Jefferson County Committee for Economic Opportunity

Financial Statements and Supplementary Information
Year Ended December 31, 2014

Contents

McGladrey

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, 2014, 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, 2014, 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. 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, 2013, were audited by other auditors whose report dated September 29, 2014, 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 25, 2015, 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.

McGladrey LLP

Birmingham, Alabama
September 25, 2015

Jefferson County Committee for Economic Opportunity

Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash	**$ 878,965**	$ 823,307
Cash – restricted	**193,847**	172,462
Grants and contracts receivable	**2,077,773**	2,252,633
Prepaid expenses and other assets	**7,044**	4,386
Total current assets	**3,157,629**	3,252,788
Unconditional Promises to Give Use of Facilities	**11,006,711**	12,693,242
Investments – Restricted	**178,913**	204,798
Property and Equipment, Net	**4,982,891**	5,297,209
Total assets	**$ 19,326,144**	$ 21,448,037
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 743,002**	$ 1,246,737
Accrued compensation	**608,406**	553,370
Current portion of long-term debt	**197,178**	256,862
Total current liabilities	**1,548,586**	2,056,969
Long-Term Debt, Less Current Portion	**1,542,246**	1,735,624
Total liabilities	**3,090,832**	3,792,593
Net Assets		
Unrestricted	**4,855,841**	4,584,942
Temporarily restricted	**11,379,471**	13,070,502
Total net assets	**16,235,312**	17,655,444
Total liabilities and net assets	**$ 19,326,144**	$ 21,448,037

See Notes to Financial Statements

Jefferson County Committee for Economic Opportunity

Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Government grants and contracts	$ 26,090,607	$ -	$ 26,090,607
Contributions	1,165,717	423,335	1,589,052
Program service fees	52,815	-	52,815
Rental income	2,000	-	2,000
Interest income	775	-	775
Other revenue	57,917	-	57,917
Unrealized loss on investments	5,115	-	5,115
	27,374,946	423,335	27,798,281
Net Assets Released From Restrictions	2,114,366	(2,114,366)	-
	29,489,312	(1,691,031)	27,798,281
Expenses			
Program services			
Head Start programs	18,844,451	-	18,844,451
Community service programs	1,468,318	-	1,468,318
Energy assistance programs	4,339,477	-	4,339,477
Child feeding and nutrition programs	1,107,239	-	1,107,239
Home weatherization programs	235,921	-	235,921
Other programs	3,016,336	-	3,016,336
	29,011,742	-	29,011,742
Support services			
General and administrative	206,671	-	206,671
	29,218,413	-	29,218,413
Change in net assets	270,899	(1,691,031)	(1,420,132)
Net Assets at Beginning of Year	4,584,942	13,070,502	17,655,444
Net Assets at End of Year	$ 4,855,841	$ 11,379,471	$ 16,235,312

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	40,547	-	40,547
Rental income	2,000	-	2,000
Interest income	160	-	160
Other revenue	705,109	-	705,109
Unrealized loss on investments	(14,582)	-	(14,582)
	28,825,044	488,201	29,313,245
Net Assets Released From Restrictions	2,132,580	(2,132,580)	-
	30,957,624	(1,644,379)	29,313,245
Expenses			
Program services			
Head Start programs	18,043,513	-	18,043,513
Community service programs	1,551,420	-	1,551,420
Energy assistance programs	5,362,943	-	5,362,943
Child feeding and nutrition programs	916,643	-	916,643
Home weatherization programs	412,227	-	412,227
Other programs	3,630,254	-	3,630,254
	29,917,000	-	29,917,000
Support services			
General and administrative	232,626	-	232,626
	30,149,626	-	30,149,626
Change in net assets	807,998	(1,644,379)	(836,381)
Net Assets at Beginning of Year	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 Functional Expenses
Year Ended December 31, 2014

