



**Community Council of Greater Dallas**

**Financial Statements with Supplementary Information and Compliance Reports**  
**September 30, 2019**

# Community Council of Greater Dallas

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## **Independent Auditors' Report**

To the Board of Directors of  
Community Council of Greater Dallas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Community Council of Greater Dallas (Council) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audit 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Council of Greater Dallas as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***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 and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas *Uniform Grant Management Standards* 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the Council'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

***Correction of Error***

As discussed in Note 2 to the financial statements, certain errors as of September 30, 2018 were discovered by management of the Council during the current year. Accordingly, the amount reported for net assets without donor restrictions at September 30, 2018 has been restated in the financial statements now presented to correct the errors. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Sutton Frost Lang".

A Limited Liability Partnership

Arlington, Texas  
December 7, 2020

**Community Council of Greater Dallas**  
**Statement of Financial Position**  
**September 30, 2019**

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**Assets**

**Current assets:**

Cash	\$ 800,847
Investments	487,019
Grants receivable	1,936,410
Prepaid expenses	<u>54,515</u>
Total current assets	3,278,791

**Noncurrent assets:**

Other assets	7,149
Property and equipment, net	<u>457,074</u>
<b>Total assets</b>	<u><u>\$ 3,743,014</u></u>

**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable	\$ 2,183,223
Accrued expenses	475,184
Deferred revenue	236,763
Line of credit	1,123,686
Current portion of note payable	<u>93,666</u>
<b>Total current liabilities</b>	4,112,522

**Noncurrent liabilities:**

Note payable, net of current portion	<u>411,846</u>
<b>Total liabilities</b>	4,524,368

Net assets (deficit) without donor restrictions	<u>(781,354)</u>
<b>Total net assets (deficit)</b>	<u>(781,354)</u>
<b>Total liabilities and net assets (deficit)</b>	<u><u>\$ 3,743,014</u></u>

See notes to financial statements.

**Community Council of Greater Dallas**  
**Statement of Activities**  
**Year Ended September 30, 2019**

	Without donor restriction	With donor restriction	Total
<b>Revenue and support:</b>			
Government grants	\$ 14,310,716	\$ -	\$ 14,310,716
Contributions	261,657	-	261,657
Program service fees	49,347	-	49,347
Special events, net of direct costs of \$32,376	51,989	-	51,989
Investment income	21,431	-	21,431
In-kind contributions	780,367	-	780,367
Other	46,208	-	46,208
Released from restriction	866,388	(866,388)	-
<b>Total revenue and support</b>	<b>16,388,103</b>	<b>(866,388)</b>	<b>15,521,715</b>
<b>Expenses:</b>			
Program services	14,085,039	-	14,085,039
General and administrative	2,865,193	-	2,865,193
Fundraising	59,498	-	59,498
<b>Total expenses</b>	<b>17,009,730</b>	<b>-</b>	<b>17,009,730</b>
<b>Change in net assets</b>	<b>(621,627)</b>	<b>(866,388)</b>	<b>(1,488,015)</b>
<b>Net assets (deficit) at beginning of year, as restated</b>	<b>(159,727)</b>	<b>866,388</b>	<b>706,661</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ (781,354)</b>	<b>\$ -</b>	<b>\$ (781,354)</b>

See notes to financial statements.

**Community Council of Greater Dallas**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2019**

	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and employee benefits	\$ 4,570,604	\$ 978,309	\$ -	\$ 5,548,913
Funds passed through to subrecipients	5,467,658	-	-	5,467,658
Subcontractors	1,524,469	398,939	-	1,923,408
Professional fees and consulting	483,698	357,224	4,740	845,662
Supplies and equipment	172,787	105,076	25,976	303,839
Telephone	97,936	26,914	-	124,850
Postage and shipping	5,853	7,304	-	13,157
Occupancy	310,961	81,014	10,520	402,495
Printing	47,839	2,825	-	50,664
Travel and meetings	133,405	52,791	-	186,196
Interest	-	78,354	-	78,354
Insurance	19,241	14,142	-	33,383
Dues and subscriptions	34,564	10,629	-	45,193
Information technology	309,150	369,068	-	678,218
Marketing	57,829	352,711	49,339	459,879
Miscellaneous	19,432	18,013	-	37,445
Client services	784,014	-	-	784,014
Depreciation	45,599	11,880	1,299	58,778
	<u>14,085,039</u>	<u>2,865,193</u>	<u>91,874</u>	<u>17,042,106</u>
Less: expenses included with revenues on the statement of activities - Special events	<u>-</u>	<u>-</u>	<u>(32,376)</u>	<u>(32,376)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 14,085,039</u>	<u>\$ 2,865,193</u>	<u>\$ 59,498</u>	<u>\$ 17,009,730</u>

See notes to financial statements.



