



**Gorfine Schiller Gardyn**

Certified Public Accountants and Consultants



**COMMUNITY ASSISTANCE  
NETWORK, INC.**

FINANCIAL STATEMENTS  
UNIFORM GUIDANCE  
AUGUST 31, 2016

**COMMUNITY ASSISTANCE NETWORK, INC.**  
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*August 31, 2016*

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**INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors of  
Community Assistance Network, Inc.  
Baltimore, Maryland**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Community Assistance Network, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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 the Organization as of August 31, 2016, 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 J to the financial statements, the beginning net assets as of September 1, 2016 have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Hoffine, Schiller & Galdyn, P.A.*

July 26, 2017  
Owings Mills, Maryland

## **FINANCIAL STATEMENTS**

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
*August 31, 2016*

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 694,015
Investments	65,081
Inventory	24,755
Grants receivable	1,128,667
Prepaid expenses	<u>25,092</u>

**Total current assets** 1,937,610

**PROPERTY AND EQUIPMENT, NET OF  
ACCUMULATED DEPRECIATION**

91,543

**SECURITY DEPOSITS**

2,942

**TOTAL ASSETS**

**\$ 2,032,095**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 149,579
Accrued expenses	93,468
Cutodial liability	32,157
Deferred revenue	<u>42,667</u>

**Total current liabilities** 317,871

**NET ASSETS**

Unrestricted	1,689,469
Temporarily restricted	<u>24,755</u>

**TOTAL NET ASSETS** 1,714,224

**TOTAL LIABILITIES AND NET ASSETS** **\$ 2,032,095**

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

**COMMUNITY ASSISTANCE NETWORK, INC.**

**STATEMENT OF ACTIVITIES**

*For the Year Ended August 31, 2016*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 189,055	\$ -	\$ 189,055
Donated food, household goods and clothing	467,926	24,755	492,681
Donated facilities and utilities	378,052	-	378,052
Grants from government	3,944,241	-	3,944,241
Unrealized gain on marketable securities	4,340	-	4,340
Miscellaneous revenue	370	-	370
Net assets released from restriction	152,100	(152,100)	-
<b>Total support and revenue</b>	<u>5,136,084</u>	<u>(127,345)</u>	<u>5,008,739</u>
<b>EXPENSES</b>			
Program services			
Weatherization	1,090,040	-	1,090,040
Services	3,295,050	-	3,295,050
Total program services	<u>4,385,090</u>	<u>-</u>	<u>4,385,090</u>
Support services			
Management and general	472,664	-	472,664
Fundraising	25,313	-	25,313
Total support services	<u>497,977</u>	<u>-</u>	<u>497,977</u>
<b>Total expenses</b>	<u>4,883,067</u>	<u>-</u>	<u>4,883,067</u>
<b>CHANGES IN NET ASSETS</b>	<u>253,017</u>	<u>(127,345)</u>	<u>125,672</u>
<b>NET ASSETS - Beginning of year, as originally stated</b>	1,583,449	52,000	1,635,449
<b>EFFECT OF RESTATEMENT</b>	<u>(146,997)</u>	<u>100,100</u>	<u>(46,897)</u>
<b>NET ASSETS - Beginning of year, as restated</b>	<u>1,436,452</u>	<u>152,100</u>	<u>1,588,552</u>
<b>NET ASSETS - End of year</b>	<u>\$ 1,689,469</u>	<u>\$ 24,755</u>	<u>\$ 1,714,224</u>

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

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**STATEMENT OF CASH FLOWS**  
*For the Year Ended August 31, 2016*

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 125,672
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	36,071
Unrealized gain on investments	(4,340)
Changes in operating assets and liabilities	
Inventory	127,345
Grants receivable	(536,441)
Prepaid expenses	(7,432)
Accounts payable	32,878
Accrued expenses	20,566
Custodial liability	18,541
Deferred revenue	<u>4,283</u>
 <b>Net cash used in operating activities</b>	 <b>(182,857)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment	(13,228)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on notes payable	<u>(21,550)</u>
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**NET CHANGES IN CASH** (217,635)

