JCCEO

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

2013 Financial Statements

The Jefferson County Committee for Economic Opportunity's Financial Statements for Year Ending December 31, 2013, including a restatement of the Jefferson County Committee for Economic Opportunity's 2012 Financial Statements, were prepared by Sellers Richardson Holman & West, LLP, Certified Public Accountants.
A complete audit of the financial statements of JCCEO is available upon request.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Financial Statements and Supplementary Information
Years Ended December 31, 2013 and 2012

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jefferson County Committee for Economic Opportunity
Birmingham, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson County Committee for Economic Opportunity, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Jefferson County Committee for Economic Opportunity as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit* Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information required by the Alabama Department of Mental Health is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The financial statements of Jefferson County Committee for Economic Opportunity, as of and for the year ended December 31, 2012, were audited by other auditors whose report dated September 30, 2013 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 on our consideration of Jefferson County Committee for Economic Opportunity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County Committee for Economic Opportunity's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2012 financial statements have been restated to correct for misstatements. Our opinion is not modified with respect to this matter.

Sellers Richardson Holman & West, LLP

September 29, 2014

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Statements of Financial Position
December 31, 2013 and 2012

Assets	**2013**	**2012 (as Restated)**
Current Assets		
Cash	$ 823,307	$ -
Cash - restricted	172,462	-
Grants and contracts receivable	2,252,633	1,618,203
Prepaid expenses and other assets	4,386	3,435
Total current assets	3,252,788	1,621,638
Unconditional Promises to Give Use of Facilities	12,693,242	14,314,907
Investments - Restricted	204,798	399,974
Property and Equipment, net	5,297,209	5,080,438
Total assets	$ 21,448,037	$ 21,416,957
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,246,737	$ 733,621
Accrued compensation	553,370	499,037
Current portion of long-term debt	256,862	43,706
Total current liabilities	2,056,969	1,276,364
Long-Term Debt, less current portion	1,735,624	1,648,768
Total liabilities	3,792,593	2,925,132
Net Assets		
Unrestricted	4,584,942	3,776,944
Temporarily restricted	13,070,502	14,714,881
Total net assets	17,655,444	18,491,825
Total liabilities and net assets	$ 21,448,037	$ 21,416,957

See notes to financial statements.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Government grants and contracts	$ 26,731,749	$ -	$ 26,731,749
Contributions	1,360,061	488,201	1,848,262
Program service fees	40,107	-	40,107
Rental income	147,307	-	147,307
Interest income	160	-	160
Other revenue	705,109	-	705,109
Unrealized loss on investments	(14,582)	-	(14,582)
	28,969,911	488,201	29,458,112
Net assets released from restrictions	2,132,580	(2,132,580)	-
	31,102,491	(1,644,379)	29,458,112
Expenses			
Program Services			
Head Start programs	17,517,751	-	17,517,751
Community service programs	1,185,981	-	1,185,981
Energy assistance programs	5,694,090	-	5,694,090
Child feeding and nutrition programs	916,643	-	916,643
Home weatherization programs	409,470	-	409,470
Other programs	3,081,905	-	3,081,905
	28,805,840	-	28,805,840
Support Services			
General and administrative	1,488,653	-	1,488,653
	30,294,493	-	30,294,493
Change in net assets	807,998	(1,644,379)	(836,381)
Net assets at beginning of year, as restated	3,776,944	14,714,881	18,491,825
Net assets at end of year	$ 4,584,942	$ 13,070,502	$ 17,655,444

See notes to financial statements.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Statement of Activities
Year Ended December 31, 2012

	Unrestricted (as Restated)	Temporarily Restricted (as Restated)	Total (as Restated)
Support and Revenue			
Government grants and contracts	$ 31,584,773	$ -	$ 31,584,773
Contributions	1,444,811	550,574	1,995,385
Program service fees	16,931	-	16,931
Rental income	53,851	-	53,851
Interest income	479	-	479
Other revenue	104,112	-	104,112
Unrealized gain on investments	-	11,909	11,909
	33,204,957	562,483	33,767,440
Net assets released from restrictions	2,109,866	(2,109,866)	-
	35,314,823	(1,547,383)	33,767,440
Expenses			
Program Services			
Head Start programs	18,166,991	-	18,166,991
Community service programs	3,688,052	-	3,688,052
Energy assistance programs	6,048,558	-	6,048,558
Child feeding and nutrition programs	1,143,247	-	1,143,247
Home weatherization programs	1,947,058	-	1,947,058
Other programs	2,688,565	-	2,688,565
	33,682,471	-	33,682,471
Support Services			
General and administrative	2,481,070	-	2,481,070
	36,163,541	-	36,163,541
Change in net assets	(848,718)	(1,547,383)	(2,396,101)
Net assets at beginning of year, as previously reported	4,625,662	388,065	5,013,727
Correction of an error - unconditional promises to give use of facilities	-	15,874,199	15,874,199
Net assets at beginning of year, as restated	4,625,662	16,262,264	20,887,926
Net assets at end of year, as restated	$ 3,776,944	$ 14,714,881	$ 18,491,825