**Community Council of Greater Dallas**  
**Statement of Cash Flows**  
**Year Ended September 30, 2019**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (1,488,015)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	58,778
Unrealized losses on investments	5,377
Changes in assets and liabilities:	
Grants receivable	843,970
Prepaid expenses	65,813
Other assets	11,895
Accounts payable	(280,086)
Accrued expenses	142,019
Deferred revenue	<u>(287,810)</u>
<b>Net cash used by operating activities</b>	<b>(928,059)</b>
 <b>Cash flows from investing activities:</b>	
Purchases of investments	(22,713)
Purchases of equipment	<u>(9,407)</u>
<b>Net cash used by investing activities</b>	<b>(32,120)</b>
 <b>Cash flows from financing activities</b>	
Proceeds from issuance of long-term debt	527,917
Payments on long-term debt	(22,405)
Proceeds from lines of credit	2,251,603
Payments on lines of credit	<u>(1,477,917)</u>
<b>Net cash provided by financing activities</b>	<b>1,279,198</b>
<b>Net increase in cash</b>	<b>319,019</b>
<b>Cash at beginning of year</b>	<u>481,828</u>
<b>Cash at end of year</b>	<u><u>\$ 800,847</u></u>
 <b>Supplemental cash flow information:</b>	
Cash paid during the year for interest	<u><u>\$ 78,354</u></u>

See notes to financial statements.

# Community Council of Greater Dallas

## Notes to Financial Statements

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### 1. Organization

Community Council of Greater Dallas (Council) is a nonprofit, citizen-controlled organization, incorporated to work for human improvement and community betterment. It provides planning for voluntary and governmental health, welfare, recreation and other programs of human services. The Council is supported primarily by government grants.

### 2. Prior Year Restatement

The Council's net assets at September 30, 2018 were restated to correct errors related to erroneous capitalization of contract services. This resulted in a decrease in net property and equipment of \$246,449 and a corresponding decrease to net assets without donor restrictions.

### 3. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### *Financial Statement Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Council and/or the passage of time. As of September 30, 2019, no such net asset restrictions existed.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Council to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of September 30, 2019, no such net asset restrictions existed.

# Community Council of Greater Dallas

## Notes to Financial Statements

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Gains or losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Net assets with donor restrictions whose restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same year as the revenue is recognized are classified as revenue without donor restrictions in the statement of activities.

### ***Financial Instruments and Concentrations of Risk***

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash, investments and grants receivable. The Council maintains cash balances at financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2019, the Council's uninsured balances totaled \$569,007. Management has placed these funds with high credit quality financial institutions to minimize risk. The Council has not experienced any losses on such assets.

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Grants receivable are unsecured and are primarily due from government. The Council continually evaluates the collectability of grants receivable and maintains allowances for potential losses, if considered necessary. No such allowance was considered necessary as of September 30, 2019, approximately 65% of grants receivable were due from one government agency.

### ***Investments***

Investments consist of equity securities and money market funds and are stated at fair value in the statement of financial position.

### ***Grants Receivable***

The Council maintains receivables due from government agencies for services performed. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in grants receivable. Management considers grants receivable to be fully collectible within one year.

# Community Council of Greater Dallas

## Notes to Financial Statements

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### ***Property and Equipment***

Property and equipment purchased by the Council are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Council follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 5 to 10 years.

### ***Deferred Revenue***

Deferred revenue primarily consists of advanced funding related to federal and state grants. These amounts are considered earned and recognized as revenue when the costs associated with the grants are incurred.

### ***Revenue Recognition***

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. Contributions and grants are considered to be available for unrestricted purposes unless restricted by a donor for specific purposes.

Government grant revenue is recognized as contract terms are fulfilled. Cost reimbursement grants are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would typically need to be purchased if not provided by donation. During the year ended September 30, 2020 the Council recognized \$780,367 of contributed services for marketing, client residential repairs, nutritional services, and other professional services.

### ***Functional Allocation of Expenses***

The financial statements report categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, office expenses, information technology, and insurance which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, and professional services which are allocated on the basis of estimates of time and effort.

# Community Council of Greater Dallas

## Notes to Financial Statements

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### ***Compensated Absences***

Employees of the Council are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. The Council recognizes the cost of compensated absences when the vacation, sick days, and personal days are earned by the employees.

### ***Federal Income Tax***

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation under Section 509(a) of the IRC. However, income generated from activities unrelated to the Council's exempt purpose is subject to tax under IRC Section 511. The Council did not conduct any unrelated business activities that would be subject to federal income taxes during the year ended September 30, 2019. Accordingly, no provision for income taxes is made in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Council's tax return and recognition of a tax liability or (asset) if the Council has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Council and as concluded that as of September 30, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

### ***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the 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 estimated.

