

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

FINANCIAL REPORT

JUNE 30, 2024



ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

TABLE OF CONTENTS

<i>FINANCIAL SECTION</i>	
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18

<i>SUPPLEMENTAL INFORMATION</i>	
Reconciliation of the Financial Statements to the Supplementary Information	19
Statement of Activities by Program	20
Head Start and Early Head Start Programs	21
Virginia Department of Social Services Programs	22
Redevelopment & Housing Programs	23
Department of Veterans Affairs	24
U.S. Housing & Urban Development	25
Virginia Housing	26
Childcare Program	27
Other Programs	28
HRCAP Agency Programs	29

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 <i>GOVERNMENT AUDITING STANDARDS</i>	30 - 31
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	32 – 34
Schedule of Expenditures of Federal Awards	35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37 – 38
Summary Schedule of Prior Year Audit Findings	39



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Hampton Roads Community Action Program, Inc. (HRCAP), which comprise the statement of financial position as of June 30, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HRCAP as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HRCAP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HRCAP's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HRCAP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The following schedules have 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 GAAS. Capital outlays are presented using the modified accrual basis of accounting.

- Reconciliation of the Financial Statements to the Supplementary Information
- Statement of Activities by Program
- Head Start and Early Head Start Programs
- 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025 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
February 28, 2025

FINANCIAL STATEMENTS

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,340,712
Grants receivable	1,006,628
Prepaid expenses	85,423
Total current assets	3,432,763
Property and Equipment	
Automotive equipment	1,717,384
Equipment	987,657
Real estate	549,366
Furniture and fixtures	101,625
Leasehold improvements	583,614
Construction in progress	694,585
	4,634,231
Less - accumulated depreciation	(2,979,427)
Total property and equipment	1,654,804
Right of Use Asset for Operating Leases	1,384,905
Total assets	\$ 6,472,472
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 426,232
Accrued salaries	353,024
Accrued annual leave	273,176
Deferred revenue	71,238
Paycheck Protection Program loan	1,900,569
Operating lease liability, short-term portion	547,227
Total current liabilities	3,571,466
Operating Lease Liability, long-term portion	837,678
Total liabilities	4,409,144
Net Assets	
Without donor restrictions	492,056
With donor restrictions	1,571,272
Total net assets	2,063,328
Total liabilities and net assets	\$ 6,472,472

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants awarded:			
Federal	\$ -	\$ 18,730,820	\$ 18,730,820
State	-	666,465	666,465
Local	200,000	15,000	215,000
Private grants	-	145,825	145,825
Total support	200,000	19,558,110	19,758,110
Revenue			
Donations	190,737	4,156	194,893
Other revenue	59,785	70,667	130,452
In-kind revenue	-	1,111,160	1,111,160
Net assets released from restrictions	20,386,234	(20,386,234)	-
Total revenue	20,636,756	(19,200,251)	1,436,505
Total support and revenue	20,836,756	357,859	21,194,615
Expenses			
Program services:			
Head Start / Early Head Start	14,250,630	-	14,250,630
VA Department of Social Services	1,286,713	-	1,286,713
Redevelopment and Housing	45,000	-	45,000
Department of Veterans Affairs	67,791	-	67,791
U.S. Housing & Urban Development	32,952	-	32,952
Virginia Housing	98,664	-	98,664
Childcare	187,040	-	187,040
Other	2,568,286	-	2,568,286
HRCAP Agency	1,013,298	-	1,013,298
Total program services	19,550,374	-	19,550,374
Support services:			
Management and general	1,808,572	-	1,808,572
Total expenses	21,358,946	-	21,358,946
Change in net assets	(522,190)	357,859	(164,331)
Net Assets			
Beginning of year	1,014,246	1,213,413	2,227,659
End of year	\$ 492,056	\$ 1,571,272	\$ 2,063,328

