program assists individuals recently released from the prison system to gain re-entry into society.</p>
<p>Redevelopment & Housing Programs</p>	<p>The Fair Housing program receives, examines and inquires about alleged violations of the city’s Fair Housing ordinance.</p> <p>The Housing Counseling program provides home ownership education including qualifying and applying for a loan, debt and money management, budgeting and default counseling.</p> <p>The Clean Comfort program provides a shelter with shower facilities, clean clothing and health care screening for the homeless population.</p>

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business (Continued)

Department of Veterans Affairs	The Supportive Services for Veterans’ Families Program assists low income veterans and their families with housing needs.
U.S. Housing and Urban Development	The Housing and Urban Development grant is used to fund housing counseling, fair housing initiatives, and shelter programs.
Childcare Programs (Four-Year-Old PreK Initiative)	A program that provides early childhood education to low-income, at-risk four-year-old children at Aberdeen Elementary School in Hampton. Services include, but are not limited to early childhood education, social services, health services, nutrition services, transportation services, and education services.
Clean Comfort	A day shelter program that provides a shower facility and a clean change of clothes for homeless men and women on the Peninsula. The program also conducts periodic health screenings (TB, syphilis, HIV/AIDS, blood pressure, blood sugar, et al) as well as food drives, meals from various member churches, and winter coat drives.
Community Health Initiative	A project focused on providing residents with information on healthcare and health related topics. Program staff conduct workshops on nutrition and healthy eating, exercise, mental health and other related topics to health. The program coordinates regular food distribution events, ensuring that low-income residents have access to the nutrition they need.
Comprehensive Housing Counseling	As a HUD Approved Housing Counseling Agency (HCA), HRCAP assists Hampton Roads residents in making educated decisions in acquiring and maintaining safe and affordable housing. Services include mortgage default counseling, homeownership education, rental counseling, budgeting, credit counseling, and emergency assistance referrals.
Emergency Services	A program that assists local residents in crisis by providing temporary financial assistance. Households at risk for eviction or utility shutoff can receive funds (paid to property owners and utility companies) that will ensure they can maintain safe and affordable housing.
Fair Housing	A program that receives and investigates incidences of housing discrimination in Newport News, ensuring that the rights of all residents are protected. Conducts outreach and education activities to inform residents of their rights under the Fair Housing Act and other fair housing ordinances.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business (Continued)

Head Start/Early Head Start	A program that provides comprehensive preschool education services to 1,424 children under the age of five living in the cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth. Services for children and families include Health, Education, Nutrition, Family Services, Mental Health/Disabilities, Community Family Partnerships, Parent Involvement, and Transportation for children residing in designated boundaries. The Early Head Start program serves 32 at-risk infants and toddlers of pregnant teens/women residing in southeast Newport News.
Project Discovery	An educational program that promotes college attendance by providing low-income families and students the opportunity to plan for a college education or special training after high school. Over the past several years, between 85% and 90% of program participants have graduated from high school and gone on to attend college.
Senior Center	An activity center for those over the age of 60 that provides meals, recreational activities and the opportunity for socializing with other seniors. Transportation to and from the center is provided as are occasional outings to museums, parks and other attractions.
Supportive Services for Veteran Families (SSVF) Program	A program that works to reduce and eliminate instances of homelessness among veterans and veteran families on the Virginia Peninsula (Newport News, Hampton, Williamsburg, and York and James City Counties). Program staff conduct outreach to veterans in the community, negotiate with property owners and mortgage holders to help families maintain housing, provide temporary financial assistance (TFA), and provide employment and housing services.
Two Generation/Whole Family Program	A growing pilot program that focuses on providing services to multiple family members, ensuring that children receive comprehensive preschool education, while their parents are provided with access to other occupational and education resources. An array of supportive services, provided by HRCAP programs and partners in the community, are also provided, to ensure that all family members are able to thrive.
Virginia CARES	A statewide re-entry assistance program that provides comprehensive counseling and emergency assistance to former prisoners and their families. The program is designed to reduce recidivism by interfacing with the state correctional system and providing local services needed by ex-offenders to transition back into society.
VITA Free Tax Preparation	A service provided in partnership with the Families Achieving Community Economic Stability (FACES) Coalition. HRCAP provides support to partner sites that provide direct tax preparation services and financial literacy information to clients throughout Hampton Roads.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business (Continued)