See notes to financial statements.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Statement of Functional Expenses
Year Ended December 31, 2013

	PROGRAM SERVICES							Support Services	
	Head Start	Community Service	Energy Assistance	Child Feeding & Nutrition	Home Weatherization	Other	Total Program Services	General and Administrative	Total
Salaries and employee benefits	$ 10,900,398	$ 585,066	$ 591,634	$ -	$ 94,596	$ 1,189,266	$ 13,360,960	$ 877,400	$ 14,238,360
Program activities and services	524,333	44,137	5,026,285	844,655	303,051	1,430,604	8,173,065	11,690	8,184,755
Consultants	120,167	10,596	3,790	-	788	29,493	164,834	18,646	183,480
Depreciation	-	-	-	-	-	-	-	414,945	414,945
In-kind services	3,145,409	-	-	-	-	-	3,145,409	-	3,145,409
Insurance	190,392	90	-	-	13	27,222	217,717	49,382	267,099
Interest	90,884	-	-	-	-	-	90,884	-	90,884
Occupancy	794,285	98,574	31,364	-	-	65,031	989,254	12,217	1,001,471
Office expenses	83,298	6,122	7,660	-	1,822	20,417	119,319	5,661	124,980
Other	402,162	236,029	1,029	-	400	167,685	807,305	48,384	855,689
Repairs and maintenance	658,586	129,899	22,628	(15,030)	8,118	39,524	843,725	28,094	871,819
Supplies	327,540	10,994	367	87,018	-	28,677	454,596	2,745	457,341
Telephone	219,345	41,241	8,862	-	682	16,987	287,117	17,309	304,426
Travel	60,952	23,233	471	-	-	66,999	151,655	2,180	153,835
Total	$ 17,517,751	$ 1,185,981	$ 5,694,090	$ 916,643	$ 409,470	$ 3,081,905	$ 28,805,840	$ 1,488,653	$ 30,294,493

See notes to financial statements.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Statement of Functional Expenses (as Restated)
Year Ended December 31, 2012

	PROGRAM SERVICES							Support Services	
	Head Start	Community Service	Energy Assistance	Child Feeding & Nutrition	Home Weatherization	Other	Total Program Services	General and Administrative	Total
Salaries and employee benefits	$ 11,723,786	$ 1,540,202	$ 328,019	$ -	$ 233,272	$ 496,196	$ 14,321,475	$ 1,442,400	$ 15,763,875
Program activities and services	188,818	1,275,999	5,614,939	1,042,530	972,208	1,062,212	10,156,706	-	10,156,706
Consultants	392,311	270,275	2,998	-	683,913	6,213	1,355,710	106,008	1,461,718
Depreciation	-	-	-	-	-	-	-	172,323	172,323
In-kind services	3,180,869	-	-	-	-	-	3,180,869	-	3,180,869
Insurance	151,632	15,737	6,353	-	99	9,180	183,001	-	183,001
Interest	-	-	-	-	-	69,756	69,756	-	69,756
Occupancy	503,559	152,625	20,266	-	14,524	66,107	757,081	134,087	891,168
Office expenses	4,817	45,453	35,915	-	7,211	23,170	116,566	50,551	167,117
Other	466,437	4,660	(5,896)	2,075	8,356	863,658	1,339,290	181,476	1,520,766
Repairs and maintenance	1,022,306	269,491	30,176	(4,297)	25,393	53,340	1,396,409	208,703	1,605,112
Supplies	373,696	15,677	-	102,867	-	11,319	503,559	27,190	530,749
Telephone	149	57,668	14,244	-	1,703	18,689	92,453	129,558	222,011
Travel	158,611	40,265	1,544	72	379	8,725	209,596	28,774	238,370
Total	$ 18,166,991	$ 3,688,052	$ 6,048,558	$ 1,143,247	$ 1,947,058	$ 2,688,565	$ 33,682,471	$ 2,481,070	$ 36,163,541

