



**South Central Community
Action Programs, Inc.**

**Financial Statements and
Supplementary Information**

June 30, 2022 and 2021



South Central Community Action Programs, Inc.

Table of Contents

June 30, 2022 and 2021

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4 and 5
Statement of Activities	6 and 7
Statement of Changes in Net Assets	8
Statement of Functional Expenses - by Natural Classification	9 and 10
Statement of Cash Flows	11 and 12
Notes to Financial Statements	13 to 30
OTHER REPORTS AND SCHEDULES	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 and 32
Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	33 to 35
Schedule of Expenditures of Federal Awards	36 to 39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41 and 42
Summary Schedule of Prior Year Findings and Questioned Costs	43

Independent Auditor's Report

To the Board of Directors
South Central Community Action Programs, Inc.
Gettysburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Central Community Action Programs, Inc. (SCCAP), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SCCAP as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCCAP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCCAP's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, including the schedule of expenditures of federal 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*, 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 accompanying supplementary information, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of SCCAP'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 SCCAP'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 SCCAP's internal control over financial reporting and compliance.

RKL LLP

December 21, 2022
York, Pennsylvania

South Central Community Action Programs, Inc.

Statement of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 1,448,005	\$ 2,563,546
Accounts receivable	1,892,586	1,074,524
Promises to give	16,000	-
Prepaid expenses	69,248	105,829
Inventory	143,170	166,290
Total Current Assets	<u>3,569,009</u>	<u>3,910,189</u>
Investments	<u>52,846</u>	<u>64,561</u>
Interest in Net Assets of a Community Foundation	<u>199,623</u>	<u>43,910</u>
Property and Equipment		
Buildings	3,185,110	2,896,546
Equipment	1,401,766	1,325,058
	4,586,876	4,221,604
Accumulated depreciation and amortization	<u>(3,002,416)</u>	<u>(3,053,647)</u>
Property and Equipment, Net	<u>1,584,460</u>	<u>1,167,957</u>
Restricted Cash	<u>116,736</u>	<u>-</u>
Total Assets	<u>\$ 5,522,674</u>	<u>\$ 5,186,617</u>

South Central Community Action Programs, Inc.

Statement of Financial Position (continued)

	June 30,	
	<u>2022</u>	<u>2021</u>
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Accounts payable	\$ 153,051	\$ 167,843
Accrued expenses	71,543	67,348
Accrued payroll	180,098	151,512
Accrued payroll taxes	12,144	10,355
Current maturities of notes payable	25,761	24,938
Current portion of obligations under capital leases	6,286	6,278
Security deposits	5,278	5,228
Deferred income and advance payable	<u>1,045,746</u>	<u>2,096,502</u>
Total Current Liabilities	<u>1,499,907</u>	<u>2,530,004</u>
Long-Term Debt		
Notes payable	150,368	174,749
Obligations under capital leases	<u>4,466</u>	<u>10,752</u>
Total Long-Term Debt	<u>154,834</u>	<u>185,501</u>
Total Liabilities	<u>1,654,741</u>	<u>2,715,505</u>
Net Assets		
Without donor restrictions	3,574,311	2,471,112
With donor restrictions	<u>293,622</u>	<u>-</u>
Total Net Assets	<u>3,867,933</u>	<u>2,471,112</u>
Total Liabilities and Net Assets	<u>\$ 5,522,674</u>	<u>\$ 5,186,617</u>

South Central Community Action Programs, Inc.

Statement of Activities

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Grant income	\$ 22,103,767	\$ -	\$ 22,103,767
In-kind contributions	1,649,066	-	1,649,066
Other contributions and public support	677,963	320,636	998,599
Fundraising events	96,395	-	96,395
Rent	51,122	-	51,122
United Way	24,955	-	24,955
Other income	6,160	-	6,160
Interest and dividends, net	3,127	-	3,127
Unrealized and realized loss on investments	(4,480)	-	(4,480)
Loss on disposal of property and equipment	(6,284)	-	(6,284)
Total Support and Revenue	24,601,791	320,636	24,922,427
Expenses			
Program services			
Emergency services	17,589,910	-	17,589,910
Weatherization	2,704,636	-	2,704,636
Nutritional information and health care	1,427,936	-	1,427,936
Day care	475,931	-	475,931
	22,198,413	-	22,198,413
Supporting services			
Management and general	1,144,994	-	1,144,994
Fundraising	150,012	-	150,012
	1,295,006	-	1,295,006
Total Expenses	23,493,419	-	23,493,419
Excess of Support and Revenue over Expenses	1,108,372	320,636	1,429,008
Change in Interest in Net Assets of a Community Foundation	(5,173)	(27,014)	(32,187)
Changes in Net Assets	\$ 1,103,199	\$ 293,622	\$ 1,396,821

South Central Community Action Programs, Inc.