**CASH - Beginning of year** 911,650

**CASH - End of year** \$ 694,015

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



**COMMUNITY ASSISTANCE NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*For the Year Ended August 31, 2016*

	Program Services			Supporting Services			Total
	Weatherization	Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 209,357	\$ 1,345,970	\$ 1,555,327	\$ 258,544	\$ -	\$ 258,544	\$ 1,813,871
Payroll taxes	24,814	153,870	178,684	22,827	-	22,827	201,511
Employee benefits	9,385	102,364	111,749	28,064	-	28,064	139,813
Total salaries, payroll taxes and employee benefits	243,556	1,602,204	1,845,760	309,435	-	309,435	2,155,195
Contractors and materials	686,987	-	686,987	-	-	-	686,987
Depreciation	7,807	-	7,807	28,264	-	28,264	36,071
Dues/subscription/permits	725	462	1,187	13,143	-	13,143	14,330
Equipment maintenance and repair	14,640	23,513	38,153	2,429	-	2,429	40,582
Equipment purchases and rental	600	19,167	19,767	4,098	-	4,098	23,865
Events and advertising	-	-	-	-	25,313	25,313	25,313
Facility maintenance	980	2,218	3,198	18,169	-	18,169	21,367
Purchased food, clothing and goods	-	73,126	73,126	-	-	-	73,126
Donated food, clothing and goods	-	620,026	620,026	-	-	-	620,026
Insurance	3,842	-	3,842	22,772	-	22,772	26,614
Interest	-	691	691	5,026	-	5,026	5,717
Other operating expenses	257	5,148	5,405	1,666	-	1,666	7,071
Printing and postage	39	480	519	2,252	-	2,252	2,771
Professional fees	1,411	16,434	17,845	18,865	-	18,865	36,710
Rent	-	562,543	562,543	2,777	-	2,777	565,320
Rent relief and rehousing assistance	675	250,499	251,174	1,027	-	1,027	252,201
Supplies program	85,941	38,347	124,288	11,327	-	11,327	135,615
Telephone and internet	4,148	19,657	23,805	2,341	-	2,341	26,146
Temporary labor	-	45,481	45,481	8,680	-	8,680	54,161
Training, conferences and events	32,641	12,480	45,121	13,531	-	13,531	58,652
Travel	5,791	2,574	8,365	6,862	-	6,862	15,227
<b>Total expenses</b>	<b>\$ 1,090,040</b>	<b>\$ 3,295,050</b>	<b>\$ 4,385,090</b>	<b>\$ 472,664</b>	<b>\$ 25,313</b>	<b>\$ 497,977</b>	<b>\$ 4,883,067</b>

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

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*August 31, 2016*

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**NOTE A – NATURE OF OPERATIONS**

Community Assistance Network, Inc. (the Organization) was incorporated as a nonprofit organization in the state of Maryland on November 15, 1965. The Organization's mission is to work in partnership with the community to develop, operate, and support programs that reduce vulnerability and promote personal growth, stability and self-sufficiency among low income residents of Baltimore County and to some extent the entire Baltimore region.

The Board of Directors is comprised of community representatives of the area being serviced by the Organization, public officials or their appointed representatives, and representatives of the private sector of the community. The elected representatives may be current or past recipients of the Organization's services. The Organization's major programs are:

**Weatherization** – Installation of materials such as insulation, caulking, windows and weatherization of dwellings of low income persons including the elderly and disabled.

**Services** - Employment assistance and training, housing and shelter, food pantry, preschool and after school programs and other related services to low income individuals.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of Presentation**

Financial statement presentation follows the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets as of August 31, 2016 consisted of \$24,755 of inventory restricted to use in the Organization's food pantry. There were no permanently restricted net assets as of August 31, 2016.