### ***New Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Council considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Council's financial position and change in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should

## Community Council of Greater Dallas

### Notes to Financial Statements

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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. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

The Council is currently assessing the impact that adopting this new guidance will have on the financial statements.

#### ***Accounting Pronouncements Adopted***

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes applicable for the Council include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and

# Community Council of Greater Dallas

## Notes to Financial Statements

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direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Council has adopted this ASU as of and for the year ended September 30, 2019. The adoption of this ASU did not impact beginning net asset or the change in net assets presented for the year ended September 30, 2019.

### 4. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- Level 1      Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2      Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
- Level 3      Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

#### ***Money Market Funds***

Money market funds are valued at the NAV provided by the administrator of the fund. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

#### ***Mutual Funds***

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

**Community Council of Greater Dallas**  
**Notes to Financial Statements**

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The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value as of September 30, 2019:

	Level 1
Money market funds	\$ 488
Mutual funds:	
Equity funds	486,531
	\$ 487,019

Investment income consists of the following for the year ended September 30, 2019:

Dividend and interest income	\$ 26,808
Net unrealized losses on investments	(5,377)
	\$ 21,431

## 5. Property and Equipment

Property and equipment consists of the following at September 30, 2019:

Building improvements	\$ 1,850
Furniture and equipment	828,936
	830,786
Accumulated depreciation	(373,712)
	\$ 457,074

Depreciation expense for the year end September 30, 2019 was \$58,778.

## 6. Lines of Credit

The Council secured a line of credit agreement with a bank in the amount of \$1,000,000 during the previous fiscal year for the purpose of provided working capital. The line bears interest at 1.25% over the bank's prime lending rate. At September 30, 2019 there was no outstanding balance on this line of credit. This line expired in January 2020 and was not renewed.

During the year ended September 30, 2019 the Council secured a \$2,000,000 line of credit with interest at 6.5% and a maturity date of April 2020. This line is secured by all of the Council's accounts and equipment. At September 30, 2019, \$1,123,686 was outstanding on this line of credit. In April 2020, the Council renegotiated terms on the outstanding line of credit which totaled \$622,829 on April 8, 2020. This line of credit now matures June 30, 2021 and bears interest at 5.5%, a reduction of 1% from the previous interest rate.



**Community Council of Greater Dallas**  
**Notes to Financial Statements**

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**7. Note Payable**

On March 23, 2019, the Council entered into a note agreement with a bank for \$527,917, with interest at 6.5%, maturing June 2024. Interest and principal payments of \$10,354 are due monthly. The term note is secured by the assets of the Council. The balance of the note was \$505,512 at September 30, 2019.

At September 30, 2019 future principal payments on the term note are due as follows:

2020	\$	93,666
2021		100,103
2022		106,903
2023		114,164
2024		90,676
		<u>505,512</u>
	\$	<u>505,512</u>

In December 2019, the Council refinanced their term note with a \$500,000 balloon note that bears interest at 3.85%. All outstanding principal on the balloon note is due at maturity on December 30, 2021.

**8. Commitments and Contingencies**

In the normal course of business, the Council may become party to various claims, litigations, and assessments. Management is unaware of any such matters that have a material impact on the financial statements in the event of an unfavorable outcome.

The Council has non-cancelable operating leases for office space and equipment expiring at various dates through 2025. The required minimum payments for these leases are as follows for the years ending September 30:

2020	\$	257,915
2021		241,850
2022		234,043
2023		235,327
2024		238,882
Thereafter		99,534
		<u>1,307,551</u>
	\$	<u>1,307,551</u>

# Community Council of Greater Dallas

## Notes to Financial Statements

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### **9. Employee Benefit Plan**

Effective January 1, 1993, the Council established a 403(b) retirement plan for all full-time employees of the Council with one or more years of service. Under this plan, the Council contributes 3.75% of eligible employees' salaries to the plan. The Council contributed \$99,339 to the plan during the year ended September 30, 2019.

### **10. Credit Concentration and Economic Dependency**

The Council operates entirely within the North Texas area. Therefore, results of operations are subject to the economic conditions of the area.

A significant portion of support and revenue is received from the Texas Department of Aging and Disability Services. For the year ended September 30, 2019, 80% of total revenue was received from the Texas Department of Health and Human Services. Continued funding from this source at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, continued government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

### **11. Liquidity and Availability of Resources**

The Council has \$3,224,276 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$800,847, investments of \$487,019, and grants receivable of \$1,936,410. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivable are expected to be collected within three months. The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help with unanticipated liquidity needs, the Council has a secured a revolving line of credit with a \$2,000,000 limit.

### **12. Subsequent Events**

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Due to the pandemic, the Council experienced losses in its investment portfolio, none of which were determined to be other than temporary. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Council, if any, cannot be determined at this time.