See notes to financial statements.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012 (as Restated)
Cash Flows from Operating Activities		
Change in net assets	$ (836,381)	$ (2,396,101)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	414,945	172,323
In-kind use of facilities	2,109,866	2,109,866
Amortization of discount on unconditional promises to give	(488,201)	(550,574)
Unrealized loss (gain) on investments	14,582	(11,909)
Changes in assets and liabilities		
Grants and contracts receivable	(634,430)	1,975,467
Prepaid expenses and other assets	(951)	294
Accounts payable	513,116	(1,639,460)
Income tax payable	-	(85,751)
Accrued compensation	54,333	(1,151,560)
Net cash provided by (used in) operating activities	1,146,879	(1,577,405)
Cash Flows from Investing Activities		
Proceeds from the sale of investments	180,594	-
Purchase of property and equipment	(631,716)	(228,719)
Net cash used in investing activities	(451,122)	(228,719)
Cash Flows from Financing Activities		
Proceeds from long-term debt	572,751	1,420,421
Payments of long-term debt	(272,739)	(41,243)
Net cash provided by financing activities	300,012	1,379,178
Net increase (decrease) in cash	995,769	(426,946)
Cash		
Beginning of year	-	426,946
End of year	$ 995,769	$ -
Supplemental Cash Flow Disclosures		
Cash paid during year for interest	$ 90,884	$ 69,756

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Jefferson County Committee for Economic Opportunity (the Agency) was organized and incorporated on January 15, 1965 under the Alabama Non-Profit Corporation Act of the State of Alabama in order to formulate a "Community Action Program" under the terms of the Economic Opportunity Act of 1964 and to help economically disadvantaged persons in urban and rural communities within Jefferson County, Alabama. The Agency administers several Federal and State funded grant programs for this purpose.

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Agency follows the standards of accounting and financial reporting for voluntary health and welfare organizations developed by the National Health Council, National Voluntary Health, and Social Welfare Organizations.

Basis of Presentation

For financial statement presentation, the Agency has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under FASB ASC 958-205, the Agency 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. In addition, the Agency is required to present a statement of cash flows. As permitted by FASB ASC 958-205, the Agency does not use fund accounting.

Revenue and Recognition of Donor Restrictions

The Agency receives support from government grants and contracts, contributions, program service fees, rental income and investment earnings. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including Board designated, are legally unrestricted, and are reported as part of the unrestricted class.

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

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Agency had no cash equivalents at December 31, 2013 and 2012.

Grants and contracts receivable

Grants and contracts receivable consist of amounts due to the Agency under federal, state and local grant and contract agreements. All receivable amounts are expected to be collected.

Unconditional Promises to Give Use of Facilities

In accordance with FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, if the free use of facilities is promised for several years, the Agency recognizes the contribution at fair value. The contribution is calculated at the net present value of the fair rental value of space occupied under similar conditions and is recorded as an increase in temporarily restricted net assets. The present value is reported as an asset that is amortized over the term of the promise. Each period, the value of using the space for the period is reported as an expense in the unrestricted net asset class along with a reclassification of net assets from temporarily restricted net assets. FASB ASC 958-605-55-24 notes that a contribution recorded for the free use of facilities cannot exceed the fair value of the asset being used.

Investments - Restricted

In accordance with FASB ASC 958-320, *Not-for-Profit Entities: Investments—Debt and Equity Securities,* investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the accompanying statements of financial position. The unrealized gains are included in the change in unrestricted net assets in the accompanying statements of activities.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. 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, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost and are depreciated using the straight-line method. Depreciation expense for the years ended December 31, 2013 and 2012 was $414,945 and $172,323 respectively.

The average lives used in computing depreciation are as follows:

Buildings	27.5 years
Leasehold improvements	10 - 27.5 years
Vehicles	5 years
Equipment	5 - 10 years

Impairment of Assets

In accordance with FASB ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets*, the Agency records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. If impairment exists, the amount of such impairment is calculated based on the estimated fair value of the asset. The Agency continually evaluates its investment in long-lived assets used in operations for impairment. Based on this evaluation, there was no impairment at December 31, 2013 or 2012.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited based on a percentage method.

Income Taxes

The Agency is exempt from income taxes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in 501(c)(3) and is not classified as a private agency. The Agency pays income taxes on gross income from any unrelated trade or business income less direct expenses. There was no income tax paid on such unrelated trade or business income for the years ended December 31, 2013 and 2012.

The Agency files a tax return in the United States (U.S.) federal jurisdiction. The Board of Directors evaluated the Agency's tax position and concluded that the Agency has not entered into any events or transactions that would disqualify its tax-exempt status or has not taken any uncertain tax positions that would cause the Agency to incur income taxes or penalties at the entity level. With few exceptions, the Agency is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010.