	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	$ 11,634,628	$ 880,003	$ 248,281	$ -	$ 40,805	$ 1,504,799	$ 14,308,516	$ 41,410	$ 14,349,926
Program Activities and Services	464,843	59,499	4,021,297	1,026,421	186,831	1,035,939	6,794,830	14,015	6,808,845
Consultants	231,701	19,372	100	-	188	103,289	354,650	29,695	384,345
Depreciation	363,228	27,473	7,751	-	1,274	46,979	446,705	1,293	447,998
In-Kind Services	3,138,235	-	-	-	-	-	3,138,235	-	3,138,235
Insurance	137,310	64,958	-	-	-	2,280	204,548	60,505	265,053
Interest	67,817	-	513	-	-	15,574	83,904	4,397	88,301
Occupancy	741,161	45,005	16,845	-	-	72,869	875,880	7,786	883,666
Office expenses	223,472	14,068	5,448	-	111	19,412	262,511	5,079	267,590
Other	376,758	134,973	1,840	-	29	71,685	585,285	19,109	604,394
Repairs and Maintenance	853,012	143,513	17,480	-	6,466	67,312	1,087,783	30,536	1,118,319
Supplies	237,281	4,915	4,230	80,818	-	5,403	332,647	11,186	343,833
Telephone	268,172	56,920	14,294	-	217	16,216	355,819	12,631	368,450
Travel	106,833	17,619	1,398	-	-	54,579	180,429	(30,971)	149,458
Total	$ 18,844,451	$ 1,468,318	$ 4,339,477	$ 1,107,239	$ 235,921	$ 3,016,336	$ 29,011,742	$ 206,671	$ 29,218,413

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	$ 11,245,196	$ 923,589	$ 253,111	$ -	$ 94,596	$ 1,686,578	$ 14,203,070	$ 35,290	$ 14,238,360
Program Activities and Services	651,161	44,137	5,026,285	829,604	303,051	1,453,941	8,308,179	12,158	8,320,337
Consultants	120,167	10,596	3,790	-	788	29,493	164,834	18,646	183,480
Depreciation	327,716	26,916	7,376	-	2,757	49,152	413,917	1,028	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	648,978	98,574	31,364	-	-	65,767	844,683	12,217	856,900
Office Expenses	98,108	6,122	7,660	-	1,822	20,417	134,129	5,661	139,790
Other	354,423	236,029	1,029	-	400	157,355	749,236	47,916	797,152
Repairs and Maintenance	664,814	129,899	22,628	-	8,118	40,969	866,428	28,094	894,522
Supplies	227,053	10,994	367	87,039	-	15,374	340,827	2,745	343,572
Telephone	219,345	41,241	8,862	-	682	16,987	287,117	17,309	304,426
Travel	59,867	23,233	471	-	-	66,999	150,570	2,180	152,750
Total	$ 18,043,513	$ 1,551,420	$ 5,362,943	$ 916,643	$ 412,227	$ 3,630,254	$ 29,917,000	$ 232,626	$ 30,149,626

See Notes to Financial Statements.

Jefferson County Committee for Economic Opportunity

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

		2014		2013
Cash Flows From Operating Activities				
Change in net assets	**$**	**(1,420,132)**	$	(836,381)
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation		**447,998**		414,945
In-kind use of facilities		**2,109,866**		2,109,866
Amortization of discount on unconditional promises to give		**(423,335)**		(488,201)
Unrealized (gain) loss on investments		**(5,115)**		14,582
Gain on sale of asset		**(53,282)**		-
Changes in assets and liabilities				
Grants and contracts receivable		**174,860**		(634,430)
Prepaid expenses and other assets		**(2,658)**		(951)
Accounts payable		**(503,735)**		513,116
Accrued compensation		**55,036**		54,333
Net cash provided by operating activities		**379,503**		1,146,879
Cash Flows From Investing Activities				
Proceeds from the sale of investments		**31,000**		180,594
Purchase of property and equipment		**(133,680)**		(631,716)
Proceeds from sale of property of equipment		**53,282**		-
Net cash used in investing activities		**(49,398)**		(451,122)
Cash Flows From Financing Activities				
Proceeds from long-term debt		**-**		572,751
Payments of long-term debt		**(253,062)**		(272,739)
Net cash (used in) provided by financing activities		**(253,062)**		300,012
Net increase in cash		**77,043**		995,769
Cash				
Beginning of year		**995,769**		-
End of year	**$**	**1,072,812**	$	995,769
Supplemental Disclosure of Cash Flow Information				
Cash paid during year for interest	**$**	**88,301**	$	90,884

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, 2014 and 2013.