**2. Grants from Government**

The Organization receives substantial grant and contract revenue from federal, state, and local government agencies. Revenue from grant-funded programs are recognized as revenue when it has been earned in terms of the grant agreement. Conditional grant proceeds received and unexpended are recorded as deferred revenue in the statement of financial position.

**3. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Upon the expiration of a restriction, temporarily restricted net assets are reclassified to unrestricted net assets in the statements of activities.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

### **4. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### **5. Investment Valuation and Income Recognition**

Investments with readily determinable fair values are recorded at fair market value. Gains and losses on investments resulting from their measurement at fair value are reported in the statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by donor stipulation or by law.

### **6. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### **7. Property and Equipment**

Property and equipment are recorded at cost. The Organization's policy is to capitalize equipment with a cost greater than \$1,000 that has a useful life of at least one year. Property and equipment that are donated to the Organization are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The useful life of vehicles is generally considered to be 5 years, computers 3 years, equipment 3-7 years and leasehold improvements are depreciated over the lesser of the useful life or the remaining life of the lease.

### **8. Donated Services, Goods and Facilities**

Donated services, goods and facilities are recognized as contributions at their estimated fair values on the date they were contributed. Donated services are recognized only, if the services create or enhance non-financial assets and the services would typically be purchased by the Organization if they had not been contributed.

The Organization received donated food, household goods and clothing which are reflected in the statement of activities totaled \$492,681 for the year ended August 31, 2016. The value of donated facilities and utilities are reflected in the statement of activities and totaled \$378,052 for the year ended August 31, 2016.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

### **9. Income Taxes**

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal income taxes. The State of Maryland also recognizes this exemption. Accordingly, no provisions have been made for income tax expense.

ASC topic, *Accounting for Income Taxes* requires the Organization to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic. Tax years ending August 31, 2013 and after are subject to examination by the IRS and state taxing authorities.

### **10. Expense Allocation**

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **11. Inventory**

The inventory consists of donated foods and household supplies, which are being used for distribution to clients. Inventory is valued at the approximate value of what it would cost to purchase the inventory item. Inventory fluctuates throughout the year.

### **12. Recent Accounting Pronouncements**

In August 2016, FASB issued Accounting Standards Update 2016-14 *Not-for-Profit Entities*, which contains significant changes to the financial statements requirements under the *Not-for-Profit Entities* topic of the ASC. The new standard is effective for the year ending August 31, 2019. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

### **13. Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 26, 2017, the date the financial statements were available to be issued. During this period, the Organization did not have any material recognizable subsequent events.

## **NOTE C – FAIR VALUE MEASUREMENTS**

FASB ASC, *Fair Value Measurements and Disclosures* (FASB ASC) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

## **NOTE C – FAIR VALUE MEASUREMENTS – Continued**

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at August 31, 2016.

*Mutual Funds:* Valued at the closing price reported on the active market in which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes their valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table is set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2016:

	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Mutual funds	<u>\$ 65,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,081</u>

## **NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31, 2016:

Vehicles	\$	173,265
Computer equipment		61,853
Other equipment		82,000
Capital improvements		<u>140,340</u>
<b>Total</b>		457,458
<b>Less: accumulated depreciation</b>		<u>365,915</u>
<b>Property and equipment, net</b>	\$	<u><u>91,543</u></u>

Depreciation expense for the year ended August 31, 2016 was \$ 36,071.

## **NOTE E – LINE OF CREDIT**

In July 2014, the Organization secured a line of credit with Woodforest Bank. Collateral is accounts receivable. The available line is \$250,000 with a fixed interest rate of 4.25% with repayment terms of 12 months, it must remain unused 30 days during the term and is available for renewal annually. As of August 31, 2016, the outstanding loan balance was \$-0-.

## **NOTE F – RETIREMENT PLAN**

The Organization has a 401(k) plan, which covers all eligible employees. The Organization made contributions of \$7,056 for the year ended August 31, 2016.