Workforce Development	A program that provides job readiness training, tuition assistance, career guidance and job placement assistance for unemployed and underemployed residents. Clients are enrolled in local career certificate programs that will prepare them to find jobs that provide a living wage, allowing them to become self-sufficient, productive members of the community.
Zero Transit Fare Program	A transportation program that provides bus passes and other transportation resources to TANF eligible clients needing transportation for employment, job search related activities and education opportunities that improve employability. Clients must live at or below 200% of the federal poverty level and have a dependent child.
Other Programs	<p>The Human Rights Commission safeguards individuals from unlawful discrimination.</p> <p>The Virginia Community Action Partnership program provides money to hire individuals to assist with individual income tax returns and assists taxpayers in claiming the earned income tax credit.</p> <p>CNI (Choice Neighborhood Initiatives) Lift and connect program is a resource center for residents of the Marshall Ridley neighborhood that will assist with housing relocation and provide access or referrals to other services.</p> <p>STEP (Summer Training Enrichment Program) provides job readiness training and on-the-job training opportunities to youth.</p> <p>Employment for TANF participants program provides job readiness, training, and placement assistance to TANF eligible low-income residents of Newport News.</p>
HRCAP Agency Programs	HRCAP Agency programs provide administrative services to the programs.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies

Basis of accounting and financial statement presentation: The financial statements of Hampton Roads Community Action Program, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require Hampton Roads Community Action Program, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of HRCAP. These net assets may be used at the discretion of Hampton Roads Community Action Program, Inc.'s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hampton Roads Community Action Program, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and cash equivalents: HRCAP considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Concentrations of credit risk: Financial instruments, which potentially subject the entity to concentrations of credit risk, consist of cash and money market funds. The entity places its cash and money market funds with creditworthy, high-quality financial institutions.

HRCAP maintains multiple accounts at one high credit quality bank. The Federal Deposit Insurance Corporation (FDIC) insures amounts in financial institutions up to \$250,000 for 2021. During the year, cash exceeded federally insured limits. While a significant portion of the funds are in excess of federal depository insurance limits, HRCAP has not experienced any losses in such accounts.

Fixed assets: All fixed assets are recorded at cost or estimated fair value at date of donation. It is HRCAP's policy to capitalize expenditures for items in excess of \$500 with the exception of fixed assets purchased with federal money, which are capitalized if the costs exceed \$5,000. Property and equipment acquired with federal money are recorded as expenditures on the Schedule of Expenditures of Federal Awards when acquired, in accordance with Federal regulation 2 CFR 225, Appendix B(15)(b)(4). When an asset is sold, retired, or otherwise disposed, the asset cost and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the statement of activities.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, HRCAP reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HRCAP reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment purchased with grant funds are restricted to the use of carrying out the related grant program activities.

Depreciation is calculated using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Automotive equipment	5
Equipment	5 – 10
Real estate	10 – 40
Furniture and fixtures	7 – 10
Leasehold improvements	15 – 40

Grants receivable: Grants receivable are stated as unpaid balances, less an allowance for doubtful accounts. It is the policy of management to review outstanding grants receivable at year-end, as well as any bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. In management's opinion, all grants receivable are fully collectible; accordingly, an allowance for doubtful accounts is not required.

Public support and revenue: Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the 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. Donor-restricted contributions, whose restrictions are met in the same year, may be reported as unrestricted contributions.

Donated services, facilities and materials are recognized at their fair market value as in-kind revenue in the year donated. \$1,656,306 of in-kind revenue is donated facilities for programs identified in the statements of activities.

Government support: HRCAP receives approximately 93% of its total support from the federal government and 89% of its grant receivables are from the federal government. Significant reductions in funding from the federal government would cause HRCAP to reduce or eliminate program services.

Functional allocation of expenses: The costs of providing the various programs and other activities have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from the estimates. HRCAP uses estimates and assumptions to develop grants receivable and in-kind revenue and expense.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Income taxes: HRCAP is a nonprofit entity exempt from federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code and is therefore exempt from federal and state income taxes, except on net income generated from unrelated business taxable income, if any. FASB ASC Topic 740, Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. HRCAP's management has evaluated the impact of the guidance to its financial statements. Management is not aware of any material uncertain tax positions and has not accrued the effect of any uncertain tax provisions as of June 30, 2021. HRCAP's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

HRCAP's policy is to classify income tax related interest and penalties, if any, in other interest expense and penalties expense, respectively.

Advertising: Advertising costs are expensed when incurred.