Grants and contracts receivable: Grants and contracts receivable consist of amounts due to the Agency under federal, state and local grant and contract agreements. Management determines the allowance for doubtful grants and contracts receivable by regularly evaluating individual grants and contracts receivable and considering the history and likelihood of collection. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that all receivable amounts are expected to be collected.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Advertising costs: The Agency expenses advertising costs when incurred. Advertising expense was $13,195 and $3,379 for the years ended December 31, 2014 and 2013, respectively, and is included in office expenses on the accompanying statements of functional expenses.

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, 2014 and 2013, was $447,998 and $414,945, respectively.

The average lives used in computing depreciation are as follows:

	Years
Buildings	27.5
Leasehold improvements	10 – 27.5
Vehicles	5
Equipment	5 – 10

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, 2014 or 2013.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

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, 2014 and 2013.

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 2011.

Recent accounting pronouncements: In March 2014, the FASB issued 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 Organization's financial position or changes in net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, the entity should apply certain steps outlined in the amendment. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2017. Early adoption with certain restrictions is permitted for nonpublic entities. The adoption of ASU 2014-09 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 25, 2015, which is the date the financial statements were available for issuance.

Reclassifications: Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net assets.

Note 2. Fair Value Measurement

ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. The Agency reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices for identical assets or liabilities in active markets to which the Agency has access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets in markets that are not active.
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves).
- Inputs derived principally from, or corroborated by, observable market data by correlation.

Level 3 Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

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).

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 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, 2014 and 2013.

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.

Note 2. Fair Value Measurement

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, 2014			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 523	$ 523	$ -	$ -
U.S. Government securities	178,390	178,390	-	-
	$ 178,913	$ 178,913	$ -	$ -

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 1,821	$ 1,821	$ -	$ -
U.S. Government securities	202,977	202,977	-	-
	$ 204,798	$ 204,798	$ -	$ -

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances the transfer is reported at the beginning of the reporting period. There were no transfers between levels during the years ended December 31, 2014 and 2013.

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, 2014 and 2013, the estimated fair market value of these unconditional promises to give is as follows:

	2014	2013
Temporarily restricted promises to give	$ 12,227,893	$ 14,337,759
Less discounts to present value (discounted at 4%)	(1,221,182)	(1,644,517)
	$ 11,006,711	$ 12,693,242

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, 2014 and 2013, the Agency's investments consisted of the following:

	2014	2013
Money market funds	$ 523	$ 1,821
U.S. Government securities	178,390	202,977
	$ 178,913	$ 204,798

Note 5. Property and Equipment

Property and equipment consist of the following:

	2014	2013
Buildings	$ 790,000	$ 998,000
Leasehold improvements	6,966,342	6,914,272
Vehicles	1,876,298	1,840,186
Equipment	694,282	669,472
Less accumulated depreciation	(5,344,031)	(5,124,721)
	$ 4,982,891	$ 5,297,209

Note 6. Long-Term Debt

Long-term debt consists of the following as of December 30, 2014 and 2013:

	2014	2013
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. 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.	$ 21,949	$ 22,802
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. 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.	12,935	38,695
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, 2014 and 2013, was 4%.	148,837	165,287

Note 6. Long-Term Debt (Continued)

		2014		2013
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 plus 2.50% (but at no time being less than 4.00% or more than 18.00%). The agreement required 77 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, 2014 and 2013, was 4%.	$	1,555,703	$	1,765,702
		1,739,424		1,992,486
Less current portion		(197,178)		(256,862)
	$	1,542,246	$	1,735,624