Statement of Activities (continued)

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Grant income	\$ 12,620,829	\$ -	\$ 12,620,829
In-kind contributions	2,745,270	-	2,745,270
Other contributions and public support	881,726	-	881,726
Fundraising events	143,002	-	143,002
Rent	51,169	-	51,169
United Way	30,981	-	30,981
Other income	3,016	-	3,016
Interest and dividends, net	5,640	-	5,640
Unrealized and realized gain on investments	5,172	-	5,172
Gain on disposal of property and equipment	3,003	-	3,003
Total Support and Revenue	16,489,808	-	16,489,808
Expenses			
Program services			
Emergency services	9,142,680	-	9,142,680
Weatherization	2,694,452	-	2,694,452
Nutritional information and health care	1,562,688	-	1,562,688
Day care	555,215	-	555,215
	13,955,035	-	13,955,035
Supporting services			
Management and general	1,043,971	-	1,043,971
Fundraising	185,894	-	185,894
	1,229,865	-	1,229,865
Total Expenses	15,184,900	-	15,184,900
Excess of Support and Revenue over Expenses	1,304,908	-	1,304,908
Change in Interest in Net Assets of a Community Foundation	9,292	-	9,292
Changes in Net Assets	\$ 1,314,200	\$ -	\$ 1,314,200

See accompanying notes.

South Central Community Action Programs, Inc.

Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Net Assets at June 30, 2020	\$ 1,156,912	\$ -	\$ 1,156,912
Changes in net assets	<u>1,314,200</u>	<u>-</u>	<u>1,314,200</u>
Net Assets at June 30, 2021	2,471,112	-	2,471,112
Changes in net assets	<u>1,103,199</u>	<u>293,622</u>	<u>1,396,821</u>
Net Assets at June 30, 2022	<u>\$ 3,574,311</u>	<u>\$ 293,622</u>	<u>\$ 3,867,933</u>

South Central Community Action Programs, Inc.

Statement of Functional Expenses - by Natural Classification

Year Ended June 30, 2022

	Program Services				Supporting Services			Total
	Emergency Services	Weatherization	Nutritional Information and Health Care	Day Care	Total Program Services	Management and General	Fundraising	
Rent assistance	\$ 12,699,240	\$ -	\$ -	\$ -	\$ 12,699,240	\$ -	\$ -	\$ 12,699,240
Salaries	1,017,860	980,392	943,110	299,734	3,241,096	515,263	78,119	3,834,478
Utility assistance	1,476,409	794,635	-	-	2,271,044	-	-	2,271,044
Food	1,716,573	-	-	-	1,716,573	-	-	1,716,573
Payroll taxes and fringe benefits	282,525	425,461	252,447	115,404	1,075,837	225,462	25,714	1,327,013
Contracted services	-	283,070	-	-	283,070	-	-	283,070
Supplies	155,439	14,017	25,283	19,310	214,049	39,053	29,235	282,337
Rent	45,517	20,581	79,839	17,415	163,352	38,122	-	201,474
Utilities	53,682	28,395	28,045	5,902	116,024	30,433	-	146,457
Miscellaneous	31,119	13,798	29,904	35	74,856	48,483	16,944	140,283
Repair and maintenance	52,994	22,772	28,789	8,743	113,298	16,095	-	129,393
Depreciation and amortization	16,145	13,267	20,896	6,828	57,136	69,493	-	126,629
Transportation	5,279	77,240	7,693	169	90,381	2,621	-	93,002
Insurance	17,579	31,008	11,040	2,391	62,018	29,106	-	91,124
Professional fees	-	-	-	-	-	84,392	-	84,392
Staff training/recruitment	11,369	-	890	-	12,259	19,188	-	31,447
Interest	-	-	-	-	-	11,320	-	11,320
Real estate taxes	2,289	-	-	-	2,289	8,886	-	11,175
Dues and subscriptions	-	-	-	-	-	7,077	-	7,077
Bad debt expense	5,891	-	-	-	5,891	-	-	5,891
	<u>\$ 17,589,910</u>	<u>\$ 2,704,636</u>	<u>\$ 1,427,936</u>	<u>\$ 475,931</u>	<u>\$ 22,198,413</u>	<u>\$ 1,144,994</u>	<u>\$ 150,012</u>	<u>\$ 23,493,419</u>