Note 3. Availability and Liquidity

The following represents HRCAP's financial assets at June 30:

Financial assets at year end:	
Cash and cash equivalents	\$ 3,394,582
Grants receivable	1,583,111
	<u>4,977,693</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,488,647
Less net assets with purpose restrictions to be met in less than a year	(443,791)
	<u>1,044,856</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 3,932,837</u></u>

HRCAP's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$3 million). HRCAP has a \$250,000 line of credit available to meet cash flow needs.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Grants Receivable

Grants receivable are composed of the following amounts:

Head Start	\$	1,003,060
Employment for TANF		93,654
CSBG TANF		81,891
CNI		63,154
STEP		60,682
VHA		51,684
USDA (CACFP Program)		44,745
City of Newport News		41,250
Mixed Delivery		23,805
Free Transit		20,920
Virginia Cares		19,022
FHIP		18,000
Department of Veteran Affairs		15,539
VITA		14,315
EFS		14,030
VA Transit		8,875
Project Discovery		5,034
CESF		1,987
Domestic Violence		1,464
		<hr/>
	\$	1,583,111
		<hr/> <hr/>

Note 5. Retirement Plan

The retirement plan is a tax-sheltered annuity under Section 403(b) of the Internal Revenue Service code. The contribution rate by HRCAP is a 3% match up to 3% of employees' salaries. All employees with one year of service are eligible to participate. Contributions to the plan by HRCAP and the employees are made to a Trustee. HRCAP's contributions on behalf of its employees for the year ended June 30, 2021 was \$91,994.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Debt and Line of Credit

HRCAP maintains a line of credit of \$250,000 with a bank at a rate to be determined when the funds are borrowed. At June 30, 2021, HRCAP had no outstanding balances on this credit line. The line of credit is automatically renewed annually.

HRCAP received \$2,000,000 in loan proceeds pursuant to the Paycheck Protection Program ("PPP"), under the Coronavirus Aid Relief and Economic Security (CARES) Act during the year ended June 30, 2020. HRCAP has elected an accounting policy to analogize FASB ASC 470 *Debt* and account for the PPP loan as debt until forgiven. The PPP loan is evidenced by a loan application and payment agreement by and between HRCAP and Wells Fargo Bank, N.A. Virginia. The PPP loan is subject to partial forgiveness based on the guidelines of the program. HRCAP has recognized \$99,431 as forgiven as this meets the requirements for forgiveness. The remaining amount of \$1,900,569 is under review for eligibility purposes by the Small Business Administration's PPP team and is considered to be due on demand. This amount is reflected in current liabilities on the statement of financial position.

Note 7. Contingent Liabilities

Federal programs in which HRCAP participates were audited in accordance with the provisions of the U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of the Uniform Guidance, Federal programs were tested for compliance with applicable grant requirements. While matters of noncompliance were not disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant expenditures would be immaterial.

Note 8. Operating Leases

HRCAP currently is leasing office space and equipment. For the year ended June 30, 2021, rent expense under these leases totaled \$763,856.

The total minimum rental commitments under the terms of the long-term leases at June 30 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 412,360
2023	215,370
2024	48,876
2025	8,849
2026	<u>1,483</u>
Total	<u>\$ 686,938</u>

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Special Events

HRCAP Agency Program's Statement of Activities includes the 2021 Annual Dinner, which had revenues of \$89,358 and expenses of \$42,681 for a net profit of \$46,677.

Note 10. Restatement

During 2021, HRCAP began recording and depreciating property and equipment to conform to generally accepted accounting principles. Previously, property and equipment were expensed for the full amount of their cost at the time of purchase. The 2021 beginning balance of net assets and property and equipment has been increased \$1,184,379 as presented in the statement of activities.

Note 11. Subsequent Events

Management has evaluated subsequent events through March 15, 2023, the date the financial statements were available to be issued. Management is not aware of any material subsequent events.

SUPPLEMENTARY INFORMATION

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

**RECONCILIATION OF THE FINANCIAL STATEMENTS TO THE
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2021

Amounts reported for activities in the statement of financial position,
statement of activities, statement of functional expenses,
and statement of cash flows (collectively, the financial statements) are different because:

Ending net assets in the financial statements		\$ 2,852,623
Capital assets are funded by grantors at their full cost		
Add depreciation	167,403	
Subtract capital outlays	<u>(302,717)</u>	(135,314)
Subtract restatement to net assets for capital outlays now recognized per generally accepted accounting principles		<u>(1,184,379)</u>
Supplementary information net assets		<u><u>\$ 1,532,930</u></u>

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF ACTIVITIES BY PROGRAM For the Year Ended June 30, 2021