The Council's state Community Youth Development grant ended January 31, 2020 and was not renewed. This grant accounted for approximately \$750,000 of revenue for the year ended September 30, 2019.

## **Community Council of Greater Dallas**

### **Notes to Financial Statements**

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On June 16, 2020, the Council received \$150,000 in loan funding from the Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program administered by the SBA, which program was expanded pursuant to the Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES Act). The EIDL is evidenced by a promissory note, dated June 16, 2020 (EIDL Note) in the original principal amount of \$150,000 with the SBA, the lender.

Under the terms of the EIDL Note, interest accrues on the outstanding principal at the rate of 2.75% per annum. The term of the EIDL Note is 30 years, though it may be payable sooner upon an event of default under the EIDL Note. Under the EIDL Note, the Council will be obligated to make equal monthly payments of \$641 beginning June 16, 2021 through the maturity date of June 16, 2050. Payments are first applied to accrued interest. The EIDL Note may be prepaid in part or in full, at any time, without penalty and is collateralized by the Council's bank deposits, accounts receivable and equipment.

In July 2020 the Council's contract with the Health and Human Services Commission was amended to add additional funding of \$6,870,967 that originated from the Families First Coronavirus Response Act and the CARES Act.

The Council evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

**Community Council of Greater Dallas**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2019**

Federal Grantor/Pass-through Grantor/ Federal Program Title	CFDA #	Grant #s	Federal Expenditures	State Expenditures	Passed through to Subrecipients
<b>U.S. Department of Health and Human Services:</b>					
<b>Direct:</b>					
Children's Health Insurance Program	93.767	1ZOCMS331514-01-00	\$ 126,514	\$ -	\$ -
<b>Texas Department of Health and Human Services:</b>					
Children's Health Insurance Program	93.767	529-16-0006-00002H	2,613	2,529	-
Children's Health Insurance Program	93.767	529-16-0006-00002G	25,558	24,733	-
Total Children's Health Insurance Program			154,685	27,262	-
<b>Direct:</b>					
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs- financed by Prevention and Public Health Funds (PPHF)	93.734	90CS0051-01-000	24,784	-	-
<b>Texas Department of Health and Human Services:</b>					
Special Programs for the Aging: Title III, Part D, Disease Prevention and Health Promotion Services	93.043	17AATXT3PH	287,400	-	-
National Family Caregiver Support, Title III, Part E	93.052	17AATXT3FC	2,408,391	-	44,005
Medicare Enrollment Assistance Program	93.071	16AATXMAAA	21,285	-	-
State Health Insurance Assistance Program	93.324	90SAPG0015-01-00	99,107	-	-
Child Care and Development Block Grant	93.575	529-16-0006-0002H	9,104	-	-
Child Care and Development Block Grant	93.575	529-16-0006-0002G	144,445	-	-
Total Child Care and Development Block Grant			153,549		
Medical Assistance Program	93.778	529-16-0006-0002H	27,050	26,177	-
Medical Assistance Program	93.778	529-16-0006-0002G	256,120	247,855	-
Total Medical Assistance Program			283,170	274,032	-
<b>United Way of Tarrant County:</b>					
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761	90FPSG0001-01-00	11,450	-	-
<b>National Institute of Health:</b>					
Trans-NIH Research Support	93.310	OT2OD023206	408,375	-	30,000

See notes to schedule of expenditures of federal and state awards.

**Community Council of Greater Dallas**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2019**

Federal Grantor/Pass-through Grantor/ Federal Program Title	CFDA #	Grant #s	Federal Expenditures	State Expenditures	Passed through to Subrecipients
<b>Aging Cluster:</b>					
<b>Texas Department of Health and Human Services:</b>					
Special Programs for the Aging: Title III, Part B Grants for Supportive Services and Senior Centers					
Physical Fitness, Matter of Balance and Transportation Program	93.044	17AATXT3SS	\$ 1,988,533	\$ -	\$ 1,270,803
Special Programs for the Aging: Title III, Part C, Nutrition Services					
Congregate Meal Program	93.045	17AATXT3CM	3,367,093	-	3,340,866
<b>Total Aging Cluster</b>			5,355,626	-	4,611,669
<b>477 Cluster:</b>					
<b>Texas Department of Health and Human Services:</b>					
Temporary Assistance for Needy Families	93.558	529-16-0003-00002H	2,225	2,153	-
Temporary Assistance for Needy Families	93.558	529-16-0003-00002G	19,089	18,473	-
<b>Total Temporary Assistance for Needy Families</b>			21,314	20,626	-
Community Services Block Grant	93.569	61180002850	198,600	-	-
Community Services Block Grant	93.569	61190003042	2,672,078	-	286,534
<b>Total Community Services Block Grant</b>			2,870,678	-	286,534
<b>Total 477 Cluster</b>			2,891,992	20,626	286,534
<b>Total U.S. Department of Health and Human Services</b>			12,099,814	321,920	4,972,208
<b>U.S. Department of Transportation:</b>					
<b>North Central Texas Council of Governments:</b>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		189,341	-	48,098
<b>U.S. Department of Education:</b>					
<b>Austin Community College:</b>					
Adult Education - Basic Grants to States	84.002		422,937	-	-

See notes to schedule of expenditures of federal and state awards.