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2024

	Program Services									Support Services		Total
	Head Start	VA	Redevelopment	Department	U.S. Housing	Virginia	Childcare	Other	HRCAP	Subtotal	Management & General	
	Early	Department of	and	of Veteran	& Urban	Housing			Agency			
Head Start	Social Services	Housing	Affairs	Development								
Salary and wages	\$ 8,519,860	\$ 386,473	\$ 36,691	\$ 42,920	\$ 23,572	\$ 45,815	\$ 145,431	\$ 583,934	\$ 273,549	\$ 10,058,245	\$ 1,258,394	\$ 11,316,639
Fringe benefits	1,853,854	93,982	7,703	8,982	7,581	15,576	30,064	125,130	94,163	2,237,035	269,311	2,506,346
Other personnel costs	195,368	443	-	-	-	-	-	156,839	15,369	368,019	-	368,019
Contractual	106,551	70,402	-	-	-	-	1,751	323,349	103,719	605,772	98,847	704,619
Travel	8,199	6,365	-	132	-	393	-	15,396	16,549	47,034	1,118	48,152
Rent and building maintenance	1,065,337	82,377	-	-	-	-	5,378	107,225	37,125	1,297,442	70,178	1,367,620
Consumable supplies	220,854	5,441	606	502	-	292	1,976	35,702	29,867	295,240	46,700	341,940
Program activities	90,912	117,426	-	13,433	-	29,661	791	905,432	21,377	1,179,032	-	1,179,032
Vehicles and equipment	584,631	80,397	-	(542)	-	-	14	49,531	129,861	843,892	-	843,892
Printing	134,214	26,583	-	371	-	-	777	5,464	56,573	223,982	11,958	235,940
Telephone	149,770	18,135	-	1,923	-	-	511	27,474	142,974	340,787	49,923	390,710
Postage	37	-	-	-	-	-	-	780	11,656	12,473	-	12,473
Insurance	151,584	87,813	-	-	-	-	-	8,130	64,761	312,288	1,273	313,561
Conferences and meetings	75,934	10,724	-	-	-	-	30	44,323	31,799	162,810	-	162,810
Organizational dues	7,680	25	-	-	-	-	-	674	18,140	26,519	-	26,519
Indirect costs	-	50,685	-	-	1,112	6,129	-	32,124	(90,050)	-	-	-
Other costs	25,577	4,222	-	70	-	798	317	117,062	31,165	179,211	870	180,081
In-kind expense	892,221	218,940	-	-	-	-	-	-	-	1,111,161	-	1,111,161
Depreciation	168,047	26,280	-	-	687	-	-	29,717	24,701	249,432	-	249,432
Total expenses	\$ 14,250,630	\$ 1,286,713	\$ 45,000	\$ 67,791	\$ 32,952	\$ 98,664	\$ 187,040	\$ 2,568,286	\$ 1,013,298	\$ 19,550,374	\$ 1,808,572	\$ 21,358,946

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

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Cash Flows from Operating Activities	
Change in net assets	\$ (164,331)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	249,432
Amortization of right-of-use asset	490,553
Loss on sale of property and equipment	623
Net changes in assets and liabilities:	
Grants receivable	(184,904)
Prepaid expenses	348,692
Accounts payable	(284,769)
Accrued salaries	54,485
Accrued annual leave	8,431
Deferred revenue	(353,636)
Operating leases liability	(490,553)
Net cash used in operating activities	<u>(325,977)</u>
Cash Flows from Investing Activities	
Acquisition of property and equipment	(707,418)
Proceeds from disposal of property and equipment	17,271
Net cash used in investing activities	<u>(690,147)</u>
Net decrease in cash	(1,016,124)
Cash	
Beginning of year	<u>3,356,836</u>
End of year	<u>\$ 2,340,712</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>A program that provides comprehensive preschool education services to 992 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 teens/women residing in southeast Newport News.</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 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 Bassette 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 as well as food drives, meals from various member churches, and winter coat drives.
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.
Service Delivery	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)

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 Resource Lab	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.
Whole Family Approach Pilot	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.
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.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business (Continued)

Diaper Distribution Demonstration and Research Pilot	A federally funded diaper distribution pilot that provides diapers and diapering supplies on a consistent basis to low-income families.
Regional Digital Opportunity Plan (RDOP)	A program operating with the intent to bring organizations working to close the digital divide into the state’s planning process. The objective of this grant opportunity is to identify best practices of initiatives/efforts that are addressing the digital divide in communities throughout Virginia.
Pathway Home 3	A reentry program that seeks to reduce barriers to employment by providing training and employment services to incarcerated individuals before their release from state correctional facilities, or county or local jails.
IDA RISE	The Reaching Independence through Savings and Education (RISE) is a VDSS managed Individual Development Account (IDA) designed to support TANF recipients for the purposes of homeownership, transportation acquisition, the pursuit of post-secondary education, small business ownership, or achieving self-sufficiency through matched savings and training.
Share our Strength – No Kid Hungry	A grant providing support for HRCAP to co-lead a regional Hunger Action Coalition with the Foodbank of Southeastern Virginia and the Eastern Shore, which will work to form new partnerships, pursue collaborative initiatives, and communicate the advancement of the Virginia Roadmap to End Hunger within the region.
Emergency Food and Shelter Program	A FEMA program to provide shelter, food and supportive services to individuals and families who are experiencing, or at risk of experiencing, hunger and/or homelessness.
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>
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, whereby 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. Included in cash and cash equivalents at June 30, 2024 are reserved funds of \$35,952 held as collateral for debt guaranteed by HRCAP. See note 7 for further information.

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 in 2024 and 2023. 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 credit losses. It is the policy of management to review outstanding grants receivable at year-end, as well as HRCAP's best estimate of the amount of probable credit losses based on historical loss patterns and evaluation of potential risk of loss associated with each grant receivable, and establish an allowance for credit losses. Allowances for credit losses are recorded in general and administrative expenses.