	Head Start/ Early Head Start Program	Virginia Department of Social Services Programs	Redevelopment & Housing Programs	Department of Veterans Affairs	U.S. Housing & Urban Development	Childcare Program	Other Programs	HRCAP Agency Programs	Total
Support									
Grants awarded:									
Federal	\$ 13,567,870	\$ 1,453,313	\$ 45,015	\$ 652,027	\$ 71,752	\$ -	\$ 4,286,587	\$ -	\$ 20,076,564
State	-	56,500	-	-	-	177,040	59,761	-	293,301
Local	-	-	-	-	-	-	393,764	482,144	875,908
Private grants	-	1,000	-	-	-	-	311,122	-	312,122
Total support	13,567,870	1,510,813	45,015	652,027	71,752	177,040	5,051,234	482,144	21,557,895
Revenue									
Donations	11,461	-	-	-	-	-	-	39,952	51,413
Interest income	-	-	-	-	-	-	-	51	51
Other revenue	36,986	-	-	-	-	-	-	98,213	135,199
In-kind revenue	1,368,795	287,511	-	-	-	-	-	-	1,656,306
Total revenue	1,417,242	287,511	-	-	-	-	-	138,216	1,842,969
Total support and revenue	14,985,112	1,798,324	45,015	652,027	71,752	177,040	5,051,234	620,360	23,400,864
Expenses									
Program services:									
Salary and wages	7,098,994	552,853	37,097	189,732	49,629	121,226	979,986	146,535	9,176,052
Fringe benefits	1,804,069	160,130	7,918	49,124	15,600	31,659	287,737	60,143	2,416,380
Contractual	2,400	34,091	-	-	-	20	51,641	47,567	135,719
Travel	11,048	4,232	-	843	-	-	10,534	1,204	27,861
Rent	718,263	75,554	-	-	-	-	-	39,294	833,111
Building maintenance	222,520	9,674	-	-	-	-	8,502	11,110	251,806
Consumable supplies	823,073	45,954	-	11,389	-	10,968	40,731	28,471	960,586
Emergency services	-	302,056	-	314,722	-	-	-	-	616,778
Program activities	-	-	-	-	-	-	2,820,450	21,487	2,841,937
Equipment maintenance	306,530	26,746	-	-	-	-	16,050	1,726	351,052
Capital outlay	242,105	550	-	5,046	-	-	32,282	22,731	302,714
Other costs	882,098	211,148	-	31,546	6,523	13,167	471,849	242,202	1,858,533
In-kind expense	1,368,795	287,512	-	-	-	-	-	-	1,656,307
Total program services	13,479,895	1,710,500	45,015	602,402	71,752	177,040	4,719,762	622,470	21,428,836
Support Services									
General and administrative	1,468,705	64,737	-	49,627	-	-	190,253	-	1,773,322
Total expenses	14,948,600	1,775,237	45,015	652,029	71,752	177,040	4,910,015	622,470	23,202,158
Change in net assets	36,512	23,087	-	(2)	-	-	141,219	(2,110)	198,706
Net Assets									
Beginning of year	-	(34,676)	6,660	-	-	-	149,048	1,213,192	1,334,224
End of year	\$ 36,512	\$ (11,589)	\$ 6,660	\$ (2)	\$ -	\$ -	\$ 290,267	\$ 1,211,082	\$ 1,532,930

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
HEAD START AND EARLY HEAD START PROGRAMS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

	For the 11 Months Ended May 31, 2021	For the 1 Month Ended June 30, 2021	Total
Support			
Grants awarded:			
Federal government	\$ 12,437,653	\$ 1,130,217	\$ 13,567,870
Total support	<u>12,437,653</u>	<u>1,130,217</u>	<u>13,567,870</u>
Revenue			
Donations	11,461	-	11,461
Other revenue	36,986	-	36,986
In-kind revenue	1,255,237	113,558	1,368,795
Total revenue	<u>1,303,684</u>	<u>113,558</u>	<u>1,417,242</u>
Total support and revenue	<u>13,741,337</u>	<u>1,243,775</u>	<u>14,985,112</u>
Expenses			
Program services:			
Salary and wages	6,504,296	594,698	7,098,994
Fringe benefits	1,653,968	150,101	1,804,069
Contractual	2,400	-	2,400
Travel	7,096	3,952	11,048
Rent	665,553	52,710	718,263
Building maintenance	208,526	13,994	222,520
Consumable supplies	723,759	99,314	823,073
Equipment maintenance	299,082	7,448	306,530
Capital outlays	242,105	-	242,105
Other costs	822,140	59,958	882,098
In-kind expense	1,255,237	113,558	1,368,795
Total program services	<u>12,384,162</u>	<u>1,095,733</u>	<u>13,479,895</u>
Support Services			
General and administrative	1,357,174	111,531	1,468,705
Total expenses	<u>13,741,336</u>	<u>1,207,264</u>	<u>14,948,600</u>
Change in net assets	1	36,511	36,512
Net Assets			
Beginning of year	-	-	-
End of year	<u>\$ 1</u>	<u>\$ 36,511</u>	<u>\$ 36,512</u>