South Central Community Action Programs, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

Year Ended June 30, 2021

	Program Services				Supporting Services			Total
	Emergency Services	Weatherization	Nutritional Information and Health Care	Day Care	Total Program Services	Management and General	Fundraising	
Rent assistance	\$ 4,421,138	\$ -	\$ -	\$ -	\$ 4,421,138	\$ -	\$ -	\$ 4,421,138
Salaries	700,784	975,991	904,171	396,770	2,977,716	479,088	87,924	3,544,728
Utility assistance	474,048	879,470	-	-	1,353,518	-	-	1,353,518
Food	2,137,947	-	-	-	2,137,947	-	-	2,137,947
Payroll taxes and fringe benefits	225,300	315,799	241,893	116,856	899,848	110,899	24,888	1,035,635
Contracted services	-	292,285	-	-	292,285	-	-	292,285
Supplies	971,676	10,904	163,284	(3,863)	1,142,001	18,917	35,992	1,196,910
Rent	47,820	16,218	98,274	18,248	180,560	50,796	-	231,356
Utilities	53,801	33,020	32,731	7,844	127,396	47,919	-	175,315
Miscellaneous	30,866	10,893	53,608	210	95,577	113,608	37,090	246,275
Repair and maintenance	42,417	21,982	28,790	8,741	101,930	6,963	-	108,893
Depreciation and amortization	16,168	24,335	16,201	6,640	63,344	63,643	-	126,987
Transportation	5,641	69,026	6,186	735	81,588	1,986	-	83,574
Insurance	11,859	32,495	9,511	2,721	56,586	26,185	-	82,771
Professional fees	-	-	-	-	-	90,739	-	90,739
Staff training/recruitment	719	10,834	8,039	313	19,905	4,218	-	24,123
Interest	-	-	-	-	-	12,427	-	12,427
Real estate taxes	2,496	-	-	-	2,496	8,715	-	11,211
Dues and subscriptions	-	1,200	-	-	1,200	7,868	-	9,068
Bad debt expense	-	-	-	-	-	-	-	-
	<u>\$ 9,142,680</u>	<u>\$ 2,694,452</u>	<u>\$ 1,562,688</u>	<u>\$ 555,215</u>	<u>\$ 13,955,035</u>	<u>\$ 1,043,971</u>	<u>\$ 185,894</u>	<u>\$ 15,184,900</u>

South Central Community Action Programs, Inc.

Statement of Cash Flows

	Years Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Cash received		
Receipts from grants	\$ 20,234,949	\$ 13,444,080
Receipts from contributions and public support	712,057	888,707
Receipts from other income	153,727	221,637
Interest and dividends received	3,127	5,640
	<u>21,103,860</u>	<u>14,560,064</u>
Cash paid		
Payments to suppliers	17,914,663	8,686,897
Payments to employees	3,805,892	3,677,679
Interest paid	11,320	12,427
	<u>21,731,875</u>	<u>12,377,003</u>
Net Cash Provided by (Used in) Operating Activities	<u>(628,015)</u>	<u>2,183,061</u>
Cash Flows from Investing Activities		
Purchase of interest in net assets of a community foundation	(187,900)	-
Purchase of investments	(2,403)	(5,445)
Proceeds from sale of investments	9,638	42,000
Proceeds from disposal of property and equipment	-	4,257
Capital expenditures	(455,786)	(83,695)
	<u>(636,451)</u>	<u>(42,883)</u>
Cash Flows from Financing Activities		
Principal payments on obligations under capital leases	(6,278)	(18,898)
Principal payments on notes payable	(23,558)	(25,020)
Restricted contributions - property and equipment	100,000	-
Restricted contributions - endowment	195,497	-
	<u>265,661</u>	<u>(43,918)</u>
Net Cash Provided by (Used in) Financing Activities	<u>265,661</u>	<u>(43,918)</u>
Net Increase (Decrease) in Cash	(998,805)	2,096,260
Cash at Beginning of Year	<u>2,563,546</u>	<u>467,286</u>
Cash at End of Year	<u>\$ 1,564,741</u>	<u>\$ 2,563,546</u>
Cash is Comprised of the Following on the Statement of Financial Position		
Cash	\$ 1,448,005	\$ 2,563,546
Restricted cash	116,736	-
	<u>\$ 1,564,741</u>	<u>\$ 2,563,546</u>

See accompanying notes.