**Community Council of Greater Dallas**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2019**

Federal Grantor/Pass-through Grantor/ Federal Program Title	CFDA #	Grant #s	Federal Expenditures	State Expenditures	Passed through to Subrecipients
<b>U.S. Department of Agriculture:</b>					
<b>SNAP Cluster:</b>					
<b>Texas Department of Health and Human Services:</b>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	529-16-0006-00002H	\$ 261,647	\$ 253,203	\$ -
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			261,647	253,203	-
<b>Texas Department of Family and Protective Services:</b>					
Community Youth Development	N/A	24426933	-	379,661	222,197
Community Youth Development	N/A	24427233	-	374,821	225,155
Total Community Youth Development			-	754,482	447,352
<b>Total expenditures of federal and state awards</b>			<b>\$ 12,973,739</b>	<b>\$ 1,329,605</b>	<b>\$ 5,467,658</b>

See notes to schedule of expenditures of federal and state awards.

**Community Council of Greater Dallas**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2019**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Community Council of Greater Dallas (Council). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance or the UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Council has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Community Council of Greater Dallas

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Council of Greater Dallas (nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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 December 7, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Community Council of Dallas' (Council) 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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questions costs as item 2019-001 that we consider to be a material weakness.



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Council'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 the 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*.

### ***Management's Response to Findings***

The Council's response to findings identified in our audit is described in the accompanying corrective action plan. The Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas  
December 7, 2020

**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control  
over Compliance Required by the Uniform Guidance and State of Texas *Uniform Grant  
Management Standards***

To the Board of Directors of  
Community Council of Greater Dallas

***Report on Compliance for Each Major Federal and State Program***

We have audited Community Council of Greater Dallas' (Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the Council's major federal programs for the year ended September 30, 2019. The Council's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Council 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 and state programs for the year ended September 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the State of Texas UGMS and which are described in the accompanying schedule of findings and questioned costs as items 2019-004, 2019-005, and 2019-007. Our opinion on each major federal and state program is not modified with respect to these matters.

The Council's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state 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 and state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and

questioned costs as items 2019-002, 2019-003, 2019-004, 2019-005, and 2019-008 to be material weaknesses.

*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 or state 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-006 and 2019-007 to be significant deficiencies.

The Council's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance, and the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas  
December 7, 2020

**Community Council of Greater Dallas  
Schedule of Findings and Questions Costs  
Year Ended September 30, 2019**

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:  
 • Material weaknesses identified?   X   yes    no  
 • Significant deficiency identified?    yes   X   none reported

Noncompliance material to financial statements noted?    yes   X   no

***Federal and State Awards***

Internal control over major programs:  
 • Material weaknesses identified?   X   yes    no  
 • Significant deficiencies identified?   X   yes    none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or UGMS   X   yes    no

**Identification of Major Federal Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.044/93.045	Aging Cluster
93.569/93.558	477 Cluster

**Identification of Major State Programs:**

<u>Grant Number</u>	<u>Name of State Program</u>
24426933/24427233	Community Youth Development

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

Auditee qualified as low-risk auditee?   X   yes    no

**Community Council of Greater Dallas**  
**Schedule of Findings and Questions Costs**  
**Year Ended September 30, 2019**

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**Section II – Financial Statement Findings**

*Finding No. 2019-001:* Statement of financial position account reconciliations – material weakness

Criteria: Community Council of Greater Dallas (CCGD) is responsible for presenting financial statements that are fairly stated in accordance with U.S. generally accepted accounting principles.

Condition: Bank accounts, receivables, prepaid expenses, fixed assets, payables, accrued expenses, and deferred revenue were not properly reconciled at year end. Timely reconciliation of these accounts were not taking place.

Cause: CCGD had significant turnover in management, including accounting leadership. This turnover and a heavy dependence upon journal entry based accounting resulted in significant delays in proper reconciliations of these year-end statement of financial position accounts being performed.

Effect: Management updated these reconciliations resulting in journal entries and significant delays to the original audit timeline. The effect of the entries decreased assets by \$244,166, increased liabilities by \$170,130, and increased the change in net assets by \$138,875. Included in these effects is the prior year restatement which resulted from improper capitalization of expense items during the year ended September 30, 2018. This restatement decreased net property and equipment and net assets at September 30, 2018 by \$224,449.