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
VIRGINIA DEPARTMENT OF SOCIAL SERVICES PROGRAMS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

	Federal CSBG	Federal TANF	Project Discovery	Domestic Violence Education & Intervention	Virginia Cares	Total
Support						
Grants awarded:						
Federal government	\$ 843,729	\$ 377,900	\$ -	\$ 121,727	\$ 109,957	\$ 1,453,313
State government	-	-	56,500	-	-	56,500
Private grants	-	-	1,000	-	-	1,000
Total support	843,729	377,900	57,500	121,727	109,957	1,510,813
Revenue						
In-kind revenue	139,551	107,210	40,750	-	-	287,511
Total revenue	139,551	107,210	40,750	-	-	287,511
Total support and revenue	983,280	485,110	98,250	121,727	109,957	1,798,324
Expenses						
Program services:						
Salary and wages	298,070	101,207	40,149	48,959	64,468	552,853
Fringe benefits	90,928	24,674	4,020	16,169	24,339	160,130
Contractual	31,957	-	40	2,054	40	34,091
Travel	3,835	19	242	59	77	4,232
Rent	53,758	8,013	4,583	-	9,200	75,554
Building maintenance	9,674	-	-	-	-	9,674
Consumable supplies	29,127	10,430	553	3,449	2,395	45,954
Emergency services	86,396	202,460	-	9,892	3,308	302,056
Equipment maintenance	16,367	-	10,379	-	-	26,746
Capital outlays	550	-	-	-	-	550
Other costs	158,329	31,097	-	15,592	6,130	211,148
In-kind expense	139,551	107,210	40,751	-	-	287,512
Total program services	918,542	485,110	100,717	96,174	109,957	1,710,500
Support Services						
General and administrative	64,737	-	-	-	-	64,737
Total expenses	983,279	485,110	100,717	96,174	109,957	1,775,237
Change in net assets	1	-	(2,467)	25,553	-	23,087
Net Assets						
Beginning of year	-	-	(34,676)	-	-	(34,676)
End of year	\$ 1	\$ -	\$ (37,143)	\$ 25,553	\$ -	\$ (11,589)

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
REDEVELOPMENT & HOUSING PROGRAMS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

	Fair Housing	Housing Counseling	Clean Comfort	Total
Support				
Grants awarded:				
Federal government	\$ 7,000	\$ 21,515	\$ 16,500	\$ 45,015
Total support	<u>7,000</u>	<u>21,515</u>	<u>16,500</u>	<u>45,015</u>
Total support and revenue	<u>7,000</u>	<u>21,515</u>	<u>16,500</u>	<u>45,015</u>
Expenses				
Program services:				
Salary and wages	6,077	18,845	12,175	37,097
Fringe benefits	923	2,670	4,325	7,918
Total program services	<u>7,000</u>	<u>21,515</u>	<u>16,500</u>	<u>45,015</u>
Change in net assets	-	-	-	-
Net Assets				
Beginning of year	-	-	6,660	6,660
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,660</u>	<u>\$ 6,660</u>

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
DEPARTMENT OF VETERANS AFFAIRS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

	Supportive Services Veterans - 14- VA-296-C2	Supportive Services Veterans 14- VA-296-C3	Supportive Services Veterans - 14- VA-296-20	Supportive Services Veterans Emergency Funds	Total
Support					
Grants awarded:					
Federal government	\$ 214,868	\$ 97,219	\$ 203,999	\$ 135,941	\$ 652,027
Total unrestricted support	214,868	97,219	203,999	135,941	652,027
Expenses					
Program services:					
Salary and wages	58,116	52,553	50,222	28,841	189,732
Fringe benefits	15,904	14,878	11,759	6,583	49,124
Travel	362	131	319	31	843
Consumable supplies	7,828	672	2,889	-	11,389
Emergency assistance	107,279	8,603	133,506	65,334	314,722
Capital outlays	5,046	-	-	-	5,046
Other costs	3,397	11,283	5,305	11,561	31,546
Total program services	197,932	88,120	204,000	112,350	602,402
Support services:					
General and administrative expenses	16,936	9,100	-	23,591	49,627
Total expenses	214,868	97,220	204,000	135,941	652,029
Change in net assets	-	(1)	(1)	-	(2)
Net Assets					
Beginning of year	-	-	-	-	-
End of year	\$ -	\$ (1)	\$ (1)	\$ -	\$ (2)