Recent Account Pronouncements

In March 2014, the FASB issued Accounting Standards Update (ASU) 2014-06, *Technical Corrections and Improvements Related to Glossary Terms*, which covers a wide range of Topics in the Codification. These amendments are effective upon issuance. The adoption of ASU 2014-06 did not have an impact on the Agency's financial position or changes in net assets.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*, which clarifies the Codification or corrects unintended application of guidance and includes amendments identifying when the use of fair value should be linked to the definition of fair value in Topic 820, Fair Value Measurement. Amendments to the Codification without transition guidance are effective upon issuance for nonpublic entities. For nonpublic entities, amendments subject to transition guidance will be effective for fiscal periods beginning after December 15, 2013. The adoption of ASU 2012-04 is not expected to have an impact on the Agency's financial position or changes in net assets.

Subsequent Events

Subsequent events have been evaluated through September 29, 2014, which is the date the financial statements were available for issuance. With exception of those matters discussed in Note 14, there were no material subsequent events that required recognition or additional disclosure in the accompanying financial statements.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified in order to conform to classifications in the 2013 financial statements. These reclassifications had no effect on previously report results of activities or net assets.

Note 2. Fair Value of Financial Instruments

FASB ASC 820*, Fair Value Measurements and Disclosures,* provides the 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 ASC 820 are described below:

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

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.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach—Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach—Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income approach—Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

On a recurring basis, the Agency is required to measure its unconditional promises to give use of facilities, money market funds and U.S. Government securities at fair value.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used during the years ended December 31, 2013 and 2012.

Unconditional promises to give use of facilities: Valued by calculating the net present value of the fair rental value of space occupied under similar conditions.

Money market funds: Valued at the carrying value as this amount approximates fair value due to the immediate or short-term maturity of the investment.

U.S. Government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods 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 Agency believes its valuation methodologies are 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 sets forth by level, within the fair value hierarchy, the Agency's assets that are measured at fair value on a recurring basis as of December 31:

	December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Unconditional promises to give use of facilities	$ 12,693,242	$ -	$ 12,693,242	$ -
Money market funds	1,821	1,821	-	-
U.S. Government securities	202,977	202,977	-	-
	$ 12,898,040	$ 204,798	$ 12,693,242	$ -

	December 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Unconditional promises to give use of facilities	$ 14,314,907	$ -	$ 14,314,907	$ -
Money market funds	60,745	60,745	-	-
U.S. Government securities	339,229	339,229	-	-
	$ 14,714,881	$ 399,974	$ 14,314,907	$ -

The Agency recognizes transfers into and out of levels at the end of the reporting period. During the years ended December 31, 2013 and 2012, the Agency did not make any transfers between investment levels.

Note 3. Unconditional Promises to Give Use of Facilities

The Agency has unconditional promises to give use of facilities for its Calloway, Fairmont, Kingston, Sherman Heights, West Center Street, St. Joseph School, St. Francis Center, and Festival Center Head Start programs over a period of 6 – 13 years. At December 31, 2013 and 2012, the estimated fair market value of these unconditional promises to give is as follows:

	2013	**2012**
Temporarily restricted promises to give	$ 14,337,759	$ 16,447,625
Less discounts to present value	(1,644,517)	(2,132,718)
	$ 12,693,242	$ 14,314,907

Note 4. Investments - Restricted

The Agency's investments are restricted for the use of the Agency's scholarship fund, as further described in Note 7. At December 31, 2013 and 2012, the Agency's investments consisted of the following:

	2013	2012
Money Market Funds	$ 1,821	$ 60,745
U.S. Government Securities	202,977	339,229
	$ 204,798	$ 399,974

Note 5. Property and Equipment

Property and equipment consist of the following:

	2013	2012
Buildings	$ 998,000	$ 998,000
Leasehold improvements	6,914,272	6,525,282
Vehicles	1,840,186	1,881,236
Equipment	669,472	426,746
Less accumulated depreciation	(5,124,721)	(4,750,826)
	$ 5,297,209	$ 5,080,438

Note 6. Long-Term Debt

Long-term debt consists of the following as of December 30, 2013 and 2012:

	2013	2012
On March 8, 2001, the Agency purchased a building for $100,000 and obtained a mortgage from a local bank to finance the purchase with an interest rate of 8.40%. The building was purchased to house the Community Substance Abuse Prevention Program located in Bessemer. The mortgage was refinanced in 2006 and the terms of the loan agreement were changed to reduce the interest rate from 8.40% to 7.95%. On April 5, 2011, the mortgage was refinanced and the new terms of the loan agreement required 60 regular monthly payments of $935 with an interest rate of 7.25%. The mortgage matures in April 2016.	$ 22,802	$ 31,998
On March 8, 2001, the Agency purchased a building for $170,000 and obtained a mortgage from a local bank to finance the purchase with an interest rate of 8.40%. The building was purchased to house the Community Substance Abuse Prevention Program and Weatherization Program located in Birmingham. The mortgage was refinanced in 2006 and the terms for the loan agreement were changed to reduce the interest rate from 8.40% to 7.95%. On April 5, 2011, the mortgage was refinanced and the new terms of the loan agreement required 60 monthly payments of $1,586. The mortgage matures in April 2016.	38,695	54,304
On December 22, 2003, the Agency purchased a building for $315,000 and obtained a mortgage from a local bank to finance the purchase. The building was purchased to house the Energy Office, Weatherization Office and Roosevelt City Seniors Program. The interest rate was 8.25%. On February 20, 2009, the terms for the loan agreement were changed to reduce the interest rate from 8.25% to the prime lending rate (but at no time being less than 4.00%). The agreement required 59 regular monthly payments of $2,182 and one balloon payment estimated at $52,597 on February 5, 2019. The interest rate at December 31, 2013 and 2012 was 4%.	165,287	185,751