Recommendation: We recommend that management follow their policy of reconciling and reviewing statement of financial position accounts in a timely manner.

Management's Response: See corrective action plan.

*Finding No. 2019-002:* In-kind revenue – material weakness

Criteria: CCGD is responsible for maintaining documentation that supports the receipt and value of in-kind donations.

Condition: During testing of in-kind contributions, auditors determined that approximately \$700,000 of in-kind contributions recorded in the general ledger were unsupported.

Cause: CCGD had significant turnover in management, including accounting leadership. This turnover resulted in deficient recordkeeping.

**Community Council of Greater Dallas**  
**Schedule of Findings and Questions Costs**  
**Year Ended September 30, 2019**

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Effect: An audit adjustment was made reducing in-kind contributions and related marketing expense by \$705,942.

Recommendation: We recommend that management maintain detailed support for all in-kind contributions.

Management's Response: See corrective action plan.

**Section III – Federal and State Award Findings and Questioned Costs**

*Finding 2019-003: Allowable costs – material weakness in internal controls over compliance*

477 Cluster  
Aging Cluster  
Community Youth Development

Criteria: CCGD's internal control procedures over compliance specify that all employees maintain timesheets that are reviewed and approved, as indicated by supervisor signature.

Condition: During allowable costs testing for federal grants, 20 out of 50 timesheets tested did not contain supervisor signature. During allowable costs testing for federal grants, 4 out of 50 employees did not have timesheets on file. During allowable costs testing for state grants, 3 out of 8 timesheets tested did not contain supervisor signature.

Cause: In FY19 CCGD did not require timesheets for leadership level employees, which does not comply with their internal control over compliance procedures. Lack of timesheet review and approval was due to oversight at the supervisor level and inadequate enforcement by management.

Effect: CCGD's reporting of grant time and effort is not fully documented, in accordance with internal control over compliance procedures.

Recommendation: Management should ensure all timesheets are completed and signed by a supervisor before reimbursement requests for the period are initiated.

Management's Response: See corrective action plan

*Finding 2019-004: Allowable costs – material weakness in internal controls over compliance*

477 Cluster  
Aging Cluster

**Community Council of Greater Dallas**  
**Schedule of Findings and Questions Costs**  
**Year Ended September 30, 2019**

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Community Youth Development

Criteria: CCGD's internal control procedures over compliance specify that all invoices be approved management.

Condition: During allowable cost testing for federal grants, 4 out of 50 invoices tested did not have documented approval from management. During allowable cost testing for state grants, 3 out of 25 invoices tested did not have documented approval from management.

Cause: In FY19, CCGD did not require approval on repeating monthly invoices, which was not in accordance with their internal control procedures over compliance.

Effect: CCGD's reporting of grant expenses was not fully documented, in accordance with the internal control over compliance procedures.

Recommendation: Management should ensure documentation of approval of all invoices are kept on file.

Management's Response: See corrective action plan.

*Finding 2019-005: Subrecipient monitoring* – material weakness in internal control over compliance and compliance finding

477 Cluster  
Aging Cluster  
Community Youth Development

Criteria: In accordance with Section 200.331(b) of the Uniform Guidance, passthrough agencies should have a documented system to evaluate the risk of noncompliance for each subrecipient.

Condition: CCGD does not have a documented system to evaluate the risk of noncompliance for subrecipients.

Cause: CCGD was not aware of the requirement to have a documented system to evaluate the risk of noncompliance for subrecipients.

Effect: CCGD was not in compliance with subrecipient monitoring risk assessment requirements as specified by Section 200.331(b) of the Uniform Guidance.

Questioned cost: None



**Community Council of Greater Dallas**  
**Schedule of Findings and Questions Costs**  
**Year Ended September 30, 2019**

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Recommendation: CCGD should create a documented system to evaluate the risk of noncompliance for subrecipients that includes factors as required by Section 200.331(b) of the Uniform Guidance.

Management's Response: See corrective action plan

*Finding 2019-006: Cash management* – material weakness in internal control over compliance and compliance finding

477 Cluster  
Community Youth Development

Criteria: The grant requires that grantees incur a cost prior to claiming reimbursement.

Condition: CCGD was requesting reimbursement for payments to subrecipients on a basis of 1/12<sup>th</sup> the total annual award to the subrecipient instead of actual amounts passed through to subrecipients each month.

Cause: CCGD had significant turnover in management and was unaware that requesting reimbursement on the basis of expected subrecipient passthrough payments instead of actual was not consistent with grant terms.

Effect: CCGD requested reimbursement from the state before actual costs were incurred. Before year-end, CCGD calculated actual expense and adjusted grant reimbursement requests accordingly.

Questioned costs : None

Recommendation: CCGD should request for reimbursement only amounts actually passed through to subrecipients.

Management's Response: See corrective action plan.