Maturities of long-term debt for years ending December 31, 2014, are as follows:

Year Ending December 31,		
2015	$	197,178
2016		186,038
2017		182,777
2018		1,116,841
2019		56,590
	$	1,739,424

Note 7. Temporarily Restricted Net Assets

The Agency has established a scholarship fund for JCCEO Head Start-Early Head Start graduates totaling $372,760 and $377,260 as of December 31, 2014 and 2013, 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. Scholarships were awarded during the years ended December 31, 2014 and 2013, totaling $4,500 and $22,714, respectively, 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 $11,006,711 and $12,693,242 as of December 31, 2014 and 2013, respectively. $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, 2014 and 2013, 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	2014	2013
Donated facilities	$ 3,120,865	$ 3,120,865
Donated materials	17,370	24,544
	$ 3,138,235	$ 3,145,409

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 31, 2014 and 2013, the Agency met all matching requirements and received matching resources in the following amounts:

2014 Head Start/Early Head Start	04CH3095/49	$ 4,523,106
2013 Head Start/Early Head Start	04CH3095/48	4,789,624

Note 10. Retirement Plan

The Agency's employees participate in a 401(k) defined contribution retirement 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% of their salary. During 2014, the maximum employer match was reduced to 4% of employee's salary. The Agency's matching portion for the years ending December 31, 2014 and 2013 was $229,200 and $261,235, 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, 2014, are as follows:

2015	$ 249,758
2016	221,317
2017	177,674
2018	177,323
2019	168,962
Thereafter	1,121,351
	$ 2,116,385

Rental expense associated with equipment and office space leases was $254,754 and $290,325 for the years ended December 31, 2014 and 2013, respectively, and is included in occupancy expenses on the statements of functional expenses.

Note 12. Risks and Uncertainties

The Agency maintains cash in bank accounts at high credit quality financial institutions. During 2014 and 2013, 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.

SUPPLEMENTARY INFORMATION

Jefferson County Committee for Economic Opportunity

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health & Human Services			
Direct Programs:			
Head Start	93.600	04CH3095/49	$ 15,835,711
Head Start Center of Excellence	93.600	90YX0004	40,791
			15,876,502
Pass-Through Alabama Department of Economic and Community Affairs:			
Community Services Block Grant	93.569	CS-013-14; 013-15	1,573,684
Low-Income Home Energy Assistance	93.568	LI-013-14; 013-15	4,150,004
			5,723,688
Pass-Through Jefferson County Office of Senior Citizens:		033-14; 036-14	
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	1048	43,307
Department of Agriculture			
Pass-Through Alabama State Department of Education:			
Child and Adult Care Food Program	10.558	AC-1-0000	1,380,185
Department of Energy			
Pass-Through Alabama Department of		DOE-013-12	
Economic and Community Affairs:		DOE-013-13	
Weatherization Assistance for Low-Income Persons	81.042	LIWAP-013-14	301,548
Department of Housing and Urban Development		IDS#s: 12596, 12592	
Pass-Through City of Birmingham Community Development:		12593, 12593, 12594	
Homeless Prevention and Rapid Re-housing	14.257	12863, 12862, 12861	123,718
Department of Labor			
Pass-Through Jefferson County Department of Community and Economic Development:			
WIA Youth Activities	17.259	3-4-30-15-30	100,558
Total Expenditures of Federal Awards			$ 23,549,506

See Notes to Schedule of Expenditures of Federal Awards.

Note 13. 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, 2014, 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.

Summary of significant accounting: 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.

Note 14. Note 2. Matching of Federal Funds

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, under the Head Start/Early Head Start programs, the Agency is required to match federal contributions with local funds, or service fee revenues. For the year ended December 31, 2014, the Agency met all matching requirements and received matching resources in the following amounts:

2014 Head Start/Early Head Start	04CH3095/49	$ 4,523,106

McGladrey

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
Birmingham, Alabama

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, 2014, 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 25, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as noted by items 2014-1 and 2014-2.