	2013	2012
On March 1, 2011, the Agency entered into an agreement to borrow up to $2,100,000 to renovate the Kingston Elementary School Building. The Kingston School Building is used to house Head Start and Early Head Start expansion classrooms and office space for several Community service programs. The interest rate is the libor rate plus 2.50% (but at no time being less than 4.00% or more than 18.00%). The agreement required seventy-seven regular monthly payments with a balloon payment equal to the principal and interest of the remaining balance due and payable on March 1, 2018. The interest rate at December 31, 2013 and 2012 was 4%.	1,765,702	1,420,421
	1,992,486	1,692,474
Less current portion	(256,862)	(43,706)
	$ 1,735,624	$ 1,648,768

Maturities of long-term debt for years ending December 31 are as follows:

2014	$ 256,862
2015	259,199
2016	238,229
2017	232,494
2018	949,112
Thereafter	56,590
	$ 1,992,486

Note 7. Temporarily Restricted Net Assets

The Agency has established a scholarship fund for JCCEO Head Start-Early Head Start graduates totaling $377,260 and $399,974 as of December 31, 2013 and 2012, respectively. Beginning with the Head Start class of 1995, scholarships are available on a competitive basis when students who have graduated from JCCEO Head Start-Early Head Start complete high school and are accepted into college. The first scholarships were awarded during the year ended December 31, 2013 totaling $22,714 and were released from restriction.

Also included in temporarily restricted net assets is the fair market value of the unconditional promises to give use of facilities of $12,693,242 and $14,314,907 as of December 31, 2013 and 2012, respectively. $2,109,866 and $2,109,866 were released from restriction related to the fair market value of the use of the donated facilities during the years ended December 31, 2013 and 2012, respectively.

Note 8. Summary of Donated Materials and Facilities

The Agency receives donated materials and office space in carrying out its Head Start programs, which are recorded at their fair market value. The following is a schedule of donated materials and space:

Item	2013	2012
Donated facilities	$ 3,120,865	$ 3,120,865
Donated materials	24,544	60,004
	$ 3,145,409	$ 3,180,869

Note 9. Matching of Federal Funds

Under certain federal programs the Agency is required to match federal contributions with local funds, or service fee revenues. For the years ended December 2013 and 2012, the Agency met all matching requirements and received matching resources in the following amounts:

2013 HeadStart/Early Head Start	04CH3095/48	$ 4,789,624
2012 HeadStart/Early Head Start	04CH3095/46	4,094,923

Note 10. Pension Plan

The Agency's employees participate in a defined contribution annuity plan with an insurance company. The plan is available for all full-time employees after the completion of one year of continuous service. Employee contributions to the plan are matched by the Agency up to a maximum of 7 percent of their salary. The Agency's matching portion for the years ending December 31, 2013 and 2012 was $261,235 and $285,073, respectively.

Note 11. Lease Agreements

The Agency maintains equipment and occupies office space under long-term operating leases. Future minimum rental payments required under operating leases that have an initial or remaining noncancellable lease term in excess of one year, as of December 31 are:

2014	$ 274,949
2015	228,075
2016	198,541
2017	177,674
2018	177,323
Thereafter	1,290,313
	$ 2,346,875

Rental expense associated with equipment and office space leases was $290,325 and $263,218 for the years ended December 31, 2013 and 2012, respectively.

Note 12. Risks and Uncertainties

The Agency maintains cash in bank accounts at high credit quality financial institutions. During 2013 and 2012, the Agency had cash on deposit with financial institutions in excess of depository insurance limits. The Agency has not experienced and does not anticipate any credit losses on the deposits.

The Agency invests in a professionally managed portfolio that contains U.S. Government securities and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and amounts reported in the financial statements.