## **NOTE G – CONCENTRATIONS OF CREDIT RISK**

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's uninsured balances fluctuate throughout the year. Management continually monitors these balances to help minimize its risk. The Organization also has investments in marketable securities. These investments are not insured by the FDIC. Management continually monitors the investments to help minimize its risk.

## **NOTE H – COMMITMENTS**

The Organization leases its facilities under an operating lease, which expires January 31, 2020. The lease has an option for one five-year renewal period and provides for annual fixed rental increases over the lease term and additional rent based on the Organizations proportional share of operating expenses and real estate taxes.

**NOTE H – COMMITMENTS – Continued**

Future minimum rentals under the terms of the lease are as follows for the years ended August 31:

2017	\$	42,893
2018		44,179
2019		45,505
2020		<u>27,101</u>
<b>Total</b>	<b>\$</b>	<b><u>159,678</u></b>

**NOTE I – CUSTODIAL LIABILITIES**

Generally accepted accounting principles establish standards for transactions in which an Organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at an Organization with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Organization must account for the transfer of such assets as a liability. The liability has been established at the fair market value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

The Organization maintains custodial funds that are used for purposes of supporting low income housing services. The gross receipts and disbursements for the custodial accounts for the year ended August 31, 2016 are as follow:

Custodial receipts	\$ 79,168
Custodial payments	<u>60,627</u>
Net Increase (Decrease) in Custodial Liabilities	<u>\$ 18,541</u>

**NOTE J – RESTATEMENTS – CORRECTION OF ERRORS**

During the current year, the Organization determined that the following adjustments needed to be made as of September 1, 2015:

Donated food and household goods held as inventory were not properly included in temporarily restricted net assets. Accordingly, the Organization restated the balance by increasing temporarily restricted net assets in the amount of \$152,100 and decreasing unrestricted net assets by the same amount.

Temporarily restricted net assets had also been recorded as deferred revenue in the prior year financial statements. Accordingly, the Organization restated the balance by decreasing temporarily restricted net assets in the amount of \$52,000 and increasing unrestricted net assets by the same amount.

**NOTE J – RESTATEMENTS – CORRECTION OF ERRORS – Continued**

Leasehold improvements were being depreciated over the estimated useful life of the asset instead of the shorter of the useful life of the asset or the life of the lease. Accordingly, the Organization restated the balance of accumulated depreciation by increasing accumulated depreciation in the amount of \$46,897 and decreasing unrestricted net assets by the same amount.

The cumulative effect of these changes was to decrease net assets as of September 1, 2015 in the amount of \$46,897, consisting of a decrease in unrestricted net assets in the amount of \$143,179 and an increase in temporarily restricted net assets in the amount of \$100,100.



**SUPPLEMENTARY INFORMATION**

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*For the Year Ended August 31, 2016*

**EIN: 52-0823186**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures (Allowable)</u>
<b>Major Program:</b>			
<u>U.S. Department of Health and Human Services</u>			
Passed through Maryland Department of Housing and Community Development			
<i>Community Service Block Grant</i>	93.569	\$ 690,491	<u>\$ 553,231</u>
<b>Other Programs:</b>			
<u>U.S. Department of Energy</u>			
Passed through Maryland Department of Housing and Community Development			
<i>Weatherization Assistance Program</i>	81.042	1,850,943	333,832
<u>U.S. Department of Health and Human Services</u>			
Passed through Baltimore County Local EFSP			
<i>Emergency Food and Shelter Program</i>	97.024	17,000	1,700
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maryland Department of Housing and Community Development			
<i>Samaritan Housing Initiative</i>	14.235	173,858	173,858
<i>Emergency Service Grant</i>	14.231	31,000	<u>31,000</u>
			204,858
Total Other Program			<u>540,390</u>
Total Federal Awards			<u>\$ 1,093,621</u>