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
U.S. HOUSING & URBAN DEVELOPMENT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

Support	
Grants awarded:	
Federal government	\$ 71,752
Total unrestricted support	<u>71,752</u>
Expenses	
Program services:	
Salary and wages	49,629
Fringe benefits	15,600
Other costs	6,523
Total program services	<u>71,752</u>
Change in net assets	-
Net Assets	
Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
 CHILDCARE PROGRAM**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended June 30, 2021**

Support	
Grants awarded:	
State government	\$ 177,040
Total unrestricted support	<u>177,040</u>
Expenses	
Program services:	
Salary and wages	121,226
Fringe benefits	31,659
Contractual	20
Consumable supplies	10,968
Other costs	13,167
Total program services	<u>177,040</u>
Change in net assets	-
Net Assets	
Beginning of year	
Transfer	<u>-</u>
End of year	<u><u>\$ -</u></u>

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
OTHER PROGRAMS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

	VITA	VHDA Counseling & Education	VHA HUD COVID-19	VA Early Childhood Foundation	UWVP Rent and Mortgage Relief Program	Two Gen	Small Business Administration	CNI Lift & Connect NNRHA
Support								
Grants awarded:								
Federal government	\$ 54,551	\$ -	\$ -	\$ -	\$ 2,791,159	\$ 91,000	\$ 99,431	\$ 723,563
State government	-	59,761	-	-	-	-	-	-
Local government	-	-	-	-	-	-	-	-
Private grants	-	-	-	103,713	16,948	-	-	-
Total support	54,551	59,761	-	103,713	2,808,107	91,000	99,431	723,563
Revenue								
Donations	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
In-kind revenue	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-
Total support and revenue	54,551	59,761	-	103,713	2,808,107	91,000	99,431	723,563
Expenses								
Program services:								
Salary and wages	26,183	36,420	23,109	5,734	89,394	28,740	-	405,822
Fringe benefits	8,194	13,653	5,414	1,893	26,084	10,232	-	129,007
Contractual	1,549	-	-	32,272	-	1,528	-	7,797
Travel	4,572	-	-	75	-	309	-	677
Rent	-	-	-	-	-	-	-	-
Building maintenance	-	-	412	-	-	-	-	7,910
Consumable supplies	1,183	109	397	3,141	3,028	768	-	13,224
Program activities	-	-	-	16,186	2,473,433	21,879	-	3,742
Equipment maintenance	-	-	-	-	-	3,142	-	5,994
Capital outlays	1,696	-	-	-	-	-	-	27,886
Other costs	11,173	9,578	978	44,411	132,378	24,402	-	121,506
Total program services	54,550	59,760	30,310	103,712	2,724,317	91,000	-	723,565
Support Services								
General and administrative	-	-	-	-	123,242	-	-	-
Total expenses	54,550	59,760	30,310	103,712	2,847,559	91,000	-	723,565
Change in net assets	1	1	(30,310)	1	(39,452)	-	99,431	(2)
Net Assets								
Beginning of year	-	30,309	-	-	50,000	-	-	-
Transfer	-	-	-	-	-	-	-	-
End of year	\$ 1	\$ 30,310	\$ (30,310)	\$ 1	\$ 10,548	\$ -	\$ 99,431	\$ (2)

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
OTHER PROGRAMS (Continued)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

	STEP	Opioid and Substance Abuse Prevention	Employment for TANF Participants	FHIP 2019-2020	FHIP 2020-2021	Huntington Ingalls One Community	Other	Total
Support								
Grants awarded:								
Federal government	\$ -	\$ -	\$ 405,851	\$ 22,995	\$ 45,000	\$ -	\$ 53,037	\$ 4,286,587
State government	-	-	-	-	-	-	-	59,761
Local government	364,734	-	-	-	-	-	29,030	393,764
Private grants	-	-	-	-	-	-	190,461	311,122
Total support	364,734	-	405,851	22,995	45,000	-	272,528	5,051,234
Total support and revenue	364,734	-	405,851	22,995	45,000	-	272,528	5,051,234
Expenses								
Program services:								
Salary and wages	161,758	9,029	142,301	9,739	20,371	-	21,386	979,986
Fringe benefits	40,542	2,748	36,909	3,035	5,311	-	4,715	287,737
Contractual	4,159	504	1,500	-	-	-	2,332	51,641
Travel	2,497	-	838	29	-	-	1,537	10,534
Building maintenance	-	-	105	75	-	-	-	8,502
Consumable supplies	-	-	5,782	-	-	1,188	11,911	40,731
Program activities	54,509	-	146,541	-	-	2,878	101,282	2,820,450
Equipment maintenance	2,283	-	4,012	-	-	-	619	16,050
Capital outlays	2,700	-	-	-	-	-	-	32,282
Other costs	32,976	1,755	67,862	1,278	579	1,852	21,121	471,849
Total program services	301,424	14,036	405,850	14,156	26,261	5,918	164,903	4,719,762
Support Services								
General and administrative	63,311	-	-	-	-	-	3,700	190,253
Total expenses	364,735	14,036	405,850	14,156	26,261	5,918	168,603	4,910,015
Change in net assets	(1)	(14,036)	1	8,839	18,739	(5,918)	103,925	141,219
Net Assets								
Beginning of year	-	14,036	-	(8,840)	-	5,918	57,625	149,048
End of year	\$ (1)	\$ -	\$ 1	\$ (1)	\$ 18,739	\$ -	\$ 161,550	\$ 290,267