Note 13. Restatement of Previously Issued Financial Statements

The financial statements as of and for the year ended December 31, 2012, which were originally issued on September 30, 2013, have been corrected and restated due to the Agency overstating grants and contracts receivable and revenue by $1,836,566 and failing to properly account for unconditional promises to give use of facilities with a net present value of $14,314,907 as of December 31, 2012. As a result of these corrections of errors, grants and contracts receivable and unrestricted net assets at December 31, 2012 have been reduced by $1,836,566 and revenue and the change in net assets for the year ended December 31, 2012 have been reduced by $1,836,566. In addition, temporarily restricted net assets were increased by $15,874,199 as of December 31, 2011 and assets were increased by $14,314,907 at December 31, 2012 for unrecorded unconditional promises to give use of facilities. Furthermore, the change in net assets decreased by $1,559,292 for the year ended December 31, 2012 to properly record the related in-kind revenue and in-kind expense.

Note 14. Subsequent events

On February 5, 2014, the Agency refinanced the mortgage that was used to purchase a building to house the Energy Office, Weatherization Office and Roosevelt City Seniors Program. The refinance agreement extended the maturity date of the note from February 5, 2014 to February 5, 2019. The agreement requires 59 regular monthly payments of $2,182 and one balloon payment estimated at $52,597 on February 5, 2019. The interest rate remains at the prime lending rate with a floor of 4%.

Supplementary Information

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Department of Health & Human Services		
Direct Programs:		
Head Start	93.600	$ 14,822,197
Head Start Center of Excellence	93.600	157,427
		14,979,624
Pass-Through Alabama Department of Economic and Community Affairs:		
Community Services Block Grant	93.569	1,213,851
Low-Income Home Energy Assistance	93.568	5,426,802
		6,640,653
Pass-Through Alabama Mental Health and Mental Retardation Department:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	353,666
Pass-Through Jefferson County Office of Senior Citizens:		
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	18,710
Department of Agriculture		
Pass-Through Alabama State Department of Education:		
Child and Adult Care Food Program	10.558	1,042,292
Department of Energy		
Pass-Through Alabama Department of Economic and Community Affairs:		
Weatherization Assistance for Low-Income Persons	81.042	480,497
Department of Housing and Urban Development		
Pass-Through City of Birmingham Community Development:		
Homeless Prevention and Rapid Re-housing	14.257	109,814
Department of Labor		
Pass-Through Jefferson County Department of Community and Economic Development:		
WIA Youth Activities	17.259	201,511
Total Expenditures of Federal Awards		$ 23,826,767

Note 1. Summary of Significant Accounting Policies and Other Matters

General

Jefferson County Committee for Economic Opportunity (Agency) participates in several programs sponsored by various government agencies as listed in the accompanying Schedule of Expenditures of Federal Awards (Schedule). All programs are subject to audit by the various agencies, which have the authority to determine liabilities, limit, or suspend the Agency's participation in the Federal programs.

Basis of Presentation

The accompanying Schedule includes the federal grant activity for the year ended December 31, 2013 of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-133, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

To the Board of Directors
Jefferson County Committee for Economic Opportunity

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson County Committee for Economic Opportunity, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County Committee for Economic Opportunity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Committee for Economic Opportunity's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Committee for Economic Opportunity'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Sellers Richardson Holman & West, LLP

September 29, 2014

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

To the Board of Directors
Jefferson County Committee for Economic Opportunity

Report on Compliance for Each Major Federal Program

We have audited Jefferson County Committee for Economic Opportunity's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jefferson County Committee for Economic Opportunity's major federal programs for the year ended December 31, 2013. Jefferson County Committee for Economic Opportunity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson County Committee for Economic Opportunity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson County Committee for Economic Opportunity'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 Jefferson County Committee for Economic Opportunity's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson County Committee for Economic Opportunity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Jefferson County Committee for Economic Opportunity 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 Jefferson County Committee for Economic Opportunity's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Committee for Economic Opportunity'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sellers Richardson Holman & West, LLP

September 29, 2014

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☑ no
- Significant deficiency(ies) identified? ☐ yes ☑ none reported

Noncompliance material to financial statements noted? ☐ yes ☑ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☑ no
- Significant deficiency(ies) identified ? ☐ yes ☑ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☑ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Department of Health & Human Services:
93.600	Head Start
93.569	Community Services Block Grant
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs: $714,803

Auditee qualified as low-risk auditee? ☐ yes ☑ no

Section II—Financial Statement Findings

No matters were reported for the year ended December 31, 2013.

Section III—Findings and Questioned Costs for Federal Awards

There are no findings or questioned costs for federal awards for the year ended December 31, 2013.

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2013

2012-1. Recording of Leasehold Improvements

Audit Finding—Improvements on property leased by the Agency were not capitalized as leasehold improvements and recorded as construction expenses in the fiscal year.