*Finding 2019-007: Eligibility* – significant deficiency in internal control over compliance

477 Cluster

Criteria: The Organization should have a client tracking system in place that easily identifies clients served under the different types of grants the Organization administers.

Condition: During allowable cost testing client expenses were noted for clients not on the client

**Community Council of Greater Dallas**  
**Schedule of Findings and Questions Costs**  
**Year Ended September 30, 2019**

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list provided to the auditor for eligibility sampling. Three clients who had expenses included in allowable cost testing were not included on the client list population for FY19.

Cause: CCGD had multiple client databases during the year ended September 30, 2019, causing difficulties in compiling complete client listings for the year.

Effect: The three clients not included on the client list were selected for eligibility testing and were ultimately found to be eligible. However, CCGD could not produce an accurate client list for the 477 Cluster for FY19.

Recommendation: A detailed client list should be maintained for each program to ensure a complete and accurate population of clients served with federal and state funds.

Management's Response: See corrective action plan.

*Finding 2019-008: Allowable costs – Significant deficiency in internal control over compliance and compliance finding*

Aging Cluster

Criteria: The Organization's internal controls stipulate that documentation be maintained of employees' pay rates as approved by management and/or the board of directors.

Condition: During allowable cost testing, one employee out of 25 tested did not have documentation of their approved pay-rate that agreed to the rate paid in the pay period selected for testing.

Cause: Human resources did not have a standard procedure in place to document employee pay changes.

Effect: CCGD's reporting of employee wages is not fully documented in accordance with internal control over compliance. The difference between the approved payrate on file and the amount paid was \$0.27 per hour.

Questioned costs: None

Recommendation: CCGD should maintain documentation of all approved employee pay-rates.

Management's Response: See corrective action plan.

**Community Council of Greater Dallas**  
**Schedule of Findings and Questions Costs**  
**Year Ended September 30, 2019**

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*Finding 2019-009: Reporting – Material weakness in internal control over compliance*

Aging Cluster

Criteria: Amounts requested from funder for Aging Cluster grants should be fully supported by allowable expenditures.

Condition: CCGD was unable to provide a detail of expenses that agreed in total to amounts reported as revenue from Aging Cluster grants.

Cause: Due to heavy turnover in upper management and the accounting department, CCGD relied heavily upon journal entry accounting in their financial module. This led to the inability to recreate a list of expenses supporting reimbursable revenue from the Aging Cluster grants in FY19.

Effect: CCGD's detail of allowable expenses for the Aging Cluster was higher than the revenue reported on the schedule of federal awards. As such, no questioned costs arose.

Recommendation: CCGD should maintain documentation expenditures by line item for each reimbursement request made for all cost reimbursement grants.

Management's Response: See corrective action plan.

**Section IV – Summary of Prior Year Audit Findings**

*Finding 2018-001: Allowable costs and activities – significant deficiency in internal controls over compliance*

CFDA#93.052- National Family Caregiver Support, Title III, Part E (Title III)  
CFDA #93.569 - 477 Cluster  
Community Youth Development

Summary: During cash disbursement testing, prior auditors identified instances of invoices where evidence of approval by someone with direct knowledge of the activities and costs allowed and unallowed by the programs was not retained. During the payroll disbursement testing, prior auditors identified instances of timesheets not retained.

Status: This finding was not corrected in 2019 and is shown as current year findings 2019-002 and 2019-003.

December 7, 2020

Sutton Frost Carry LLP  
600 Six Flags Drive # 600  
Arlington, TX 76011

Subject: Management response to FY 19 Audit Findings

The management of Community Council of Greater Dallas acknowledges receipt of the following findings for the audit year FY 19.

While agreeing with the findings, management nevertheless submits the following as its response:

***Finding No. 2019-001: Statement of financial position account reconciliations – Material weakness***

Management Response

A new CFO with in-depth experience in federal, State Grants along with domain expertise in fund accounting and programs has been hired. Finance team has been completely restructured with the addition of Grants Management. Cash disbursement and financial policies have been updated, realistic deadlines have been set along with SOPs to ensure the timely and accurate delivery of the financial statements.

Fund accounting, balance sheet reconciliations, transaction driven practices along with continuous training of the finance team is of paramount importance to the company leadership.

***Finding No. 2019-002: In-kind revenue – material weakness***

Management Response

DAAA Contract department will compile and reconcile the in-kind report on a quarterly basis by funding source and service category. Upon confirmation by the Sr. Director, quarterly in-kind reports will be submitted to CFO. Upon CFO approval, In-kind will be posted into the financial system.