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*.

Jefferson County Committee for Economic Opportunity's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jefferson County Committee for Economic Opportunity's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

McGladrey LLP

Birmingham, Alabama
September 25, 2015

McGladrey

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
Birmingham, Alabama

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, 2014. 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 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, 2014.

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.

McGladrey LLP

Birmingham, Alabama
September 25, 2015

Jefferson County Committee for Economic Opportunity

Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section 1. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	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	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Department of Health & Human Services:
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs:		$ 706,485		
Auditee qualified as low-risk auditee?		Yes	X	No

Section II. Financial Statement Findings

2014-1. Month-End and Year-End Close Process

Criteria—The Agency's financial statements should present fairly, in all material respects, the financial position and changes in its net assets in accordance with accounting principles generally accepted in the United States of America.

Statement of Condition and Context—During our audit procedures, it was noted that certain reconciliations to the appropriate subsidiary ledgers, records and reports were being performed. Although, the accounting department did not consistently follow established month-end and year-end closing procedures. As a result, the accounting department was not able to easily reconcile the general ledger within the accounting system to subsidiary ledgers and supporting documentation for the following general ledger accounts:

- Cash
- Grants receivable
- Unconditional promises to give use of facilities
- Prepaid expenses
- Fixed assets
- Accounts payable
- Accrued expenses including payroll and payroll related liabilities

Effect—Account balances are not completely reconciled throughout the year which resulted in material misstatements within the financial statements.

Cause—The Agency currently has an established month-end close process, but accounting personnel are not consistently following these guidelines due to turnover in the accounting department related to the finance director position. Also, the Agency has been in the process of converting to a new accounting system and finance staff are having difficulty learning and utilizing the new system.

Recommendation—The Agency should hire additional personnel with a strong accounting background to assist the finance director in supervising, guiding and training employees to follow established month-end and year-end policies and procedures and set deadlines for when each task should be completed each month. Furthermore, the Agency should fully convert to the new accounting system to avoid duplication of efforts.

Planned Corrective Actions—The Agency is in the process of fully converting to the new accounting system. Furthermore, a reorganization of the accounting department was performed subsequent to year end, 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.

2014-2. Recurring Journal Entries

Criteria—The Agency's financial statements should present fairly, in all material respects, the financial position and changes in its net assets in accordance with accounting principles generally accepted in the United States of America.

Statement of Condition and Context—During our audit procedures, it was noted that the Agency did not consistently review recurring journal entries for propriety. We also noted that several accrual and payroll related journal entries were not being posted properly, which caused material overstatements of accrued expenses.

Effect— Inaccurate journal entries were being posted to accounts which resulted in material misstatements within the accounting records and financial statements.

Cause— The Agency has policies and procedures in place for recurring journal entries and review of all journal entries, but accounting personnel were not consistently following these procedures due to turnover in the accounting department.

Recommendation— The Agency should hire additional personnel with a strong accounting background to assist the finance director in supervising, guiding and training employees to follow established policies and procedures and to review all recurring journal entries on a monthly basis.

Planned Corrective Actions— A reorganization of the accounting department was performed subsequent to year end, 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 recurring journal entries are properly reviewed and approved.

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, 2014.

Jefferson County Committee for Economic Opportunity

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

There were no prior audit findings during the year ended December 31, 2013.

McGladrey

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, 2014.

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.

McGladrey LLP

September 25, 2015

Jefferson County Committee for Economic Opportunity

Alabama Department of Mental Health Compliance Reporting Substance Abuse Services
Fiscal Year Ended September 30, 2014

FY 13-14 Contracts (Accrual Basis):

	SA Medicaid		State Funds		Total	
	Revenue	Expenses	Revenue	Expenses	Revenue	Expenses
Alcohol/Drug Abuse Treatment	$ 12,553	$ 12,621	$ 283,263	$ 290,161	$ 295,816	$ 302,782

Jefferson County Committee for Economic Opportunity

Officers and Board Members
Year Ended December 31, 2014

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