Corrective Actions Taken—A senior accountant was designated as the fixed asset manager and was trained on the Agency's capitalization policy. The accountant designed and is currently maintaining a fixed asset schedule, which incorporates all of the elements of the prior auditor's recommendation, i.e. transaction date, asset description and location, transaction amount, depreciable life, depreciation expense and accumulated depreciation. The schedule will be reconciled to the general ledger and the fixed asset subsidiary ledger on a monthly basis.

2012-2. Timeliness and Accuracy of Audit Information and Financial Reports

Audit Finding—A substantial number of requested items remained outstanding nearly eight months after the close of the December 31, 2012 year end. The Agency's Finance Director resigned prior to the completion of the annual audit. Consequently, responsibility for the information required to conduct the audit was assigned to personnel who were less experienced, resulting in significant delays. The year-end financial document prepared and presented to the prior auditor to audit, contained numerous errors, omissions, and inconsistencies.

Corrective Actions Taken—The Agency hired a new Finance Director during 2013 to oversee accounting functions and assist with the audits. Additionally, the Agency hired a consulting firm to conduct an assessment of fiscal processes and procedures and to provide recommendations on: operational efficiency and effectiveness, including processes and procedures, use of technology, and optimal resources needed to provide timely and accurate deliverables; compliance of policies and process with federal and state regulations, if needed; internal controls in order to mitigate risks of fraud, waste, and abuse; and improvement on fiscal policy and procedures. Management is in the process of implementing many of these fiscal processes and procedures recommendations and training members of the finance department and program directors on these new procedures, which corrects the 2012 finding. Furthermore, a reorganization of the finance department was performed, which included a rotation of duties and cross-training of personnel within the department that will ensure accurate and timely reporting.

2012-3. Posting of Audit Adjustments

Audit Finding—At the conclusion of the 2011 audit, several adjusting entries were proposed based on the results of the prior auditor's procedures. These adjustments in the prior auditor's judgment were necessary in order to prevent the financial statements from being misleading. These adjusting entries were not posted to the Agency's accounting records. Failure to post these entries caused a difference in the audited financial statements and the Agency's accounting records.

Corrective Actions Taken— The Agency hired a new Finance Director during 2013 to oversee accounting functions and assist with implementing a new accounting system. During the process of converting to the new accounting system, 2012 audit adjustments were posted. Moving forward, all audit and accounting adjustments will be posted to the general ledger on a timely basis.

2012-4. Year End Account Reconciliations

Audit Finding—The Agency did not perform a year end reconciliation of general ledger account balances to the appropriate subsidiary ledgers, records and reports. Accordingly, substantial accounting adjustments were required to ensure the accuracy of the reported financial information.

Corrective Actions Taken—The Agency has proper accounting policies and procedures for monthly reconciliations and during the 2013 audit, the auditors noted that reconciliations to the appropriate subsidiary ledgers, records and reports were being performed. Although, the general ledger was not being adjusted to the reconciliations as the Agency has been attempting to convert to a new accounting system. The Agency hired a new Finance Director during 2013 to oversee accounting functions and assist with implementing a new accounting system. Furthermore, a reorganization of the finance department was performed, which included a rotation of duties and cross-training of personnel within the department that will ensure established policies and procedures are being followed and the general ledger is adjusted to monthly reconciliations.

2012-5. Report on Fraud

Audit Finding—On May 9, 2013, the prior auditors issued a report to the Board of Directors of the Agency on their investigation of fraud that was committed by the previous Executive Director. During the period of November 3, 2008 through December 16, 2010 the Executive Director initiated and authorized the payment of $492,195 of JCCEO funds from the Housing Revitalization Program (HRP). HRP is a non-federally funded program which was established in September of 2008 with the approval of the Board of Directors.

Corrective Actions Taken—The Executive Director and Director of Finance were terminated. Furthermore, the previous Executive Director was prosecuted and forced to repay the misappropriated funds. During 2013, the Agency received reimbursement for all funds misappropriated either from the former Finance Director or the insurance company. Furthermore, one of the major tasks begun by the new Executive Director was the performance of a business risk assessment and operational risk assessment. This process covered, among other things, the areas recommended by the prior auditor, as well as areas identified in the initial agency self-assessment. The new Director of Finance, management team, staff and board of directors are an integral part of this process. Modifications to policies, procedures and practices have been made based upon a formal implementation plan.

2012-6. Undeposited Cash Funds

Audit Finding—The Agency discovered that a significant amount of cash receipts, some of which date back several years, had been stored in a safe and storage boxes and had not been deposited in the Agency's bank accounts, nor recorded in the accounting records. The undeposited receipts included cash, checks and money orders totaling $140,862. The majority of the individual transactions related to cash collected for funding raising activities for a Head Start Scholarship Fund (nonfederal) that were not a part of the Agency's normal operating processes. Upon discovery, management immediately tallied the funds and deposited the cash into the appropriate bank account. According to management, the Director of Finance (subsequently terminated) that was responsible for the management of the accounting operations of the Agency was negligent in the performance of those duties and responsibilities and failed to follow established policies and procedures for receipt, deposit and recording of collections.