***Finding 2019-003: Allowable costs – Material weakness in internal controls over compliance***

Management Response

The agency has implemented annual training/refresher courses with accompanying standard operating procedures for management and employees alike. Training was completed on:

April 4, 2019

April 22 – 24th, 2020

Additionally, as a final control measure, the agency has implemented quarterly timesheet audits conducted by CEO, CFO and HR. In these audits, three Paycom reports are run and reviewed including a timecard approval report. A review of personnel activity reports for grant-funded positions are also completed during this audit. The findings of the inaugural audit identified the need for one final management training, primarily for salary-exempt employees for added clarification. During payroll processing, management would also begin receiving emails for all unverified timecards/sheets prior to final transmission and tracking of these notifications maintained for disciplinary purposes. Update: Final refresher meetings were conducted on 10/28 and 11/6 for each department identified as needing further training due to timecard/sheet compliance issues.

***Finding 2019-004: Allowable costs – Material weakness in internal controls over compliance***

***Management Response***

*A multi-tier approval process has been established between programs and finance. Programs have an approval process of at least 2 tiers where department head approval is required before a payment request can be submitted to finance. All vendor invoices are required to be submitted to the Accounting Software i.e. Sage Intacct via purchasing order module. Within finance, a multi-level approval process has been established based on the amount of the invoice to further reinforce internal control.*

***Finding 2019-005: Subrecipient monitoring – Material weakness in internal control over compliance and compliance finding***

***Management Response***

Full scale sub monitoring package along with risk assessment and scoring of all the sub recipients was implemented in the first quarter of FY 20. All subrecipients are monitored annually by an external audit firm. The contract department is required to use the audit results to assess and score each of their sub recipients on annual basis to completely determine any risk and have better control over the allowability of the reimbursable activities. All monitoring and assessments are to be submitted to the CFO on annual basis.

***Finding 2019-006: Cash management – Material weakness in internal control over compliance and compliance finding***

***Management Response***

In late FY 2019, auto accruals on the Accounting Software was disabled. CFO along with Grants Management reviews the monthly financials at the time of seeking reimbursements to ensure that only allowable transactions are posted in the system.

***Finding 2019-007: Eligibility – Significant deficiency in internal control over compliance***

Management Response

There is now only one client database in CAP60, although clients can still be identified by program. A new procedure was implemented in the 3<sup>rd</sup> quarter of FY 20 whereby all purchasing orders are required to contain the client name in addition to the vendor information at the time of requesting payment. This additional step will enable finance to extract all or specific client information from the accounting system. Starting FY 21, further emphasis and training will be provided to the 477 cluster Data team at the time of quarterly reconciliations with CAP 60.

***Finding 2019-008: Allowable costs – Significant deficiency in internal control over compliance and compliance finding***

Management Response

The agency has since implemented the following compliance procedures with accompanying approval levels:

1. Requisition Form (for new positions/postings)
  - Senior Director Approval
  - Grants Management Approval
  - CEO Approval

\*Human Resources will not post a position until all approvals have been confirmed and fully executed form received from CEO.

2. Personnel Action Form (for position/compensation, lateral and reporting structure changes)
  - Manager
  - CFO
  - CEO
  - HR

\*Human Resources will not update the payroll system until all approvals have been confirmed and fully executed form received.

**Finding 2019-009: Reporting – Material weakness in internal control over compliance**

Management Response

As part of monthly close, both finance and programs are required to reconcile revenues and expenses at the time of RFPs. Grants Management will ensure that all activities are allowable per the federal guidelines and programmatic mandate.

In addition to implementation of transaction-based process, all fiscal and programmatic data will be reconciled before reporting to the any funder.

To remain in compliance with the CSBG organizational standards, budget versus actuals reports by each grant is also presented to the finance committee in their monthly meeting.

Section IV – Summary of Prior Year Audit Findings

**Finding 2018-001: Allowable costs and activities – Significant deficiency in internal controls over compliance**

CFDA# 93.052- National Family Caregiver Support, Title III, Part E (Title III)

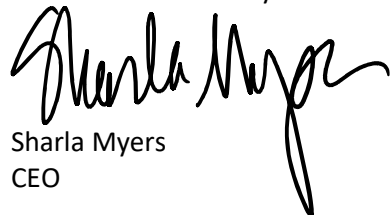
CFDA # 93.569 - 477 Cluster Texas Department of Family and Protective Services – State General Revenue Funds (SGR)

Summary: During cash disbursement testing, prior auditors identified instances of invoices where evidence of approval by someone with direct knowledge of the activities and costs allowed and unallowed by the programs was not retained. During the payroll disbursement testing, prior auditors identified instances of timesheets not retained.

Status: This finding was not corrected in 2019 and is shown as current year findings 2019-002 and 2019-003.

The current management is fully dedicated and committed to its mission and to its funders. Internal control is and will be the focus along with funders' guidelines.

Please let us know if you have any questions.



Sharla Myers  
CEO



Jafferli Jamal  
CFO