Estimating credit losses based on risk characteristics requires significant judgement by management. In management's opinion, all grants receivable are fully collectible; accordingly, an allowance for credit losses is not required.

Public support and revenue: Grants and other contributions of cash and other assets are reported as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 contributions without donor restrictions.

Donated services, facilities and materials are recognized at their fair market value as in-kind revenue in the year donated. \$1,017,308 of in-kind revenue is donated facilities for programs identified in the statements of activities. Additionally, HRCAP received donated materials and services that were monetized during the reporting period of \$22,531 and \$71,321, respectively.

Government support: HRCAP receives approximately 95% of its total support, and 88% of its total support and revenue, from the federal government. 90% of HRCAP's 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 benefited.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

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.

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. Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2024. 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.

Leases: HRCAP determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been developed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The HRCAP also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

HRCAP made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, HRCAP made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for lease existing upon the adoption of Topic 842).

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payment only when it is probable they will be incurred.

HRCAP has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The nonlease components typically represent additional services transferred to HRCAP, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Note 3. Availability and Liquidity

The following represents HRCAP's financial assets at June 30, 2024:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,340,712
Grants receivable	1,006,628
	<u>3,347,340</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,571,272
Less net assets with purpose restrictions to be met in less than a year	(56,823)
	<u>1,514,449</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,832,891</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:

Headstart and Early Head Start Programs	\$	684,447
Pathway Home 3		96,529
Virginia CARES		58,812
USDA (CACFP Program)		48,962
City of Newport News		41,250
HCE Credit Improvement		28,736
Diaper Distribution Demonstration and Research Pilot		17,060
Project Discovery		12,939
IDA RISE		10,464
Emergency Food and Shelter Program		7,348
VITA Free Tax Preparation		81
		<hr/>
	\$	1,006,628
		<hr/>

Note 5. Retirement Plan

The retirement plan is a tax-sheltered annuity under Section 403(b) of the Internal Revenue 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, 2024 was \$78,869.

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, 2024, 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 remaining amount of \$1,900,569 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.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

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.

HRCAP is the guarantor for a line of credit extended to an affiliate organization, Peninsula Community Development Corporation 2022, Inc. (PCDC). The line of credit, with a limit of \$350,000, is used by PCDC to purchase and refurbish residential properties for resale at cost to provide affordable housing options for residents. The line of credit is unsecured, permitted the purchased property is refurbished and sold within 150 days. Upon expiration of this timeframe, the lender reserves the right to secure the line of credit by obtaining a deed of trust on the purchased property. As of June 30, 2024, the outstanding balance on the line of credit guaranteed by HRCAP is \$35,952. HRCAP must maintain funds equal to the balance owed at the financial institution providing PCDC with the line of credit which renews annually. Funds of \$35,952 is included in cash and cash equivalents at June 30, 2024 and is held as collateral for debt guaranteed by HRCAP.

Note 8. Leases

HRCAP is currently leasing office space, vehicles, and equipment under operating leases.

The following amounts were recorded in rent and building maintenance and vehicles and equipment on the statement of functional expenses for the year ended June 30, 2024:

Lease Expense	
Operating lease expense	\$ 490,553
Short term lease expense	190,291
Total lease expense	\$ 680,844

The following is other supplemental information relating to HRCAP's operating leases:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 490,553
Right-of-use assets obtained in exchange for new operating lease liabilities	224,236
Weighted-average remaining lease term in years for operating leases	1.79
Weighted-average discount rate for operating leases	3.35%

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Leases (Continued)

Future maturities of HRCAP's operating leases are as follows:

Year	Amount
2025	\$ 592,771
2026	404,299
2027	304,952
2028	142,210
2029	9,900
Total undiscounted cash flows	1,454,132
Less: present value discount	(69,227)
Total lease liabilities	\$ 1,384,905

Note 9. Special Events

HRCAP Agency Program's Statement of Activities includes the 2024 Annual Dinner, which had revenues of \$145,199 and expenses of \$111,247 for a net profit of \$33,952.

Note 10. Subsequent Events

Management has evaluated subsequent events through February 28, 2025, which is the date these financial statements were available to be issued. Management has determined that, except as noted below, there are no subsequent events that require disclosure.

Subsequent to the year ended June 30, 2024, HRCAP filed a SF-429-C Disposition Request to obtain approval to sell the property located at 91 E Mercury Blvd, Hampton, Virginia 23669, as the proposals to renovate the property to meet Head Start requirements exceeded the amount the grantor is willing to commit to funding. HRCAP is awaiting final approval from the Office of Head Start to sell the property. The appraised value of the property is \$575,000, and is recorded in construction in progress at June 30, 2024.