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
HRCAP AGENCY PROGRAMS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2021**

Support	
Grants awarded:	
Local government	\$ 482,144
Total unrestricted support	<u>482,144</u>
Revenue:	
Donations	39,952
Interest income	51
Other revenue	98,213
Total revenue	<u>138,216</u>
Total unrestricted support and revenue	<u>620,360</u>
Expenses	
Program services:	
Salary and wages	146,535
Fringe benefits	60,143
Contractual	47,567
Travel	1,204
Rent	39,294
Building maintenance	11,110
Consumable supplies	28,471
Program activities	21,487
Equipment maintenance	1,726
Capital outlays	22,731
Other costs	242,202
Total program services	<u>622,470</u>
Change in net assets	(2,110)
Net Assets	
Beginning of year	<u>1,213,192</u>
End of year	<u>\$ 1,211,082</u>

COMPLIANCE SECTION



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

To the Board of Directors
Hampton Roads Community Action Program, Inc.

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 the Hampton Roads Community Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2023.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hampton Roads Community Action Program 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

Hampton Roads Community Action Program Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hampton Roads Community Action Program Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hampton Roads Community Action Program Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

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 Hampton Roads Community Action Program Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton Roads Community Action Program Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Newport News, Virginia
March 15, 2023



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

To the Board of Directors
Hampton Roads Community Action Program, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Hampton Roads Community Action Program Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The Hampton Roads Community Action Program's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Hampton Roads Community Action Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

PBMares, LLP

Newport News, Virginia
March 15, 2023

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021**

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agency Pass-through Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
<u>Direct programs:</u>			
Head Start Cluster:			
Head Start and Early Head Start*	93.600		12,631,181
COVID-19 Head Start and Early Head Start*	93.600		675,818
Total - Head Start Cluster			13,306,999
<u>Pass-through programs from:</u>			
Commonwealth of Virginia:			
CCDF Cluster:			
COVID-19 CARES III Grant for Child Care Providers	93.575	V20026302	35,853
Total - CCDF Cluster			35,853
Community Services Block Grant*	93.569	Various	439,831
COVID-19 Community Services Block Grant*	93.569	Various	403,898
Domestic Violence Services for Underserved Populations	93.671	CVS-18-019-04	72,304
COVID-19 Domestic Violence Services for Underserved Populations	93.671	CVS-18-019-04	13,570
Virginia Cares*	93.569	20-P4719PA20	107,970
COVID-19 Virginia Cares*	93.569	20-P4719PA20	1,987
Temporary Assistance for Needy Families*	93.558	CVS-19-063-11	377,900
Employment for TANF*	93.558	RFA NO# BEN-19-024	405,851
Two Generation Whole Family*	93.558	CVS-20-037-06	91,000
Free Transit Fare*	93.558	VTA	53,037
Total - U.S. Department of Health and Human Services			15,310,200
U.S. Department of Agriculture			
<u>Pass-through programs from:</u>			
Virginia Department of Health:			
Child and Adult Food Care Program	10.558	CACFP	260,871
Total - U.S. Department of Agriculture			260,871
U.S. Department of Housing and Urban Development			
<u>Direct programs:</u>			
Fair Housing Initiative Program	14.416		67,995
<u>Pass-through programs from:</u>			
Newport News Redevelopment and Housing Authority:			
CDBG - Entitlement Grants Cluster			
Clean Comfort	14.218	CDBG Clean Comfort	16,500
Fair Housing Initiative Program	14.218	CDBG Fair Housing	26,261
Housing Counseling Assistance Program	14.218	CDBG Housing Counseling	2,254
Total - CDBG - Entitlement Grants Cluster			45,015
HOPE VI Cluster:			
Choice Neighborhood Initiatives	14.889	VA3F003CNG118	723,563
Total - HOPE VI Cluster			723,563
<u>Pass-through programs from:</u>			
Virginia Housing Alliance	14.169	HUD19401	71,752
Total Department of Housing and Urban Development			908,325
Department of Veterans' Affairs:			
<u>Direct programs:</u>			
VA Supportive Services for Veterans Families Program	64.033		203,999
COVID-19 VA Supportive Services for Veterans Families Program	64.033		448,028
Total - Department of Veterans' Affairs			652,027
Department of Treasury			
<u>Direct programs:</u>			
VITA	21.009		54,551
<u>Pass-through programs from:</u>			
United Way:			
COVID-19 Coronavirus Relief Fund*	21.019	20-RMP-017	2,841,159
Total Department of Treasury			2,895,710
Total expenditures of federal awards			\$ 20,027,133