Corrective Actions Taken—The Agency updated policies and procedures for depositing cash, checks and money orders that provide appropriate division of duties that establish stronger controls. Furthermore, the Director of Finance was terminated and the Agency hired a new Director of Finance during 2013 to oversee the accounting functions and ensure established policies and procedures are being followed.

2012-7. Board Member – Conflicts of Interest

Audit Finding—During the 2011 fiscal year, the Board of Directors approved a line of credit agreement with the financial institution for which the member is employed. According to the minutes of the board meeting where the loan was approved, the member voted for its approval. As it relates to public perception, the prior auditors believe that such member(s) with these and other types of financial relationships should abstain from voting on such transactions and should not serve in capacities where there is some relationship with the financial elements of the JCCEO operations (i.e., treasurer, finance committee). On May 9, 2013, the Board of Directors held a special meeting, to adopt a "Resolution of No Conflict of Interest of Board Member". This resolution appeared to be in direct conflict with the Agency's current Conflicts of Interest Policy.

Corrective Actions Taken—The Agency in part agrees with the prior audit finding and recommendation and believes it is prudent for the Board of Directors to review the current by-laws to ensure that the Board strictly adheres to all policies and procedures set forth by the by-laws. Additionally, adequate Board training and development has been provided on an on-going basis. The Agency does not support the recommendation to amend the resolution that was made by the Board of Directors as the Agency does not believe that this particular recommendation was based on evidence of systemic or reoccurring actions, but in fact, a minor omission.

2012-8. Construction and Renovation Cost

Audit Finding—The Agency approved the renovation of a facility to be used by its Community Services Division at an original cost of approximately $1,000,000. Shortly after the project was scheduled to begin, the cost estimate had increased to $2,000,000 and the actual cost for the project stands at $2,150,000. Based upon the prior auditor's review of project cost, they believed the original cost estimates were based upon an inadequate assessment of the projected renovation and construction requirements and poor planning on the part of Agency management.

Corrective Actions Taken—The construction project has been completed and a certificate of occupancy has been granted. Although actual costs exceeded the original estimate, the Board of Directors and management of the Agency believe the renovations were necessary in order for the facility to be used for program services. The Agency has no current plans to engage in any other projects of this nature in the near future, but any future projects will be properly planned before construction commitments are made.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ALABAMA DEPARTMENT OF MENTAL HEALTH CONTRACT

To the Board of Directors
Jefferson County Committee For Economic Opportunity
Birmingham, Alabama

We have audited contract number G5461824 between the Alabama Department of Mental Health (DMH) and Jefferson County Committee For Economic Opportunity (Agency) as of and for the year ended December 31, 2013.

Compliance with DMH contracts, and all laws, rules, and regulations applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the contracts, and all applicable laws, rules and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, *Audit for Compliance with the Contract* of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contracts. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract and all applicable laws, and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

SELLERS, RICHARDSON, HOLMAN & WEST, LLP

Sellers Richardson Holman & West, LLP

September 29, 2014

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Alabama Department of Mental Health Compliance Reporting Substance Abuse Services
Fiscal Year Ended September 30, 2013

FY 12-13 Contracts (Accrual Basis):

	SA Medicaid		State Funds		Total	
	Revenue	Expenses	Revenue	Expenses	Revenue	Expenses
Alcohol/Drug Abuse Treatment	$ 16,422	$ 16,422	$257,652	$329,240	$274,074	$345,662

JEFFERSON COUNTY COMMITTEE FOR ECONOMIC OPPORTUNITY

Officers and Board Members
Year Ended December 31, 2013

Name	Official Title
Mayor Gary Richardson	President
Mr. Bruce Grant	Vice-President
Mrs. Cathy Wright	Secretary
Mr. Charlie Faulkner	Treasurer
Rev. T.L. Lewis	Member
Judge Raymond Chambliss	Member
Mr. Steven Cottrell	Member
Mr. Kenneth Crenshaw	Member
Mr. Arnold M. King	Member
Ms. Patrice Ravizee	Member
Ms. Karen Wadlington	Member
Ms. Lene G. Wormley	Member
Mr. Stephen Black	Member
Mr. Don Lupo Jr.	Member
Mr. Toraine Norris	Member
Mrs. Kelli Solomon	Member
Mrs. Isabel Rubio	Member
Mr. James Ernest	Member