SUPPLEMENTAL INFORMATION

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

RECONCILIATION OF THE FINANCIAL STATEMENTS TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2024

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		\$ 2,063,328
Capital assets are funded by grantors at their full cost		
Add depreciation expense	249,432	
Subtract capital outlays	<u>(707,418)</u>	(457,986)
Subtract prior year accumulated adjustments to reconcile net assets for capital outlays and depreciation expense per generally accepted accounting principles		<u>(1,221,493)</u>
Supplementary information net assets		<u>\$ 383,849</u>

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

STATEMENT OF ACTIVITIES BY PROGRAM For the Year Ended June 30, 2024

	Head Start/ Early Head Start Program	Virginia Department of Social Services Programs	Redevelopment & Housing Programs	Department of Veterans Affairs	U.S. Housing & Urban Development	Virginia Housing	Childcare Program	Other Programs	HRCAP Agency Programs	Total
Support										
Grants awarded:										
Federal	\$ 14,863,131	\$ 1,061,630	\$ 45,000	\$ 65,663	\$ 32,472	\$ -	\$ -	\$ 2,662,924	\$ -	\$ 18,730,820
State	-	45,000	-	-	-	98,664	187,040	335,761	-	666,465
Local	-	-	-	-	-	-	-	15,000	200,000	215,000
Private grants	-	-	-	-	-	-	-	145,825	-	145,825
Total support	14,863,131	1,106,630	45,000	65,663	32,472	98,664	187,040	3,159,510	200,000	19,758,110
Revenue										
Donations	-	-	-	-	-	-	-	4,156	190,737	194,893
Other revenue	70,667	-	-	-	-	-	-	-	59,785	130,452
In-kind revenue	892,221	218,939	-	-	-	-	-	-	-	1,111,160
Total revenue	962,888	218,939	-	-	-	-	-	4,156	250,522	1,436,505
Total support and revenue	15,826,019	1,325,569	45,000	65,663	32,472	98,664	187,040	3,163,666	450,522	21,194,615
Expenses										
Program services:										
Salary and wages	8,519,860	386,473	36,691	42,920	23,572	45,815	145,431	583,934	273,549	10,058,245
Fringe benefits	1,853,854	93,982	7,703	8,982	7,581	15,576	30,064	125,130	94,163	2,237,035
Other personnel costs	195,368	443	-	-	-	-	-	156,839	15,369	368,019
Contractual	106,551	70,402	-	-	-	-	1,751	323,349	103,719	605,772
Travel	8,199	6,365	-	132	-	393	-	15,396	16,549	47,034
Rent and building maintenance	1,065,337	82,377	-	-	-	-	5,378	107,225	37,125	1,297,442
Consumable supplies	220,854	5,441	606	502	-	292	1,976	35,702	29,867	295,240
Program activities	90,912	117,426	-	13,433	-	29,661	791	905,432	21,377	1,179,032
Vehicles and equipment	584,631	80,397	-	(542)	-	-	14	49,531	129,861	843,892
Printing	134,214	26,583	-	371	-	-	777	5,464	56,573	223,982
Telephone	149,770	18,135	-	1,923	-	-	511	27,474	142,974	340,787
Postage	37	-	-	-	-	-	-	780	11,656	12,473
Insurance	151,584	87,813	-	-	-	-	-	8,130	64,761	312,288
Conferences and meetings	75,934	10,724	-	-	-	-	30	44,323	31,799	162,810
Organizational dues	7,680	25	-	-	-	-	-	674	18,140	26,519
Indirect costs	-	50,685	-	-	1,112	6,129	-	32,124	(90,050)	-
Other costs	25,577	4,222	-	70	-	798	317	117,062	31,165	179,211
In-kind expense	892,221	218,940	-	-	-	-	-	-	-	1,111,161
Capital outlay	-	-	-	-	-	-	-	674,585	32,833	707,418
Total program services	14,082,583	1,260,433	45,000	67,791	32,265	98,664	187,040	3,213,154	1,021,430	20,008,360
Support Services										
General and administrative	1,743,436	65,136	-	-	-	-	-	-	-	1,808,572
Total expenses	15,826,019	1,325,569	45,000	67,791	32,265	98,664	187,040	3,213,154	1,021,430	21,816,932
Change in net assets	-	-	-	(2,128)	207	-	-	(49,488)	(570,908)	(622,317)
Net Assets										
Beginning of year	-	(44,202)	6,660	2,128	(207)	11,572	-	133,870	896,345	1,006,166
End of year	\$ -	\$ (44,202)	\$ 6,660	\$ -	\$ -	\$ 11,572	\$ -	\$ 84,382	\$ 325,437	\$ 383,849