*Major program

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hampton Roads Community Action Program, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hampton Roads Community Action Program Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Hampton Roads Community Action Program, Inc.

Note 2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

HRCAP has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Sub-recipients

No funds were passed through or provided to sub-recipients during the year ended June 30, 2021.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	<u> √ </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> √ </u>	None Reported
Noncompliance material to financial statements noted?	<u> √ </u>	Yes	<u> </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> √ </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> √ </u>	None Reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 02 CFR 200.516(a)? Yes √ No

Identification of major program:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
93.600	Head Start and Early Head Start
93.569	Community Services Block Grant
93.558	Temporary Assistance for Needy Families
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes √ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS**2021-001 Material Weakness – Calculation of Fixed Assets Presented on the Financial Statements**

Criteria and Condition: Management did not record property and equipment in accordance with generally accepted accounting principles.

Cause: Management misinterpreted the federal guidance to understand that in order to capture the full expense on the schedule of federal expenditures, the cost of an asset needed to be fully expensed upon purchase for financial statement reporting purposes.

Effect : Assets and net assets were understated by their appropriate net book value.

Recommendation: We recommend that management implement processes to ensure property and equipment are recorded in accordance with generally accepted accounting principles, and depreciated annually as appropriate.

Views of Responsible Officials:

Audrea Lambert, Chief Financial Officer, implemented internal software to update the fixed asset depreciation schedule. This was implemented May 2022. Further, a restatement to the financial statements was recorded in the year under audit to correct the error.

2021-002 Compliance Finding – Submitting ineligible expenses for the Paycheck Protection Program Forgiveness Application

Criteria and Condition: Management submitted expenses already or to be reimbursed by the federal government via other government grant programs on the Paycheck Protection Program forgiveness application.

Cause: Management was not aware that the Office of Management and Budget published guidance instructing recipients of the Paycheck Protection Program funding that expenses reimbursed by other federal grant programs were ineligible for forgiveness in the Paycheck Protection Program.

Effect: Hampton Roads Community Action Program, Inc. recorded forgiveness of \$2,000,000, the full amount received from the Small Business Administration under the Paycheck Protection Program, however, only \$99,431 was not reimbursed by other federal programs.

Recommendation: We recommend that management contact the Small Business Administration for a final determination regarding liability and in the meantime, only record \$99,431 as revenue in the current year.

Views of Responsible Officials: Audrea Lambert, Chief Financial Officer, contacted attorneys at Kaufman & Canoles September 2022 to communicate with the Small Business Administration and get a final decision on the issue. Communications are still in progress as of the date of this report. HRCAP recorded debt for the amount that the Small Business Administration may deem ineligible and request be paid back.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021**

SECTION III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings or questioned costs noted.

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2021

Identifying Number: 2021-001

Finding: Calculation of fixed assets presented on the financial statements without depreciation.

Corrective Actions Taken or Planned: Audrea Lambert, Chief Financial Officer, implemented internal software to update the fixed asset depreciation schedule. This was implemented May 2022.

Identifying Number: 2021-002

Finding: Submitting the same expenses for the Paycheck Protection Program forgiveness application and for other grants

Corrective Actions Taken or Planned: Audrea Lambert, Chief Financial Officer, contacted attorneys at Kaufman & Canoles September 2022 to communicate with the Small Business Administration and get a final decision on the issue. Communications are still in progress as of the date of this report. HRCAP recorded debt for the amount that the Small Business Administration may collect.

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SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2021

Summary Schedule of Prior Year Audit Findings

None