*The accompanying note to schedule of expenditures of  
federal awards is an integral part of this schedule.*

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*August 31, 2016*

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community Assistance Network, Inc., (the Organization) and is presented on the accrual basis of accounting. 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. Because this Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the financial position, change in net assets, or cash flows of the Organization. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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

**To the Boards of Directors of  
Community Assistance Network, Inc.  
Baltimore, Maryland**

We have audited 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, the financial statements of Community Assistance Network, Inc. (the Organization) which comprise the statement of financial position as of August 31, 2016, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated July 26, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs Finding #2016-001 to be a material weakness.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Cost as Finding #2016-002.

## **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.

*Martino, Schiller & Galdyn, P.A.*

**July 26, 2017**

**Owings Mills, Maryland**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**To the Boards of Directors of  
Community Assistance Network, Inc.  
Baltimore, Maryland  
Report on Compliance for Each Major Federal Program**

We have audited Community Assistance Network, Inc. (the Organization) compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2016. The Organization'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 laws, regulations, contracts, and grants applicable its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 (CFR) 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 Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Organization 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 August 31, 2016.

## **Report on Internal Control over Compliance**

Management of the Organization 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 Organization's internal control over compliance with the requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program as a basis for designing 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 Organization'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.

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.

*Hoffins, Schiller & Galdyn, P.A.*

**July 26, 2017**

**Owings Mills, Maryland**

**October 10, 2016**

**Owings Mills, Maryland**

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*August 31, 2016*

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Community Assistance Network, Inc. as of and for the year ended August 31, 2016.
2. One material weakness relating to the audit of the financial statements reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of Community Assistance Network, Inc. was disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance For or Each Major Federal Program; Report on Internal Control Over Compliance; And Report on Schedule of Federal Awards Required By The Uniform Guidance.
5. The independent auditors' report on compliance for each major federal program for Community Assistance Network, Inc. expresses an unmodified opinion on all major programs.
6. There were no audit finding relative to the major federal award programs for Community Assistance Network, Inc. to be reported in Part III of this schedule.
7. The program tested as a major program was:  
  
Community Service Block Grant                      CFDA #93.569.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Community Assistance Network, Inc. was determined to be a low-risk auditee.



**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Finding #2016-001**

*Criteria:* Controls should be in place ensuring that material misstatements due to error or fraud are prevented or detected and corrected in a timely manner.

*Conditions:* Opening net assets balances had to be restated due to improper classification of temporarily restricted net assets and inappropriate depreciation methodology.

*Context:* During the current year audit, accounting errors were noted that related to the prior period.

*Effect:* Opening balances of total net assets and unrestricted net assets were overstated and opening balances of temporarily restricted net assets were understated.

*Cause:* Accounting errors caused net assets to be incorrectly stated.

*Recommendation:* Policies should be in place ensuring adequate application and review of GAAP.

*Views of responsible officials and planned corrective actions:* Management and the Board of Directors will work together to ensure appropriate interpretation and application of GAAP.

**Finding #2016-002**

*Criteria:* The Data Collection Form needs to be uploaded to the Federal Audit Clearinghouse website by the earlier of 30 days after receipt of the Single Audit report or 9 months after year end.

*Conditions:* Audited financials were not completed and therefore the Data Collection Form was not uploaded to the Federal Clearinghouse website by the deadline.

*Context:* Due to receipt of federal funding the Organization is required to file a Data Collection Form with the Federal Audit Clearinghouse.

*Effect:* The Data Collection Form filing was not done timely.

*Cause:* Turnover in key finance positions did not allow the Organization to complete the audit timely.

*Recommendation:* The Organization should have processes in place to adequately ensure that key employees duties are timely fulfilled in the event of turnover.

*Views of responsible officials and planned corrective actions:* Management and the Board of Directors will work together to ensure reporting requirements are met.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**None**

**COMMUNITY ASSISTANCE NETWORK, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*August 31, 2016*

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**NONE**