**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, 2024**

	For the 11 Months Ended May 31, 2024	For the 1 Month Ended June 30, 2024	Total
Support			
Grants awarded:			
Federal government	\$ 13,703,262	\$ 1,159,869	\$ 14,863,131
Total support	<u>13,703,262</u>	<u>1,159,869</u>	<u>14,863,131</u>
Revenue			
Other revenue	69,962	705	70,667
In-kind revenue	823,896	68,325	892,221
Total revenue	<u>893,858</u>	<u>69,030</u>	<u>962,888</u>
Total support and revenue	<u>14,597,120</u>	<u>1,228,899</u>	<u>15,826,019</u>
Expenses			
Program services:			
Salary and wages	7,725,470	794,390	8,519,860
Fringe benefits	1,689,808	164,046	1,853,854
Other personnel costs	195,000	368	195,368
Contractual	97,566	8,985	106,551
Travel	7,852	347	8,199
Rent and building maintenance	1,052,513	12,824	1,065,337
Consumable supplies	216,566	4,288	220,854
Program activities	89,163	1,749	90,912
Vehicles and equipment	579,207	5,424	584,631
Printing	123,805	10,409	134,214
Telephone	140,345	9,425	149,770
Postage	37	-	37
Insurance	151,584	-	151,584
Conferences and meetings	69,227	6,707	75,934
Organizational dues	7,680	-	7,680
Other costs	24,725	852	25,577
In-kind expense	823,897	68,324	892,221
Total program services	<u>12,994,445</u>	<u>1,088,138</u>	<u>14,082,583</u>
Support Services			
General and administrative	1,602,675	140,761	1,743,436
Total expenses	<u>14,597,120</u>	<u>1,228,899</u>	<u>15,826,019</u>
Change in net assets	-	-	-
Net Assets			
Beginning of year	(36,511)	36,511	-
End of year	<u>\$ (36,511)</u>	<u>\$ 36,511</u>	<u>\$ -</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, 2024**

	Federal CSBG	Federal TANF	Project Discovery	Virginia Cares	IDA Rise	Total
Support						
Grants awarded:						
Federal government	\$ 498,830	\$ 403,300	\$ -	\$ 109,500	\$ 50,000	\$ 1,061,630
State government	-	-	45,000	-	-	45,000
Total support	498,830	403,300	45,000	109,500	50,000	1,106,630
Revenue						
In-kind revenue	105,857	91,551	21,531	-	-	218,939
Total revenue	105,857	91,551	21,531	-	-	218,939
Total support and revenue	604,687	494,851	66,531	109,500	50,000	1,325,569
Expenses						
Program services:						
Salary and wages	168,336	121,565	7,754	61,448	27,370	386,473
Fringe benefits	38,047	29,797	901	17,104	8,133	93,982
Other personnel costs	-	-	-	443	-	443
Contractual	27,114	30,151	2,545	7,636	2,956	70,402
Travel	100	1,584	4,681	-	-	6,365
Rent and building maintenance	25,306	21,592	15,312	14,255	5,912	82,377
Consumable supplies	1,997	1,325	926	919	274	5,441
Program activities	3,958	106,890	6,578	-	-	117,426
Vehicles and equipment	75,619	3,101	-	917	760	80,397
Printing	20,798	1,320	1,674	2,791	-	26,583
Telephone	8,399	1,854	3,534	415	3,933	18,135
Insurance	59,202	28,611	-	-	-	87,813
Conferences and meetings	4,333	4,351	469	909	662	10,724
Organizational dues	25	-	-	-	-	25
Indirect costs	-	50,685	-	-	-	50,685
Other costs	460	473	626	2,663	-	4,222
In-kind expense	105,857	91,552	21,531	-	-	218,940
Total program services	539,551	494,851	66,531	109,500	50,000	1,260,433
Support Services						
General and administrative	65,136	-	-	-	-	65,136
Total expenses	604,687	494,851	66,531	109,500	50,000	1,325,569
Change in net assets	-	-	-	-	-	-
Net Assets						
Beginning of year	-	-	(44,202)	-	-	(44,202)
End of year	\$ -	\$ -	\$ (44,202)	\$ -	\$ -	\$ (44,202)

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2024**

	Fair Housing	Housing Counseling	Clean Comfort	Total
Support				
Grants awarded:				
Federal government	\$ 5,000	\$ 20,000	\$ 20,000	\$ 45,000
Total support	5,000	20,000	20,000	45,000
Expenses				
Program services:				
Salary and wages	4,501	15,987	16,203	36,691
Fringe benefits	499	4,013	3,191	7,703
Consumable supplies	-	-	606	606
Total program services	5,000	20,000	20,000	45,000
Change in net assets	-	-	-	-
Net Assets				
Beginning of year	-	-	6,660	6,660
End of year	\$ -	\$ -	\$ 6,660	\$ 6,660

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2024**

	Supportive Services Veterans 14- VA-296SS	Supportive Services Veterans 14- VA-296-LT	Total
Support			
Grants awarded:			
Federal government	\$ 28,059	\$ 37,604	\$ 65,663
Total support	28,059	37,604	65,663
Expenses			
Program services:			
Salary and wages	18,171	24,749	42,920
Fringe benefits	3,229	5,753	8,982
Travel	32	100	132
Consumable supplies	119	383	502
Program activities	7,829	5,604	13,433
Vehicles and equipment	-	(542)	(542)
Printing	166	205	371
Telephone	641	1,282	1,923
Other costs	-	70	70
Total program services	30,187	37,604	67,791
Change in net assets	(2,128)	-	(2,128)
Net Assets			
Beginning of year	2,128	-	2,128
End of year	\$ -	\$ -	\$ -

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2024**

Support	
Grants awarded:	
Federal government	\$ 32,472
Total support	<u>32,472</u>
Expenses	
Program services:	
Salary and wages	23,572
Fringe benefits	7,581
Indirect costs	1,112
Total program services	<u>32,265</u>
Change in net assets	207
Net Assets	
Beginning of year	<u>(207)</u>
End of year	<u>\$ -</u>

**HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.
VIRGINIA HOUSING**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2024**

	Housing Counseling	Credit Improvement	Total
Support			
Grants awarded:			
State Government	59,003	39,661	98,664
Total support	59,003	39,661	98,664
Expenses			
Program services:			
Salary and wages	38,813	7,002	45,815
Fringe benefits	13,478	2,098	15,576
Travel	393	-	393
Consumable supplies	292	-	292
Program activities	-	29,661	29,661
Indirect costs	5,229	900	6,129
Other costs	798	-	798
Total program services	59,003	39,661	98,664
Change in net assets	-	-	-
Net Assets			
Beginning of year	30,310	(18,738)	11,572
End of year	\$ 30,310	\$ (18,738)	\$ 11,572

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended June 30, 2024**

<hr/>	
Support	
Grants awarded:	
State government	\$ 187,040
Total support	<u>187,040</u>
Expenses	
Program services:	
Salary and wages	145,431
Fringe benefits	30,064
Contractual	1,751
Rent and building maintenance	5,378
Consumable supplies	1,976
Program activities	791
Vehicles and equipment	14
Printing	777
Telephone	511
Conferences and meetings	30
Other costs	317
Total program services	<u>187,040</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.
OTHER PROGRAMS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2024**

	VITA	Two Generation Whole Family	Diaper Distribution Demonstration	Emergency Food & Shelter Program	CACFP VA Dept of Health	Pathways Home 3	Share Our Strength No Kid Hungry	Bank of America Neighborhood Builders	Head Start American Rescue Plan	Other	Total
Support											
Grants awarded:											
Federal government	\$ 53,456	\$ 166,666	\$ -	\$ 7,348	\$ 850,718	\$ 919,251	\$ -	\$ -	\$ 665,485	\$ -	\$ 2,662,924
State government	-	-	277,061	-	-	-	-	-	-	58,700	335,761
Local government	-	-	-	-	-	-	-	-	-	15,000	15,000
Private grants	-	-	-	-	-	-	-	100,000	-	45,825	145,825
Total support	<u>53,456</u>	<u>166,666</u>	<u>277,061</u>	<u>7,348</u>	<u>850,718</u>	<u>919,251</u>	<u>-</u>	<u>100,000</u>	<u>665,485</u>	<u>119,525</u>	<u>3,159,510</u>
Revenue											
Donations	-	-	-	-	-	-	-	-	-	4,156	4,156
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,156</u>	<u>4,156</u>
Total support and revenue	<u>53,456</u>	<u>166,666</u>	<u>277,061</u>	<u>7,348</u>	<u>850,718</u>	<u>919,251</u>	<u>-</u>	<u>100,000</u>	<u>665,485</u>	<u>123,681</u>	<u>3,163,666</u>
Expenses											
Program services:											
Salary and wages	29,573	53,739	106,313	-	-	361,086	-	3,627	-	29,596	583,934
Fringe benefits	7,124	11,539	17,733	-	-	81,420	-	1,053	-	6,261	125,130
Other personnel costs	-	-	81,562	-	-	67,874	3,607	10	-	3,786	156,839
Contractual	-	6,765	26,020	-	-	244,322	4,466	11,618	-	30,158	323,349
Travel	2,608	2,939	151	-	-	5,893	1,004	1,427	-	1,374	15,396
Rent and building maintenance	-	24,513	8,876	-	-	49,200	2,721	-	-	21,915	107,225
Consumable supplies	5,040	1,342	1,569	-	6,165	6,451	3,939	7,327	900	2,969	35,702
Program activities	-	12,299	14,694	20,350	846,200	1,850	4,874	2,601	-	2,564	905,432
Vehicles and equipment	917	5,345	4,540	-	-	18,037	983	17,552	-	2,157	49,531
Printing	-	891	-	-	-	4,573	-	-	-	-	5,464
Telephone	-	12,020	-	-	-	11,081	-	4,373	-	-	27,474
Postage	-	-	9	-	-	325	186	-	-	260	780
Insurance	-	5,491	-	-	-	247	-	-	-	2,392	8,130
Conferences and meetings	-	15,922	1,554	-	-	12,936	4,602	3,844	-	5,465	44,323
Organizational dues	-	-	249	-	-	-	-	-	-	425	674
Indirect costs	8,195	10,697	11,511	-	-	-	-	-	-	1,721	32,124
Other costs	(1)	3,164	18	-	-	53,956	167	46,568	-	13,190	117,062
Capital outlays	-	-	-	-	-	-	5,000	-	664,585	5,000	674,585
Total program services	<u>53,456</u>	<u>166,666</u>	<u>274,799</u>	<u>20,350</u>	<u>852,365</u>	<u>919,251</u>	<u>31,549</u>	<u>100,000</u>	<u>665,485</u>	<u>129,233</u>	<u>3,213,154</u>
Support Services											
General and administrative	-	-	-	-	-	-	-	-	-	-	-
Total expenses	<u>53,456</u>	<u>166,666</u>	<u>274,799</u>	<u>20,350</u>	<u>852,365</u>	<u>919,251</u>	<u>31,549</u>	<u>100,000</u>	<u>665,485</u>	<u>129,233</u>	<u>3,213,154</u>
Change in net assets	<u>-</u>	<u>-</u>	<u>2,262</u>	<u>(13,002)</u>	<u>(1,647)</u>	<u>-</u>	<u>(31,549)</u>	<u>-</u>	<u>-</u>	<u>(5,552)</u>	<u>(49,488)</u>
Net Assets											
Beginning of year	-	(27,141)	(6,240)	10,839	13,638	-	31,549	-	-	111,225	133,870
End of year	\$ -	\$ (27,141)	\$ (3,978)	\$ (2,163)	\$ 11,991	\$ -	\$ -	\$ -	\$ -	\$ 105,673	\$ 84,382

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2024**

<hr/>	
Support	
Grants awarded:	
Local government	\$ 200,000
Total support	<u>200,000</u>
Revenue:	
Donations	190,737
Other revenue	59,785
Total revenue	<u>250,522</u>
Total unrestricted support and revenue	<u>450,522</u>
Expenses	
Program services:	
Salary and wages	273,549
Fringe benefits	94,163
Other personnel costs	15,369
Contractual	103,719
Travel	16,549
Rent and building maintenance	37,125
Consumable supplies	29,867
Program activities	21,377
Vehicles and equipment	129,861
Printing	56,573
Telephone	142,974
Postage	11,656
Insurance	64,761
Conferences and meetings	31,799
Organizational dues	18,140
Indirect costs	(90,050)
Other costs	31,165
Capital outlays	32,833
Total program services	<u>1,021,430</u>
Change in net assets	(570,908)
Net Assets	
Beginning of year	<u>896,345</u>
End of year	<u><u>\$ 325,437</u></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 (*Government Auditing Standards*), the financial statements of Hampton Roads Community Action Program Inc. (HRCAP), which comprise the statement of financial position as of June 30, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HRCAP's internal control over financial reporting (internal control) as a basis for designing 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 HRCAP's internal control. Accordingly, we do not express an opinion on the effectiveness of HRCAP's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Newport News, Virginia
February 28, 2025

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND 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

Opinion on Each Major Federal Program

We have audited Hampton Roads Community Action Program Inc.'s (HRCAP) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HRCAP's major federal programs for the year ended June 30, 2024. HRCAP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HRCAP complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HRCAP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HRCAP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to HRCAP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HRCAP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HRCAP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding HRCAP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HRCAP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 HRCAP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

PBMares, LLP

Newport News, Virginia
February 28, 2025

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024**

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 ending May	93.600		\$ 13,270,757
Early Head Start ending May	93.600		432,505
Head Start beginning June	93.600		1,123,026
Early Head Start beginning June	93.600		36,842
COVID-19 Head Start and Early Head Start	93.600		665,485
Total - Head Start Cluster*			<u>15,528,615</u>
<u>Pass-through programs from:</u>			
Commonwealth of Virginia:			
Community Services Block Grant	93.569	Various	498,830
Virginia Cares	93.569	20-P4719PA20	109,500
IDA Rise	93.558	CVS-19-063-11	50,000
Temporary Assistance for Needy Families	93.558	CVS-19-063-11	403,300
Two Generation Whole Family	93.558	CVS-20-037-06	166,666
Total - U.S. Department of Health and Human Services			<u>16,756,911</u>
U.S. Department of Agriculture			
<u>Pass-through programs from:</u>			
Virginia Department of Health:			
Child and Adult Food Care Program	10.558	CACFP	852,365
Total - U.S. Department of Agriculture			<u>852,365</u>
U.S. Department of Housing and Urban Development			
<u>Pass-through programs from:</u>			
Newport News Redevelopment and Housing Authority:			
CDBG - Entitlement Grants Cluster			
Clean Comfort	14.218	CDBG Clean Comfort	20,000
Fair Housing Initiative Program	14.218	CDBG Fair Housing	5,000
Housing Counseling Assistance Program	14.218	CDBG Housing Counseling	20,000
Total - CDBG - Entitlement Grants Cluster			<u>45,000</u>
<u>Pass-through programs from:</u>			
Virginia Housing Alliance	14.169	HUD101035	32,472
Total Department of Housing and Urban Development			<u>77,472</u>
Department of Veterans' Affairs:			
<u>Direct programs:</u>			
VA Supportive Services for Veterans Families Program	64.033		67,793
Total - Department of Veterans' Affairs			<u>67,793</u>
Department of Treasury			
<u>Direct programs:</u>			
VITA	21.009		53,456
Total Department of Treasury			<u>53,456</u>
U.S. Department of Labor			
<u>Direct programs:</u>			
Pathway Home 3*	17.270		919,251
Total Department of Labor			<u>919,251</u>
U.S. Department of Homeland Security			
<u>Pass-through programs from:</u>			
Emergency Food and Shelter National Board Program			
Emergency Food and Shelter Program	97.024		18,186
Total Department of Homeland Security			<u>18,186</u>
Total expenditures of federal awards			<u>\$ 18,745,434</u>

*Major program

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2024

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, 2024. 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 elected to use the 10 percent de minimis rate when approved by grantors.

Note 4. Sub-recipients

No funds were passed through or provided to sub-recipients during the year ended June 30, 2024.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

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

Federal Awards

Internal control over major federal programs:

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

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

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
93.600	Head Start Cluster
17.270	Pathway Home 3

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

Auditee qualified as low-risk auditee? _____ Yes √ No

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

SECTION II. FINANCIAL STATEMENT FINDINGS

None.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

HAMPTON ROADS COMMUNITY ACTION PROGRAM, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2024

Identifying Number: 2023-001 Significant Deficiency in Internal Control over Revenue Recognition

Audit Finding: PBMares, LLP identified transactions as of June 30, 2023 that were reimbursed and incorrectly recorded as earned revenue for the year ended June 30, 2023. These transactions, totaling \$424,874, were recognized as earned revenue in the reporting period without corresponding fulfillment of grant requirements to be considered earned. Internal controls were not effectively implemented to ensure proper cutoff of revenue recognition. The effect of errors identified are outlined above and resulted in revenue being recognized in a period earlier than appropriate and was corrected by management. PBMares, LLP recommended that HRCAP implement internal controls around revenue cutoff to ensure all revenue recognized is earned in the appropriate period.

Corrective Action Taken (Unaudited): On June 1, 2024, HRCAP added to its Accounting Policies policy 3.10. This policy serves to provide internal control procedures for grant-related transactions in accordance with Generally Accepted Accounting Principles (GAAP). Specifically, it outlines precise year end and cut-off procedures tailored to grant revenue and expenses, emphasizing the critical importance of recording these transactions within the appropriate grant period.

Identifying Number: 2023-002 Head Start Cluster – Federal Assistance Listing Number 93.600 – Significant Deficiency in Internal Control over Allowable Costs

Audit Finding: According to federal regulations (2 CFR Part 200), costs charged to federal awards must be allowable, reasonable, allocable, and in the proper period of performance. Costs incurred relating to a future period of performance are to be recognized in that future period and should be deferred until then. Expenditures reported on HRCAP's Schedule of Expenditures of Federal Awards (SEFA) are reported on the accrual basis of accounting. PBMares, LLP identified transactions for the Head Start Cluster included in the SEFA totaling \$424,874 relating to the upcoming school year. These transactions were not recorded in the proper period per the terms of the grant. Internal controls were not effectively implemented to ensure proper recognition of grant terms. The effect of errors identified are outlined above and have since been corrected by management and resulted in questioned cost of \$424,874. PBMares, LLP recommended that HRCAP implement internal controls around expense cutoff to ensure all expenses relate to the appropriate period or in this case, school year.

Corrective Action Taken (Unaudited): On June 1, 2024, HRCAP added to its Accounting Policies policy 3.10. This policy serves to provide internal control procedures for grant-related transactions in accordance with Generally Accepted Accounting Principles (GAAP). Specifically, it outlines precise year end and cut-off procedures tailored to grant revenue and expenses, emphasizing the critical importance of recording these transactions within the appropriate grant period.