South Central Community Action Programs, Inc.

Statement of Cash Flows (continued)

	Years Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,396,821	\$ 1,314,200
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	126,629	126,987
(Gain) loss on disposal of property and equipment	6,284	(3,003)
Unrealized and realized (gain) loss on investments	4,480	(5,172)
Change in interest in net assets of a community foundation	32,187	(9,292)
Forgiveness of notes payable	-	(679,800)
In-kind contributions - donated securities	(15,359)	-
In-kind contributions - donated property and equipment	(93,630)	-
Proceeds from sale of donated securities	15,359	-
Restricted contributions - property and equipment	(257,511)	-
Restricted contributions - endowment	(211,497)	-
(Increase) decrease in assets		
Accounts receivable	(660,551)	(369,036)
Prepaid expenses	36,581	(6,427)
Inventory	23,120	(3,223)
Increase (decrease) in liabilities		
Accounts payable	(14,792)	76,445
Accrued expenses	4,195	10,938
Accrued payroll	28,586	(132,951)
Accrued payroll taxes	1,789	(9,142)
Due to state government	-	(4,415)
Security deposits	50	450
Deferred income and advance payable	(1,050,756)	1,876,502
Net Cash Provided by (Used in) Operating Activities	\$ (628,015)	\$ 2,183,061

Supplementary Schedule of Noncash Investing and Financing Activities**In 2021**

Equipment valued at \$4,373 was financed by a capital lease.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 - Nature of Operations

South Central Community Action Programs, Inc. (SCCAP) (a Pennsylvania nonprofit corporation) is a centralized organization, which receives and administers grants from federal, state, and local sources in South Central Pennsylvania. The major categories of services provided are as follows:

- Subsidized day care assistance
- Weatherization for homeowners, renters, and assistance in conservation related to utility and heating bills
- Emergency services including food, shelter, and rental assistance
- Nutritional information and health care referrals for women and children under the age of five
- Administration, coordination, development, and implementation of programs and processes that meet the needs of low-income individuals

SCCAP's primary sources of support and revenue are grants and contributions.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at outstanding balances. SCCAP considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Note 2 - Summary of Significant Accounting Policies (continued)

Promises to Give

Promises to give are stated at outstanding balances. Promises to give are recognized when SCCAP is notified of the promises. SCCAP considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off promises to give are recorded when received.

As of June 30, 2022 promises to give consist of endowment gifts that SCCAP expects to receive during the year ended June 30, 2023.

Inventory

SCCAP values its inventory using the average cost method. Inventory includes parts and supplies used by the weatherization program, materials on the job site, and food purchases and donations used by the food pantries.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

Interest in Net Assets of a Community Foundation

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation.

Property and Equipment

SCCAP capitalizes all expenditures for property and equipment at cost. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter, as follows: buildings, ten to forty years; and equipment, five to ten years. Construction-in-progress is not depreciated until the assets are placed in service.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions, 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 support with donor restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

In some cases, the government will fund fixed asset purchases to be used in conjunction with government-funded programs. These fixed assets are capitalized at cost and depreciated using the straight-line method over the estimated useful life. The government could require that these assets be returned to them at the cessation of the program or denial of a contract up for renewal.

SCCAP's policy is to capitalize property and equipment expenditures of \$1,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discounted rates reflecting varying degrees of perceived risk. The management of SCCAP concluded that no impairment adjustments were required during the years ended June 30, 2022 and 2021.

Net Assets

Net assets of SCCAP and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of SCCAP and/or the passage of time or must be maintained permanently by SCCAP.

Revenue Recognition

Contributions

SCCAP recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, SCCAP reports the support as without donor restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Grants

Grant revenue deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

SCCAP also receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

Donated or Contributed Investments, Services, or Materials

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

Functional Expense Classification

The cost of providing SCCAP's various programs and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort or on the basis of square footage.

Advertising Expense

SCCAP expenses advertising costs as incurred. For the years ended June 30, 2022 and 2021, advertising expense amounted to \$10,404 and \$21,358, respectively.

Change in Accounting Principles

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU requires disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. During the year ended June 30, 2022, SCCAP implemented the provisions of this standard.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10 and 2020-05. The guidance in these ASUs supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. SCCAP is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 3 - Tax-Exempt Status

SCCAP is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from income taxes on related activities pursuant to 509(a) of the Code. In addition, they were organized under the Pennsylvania Nonprofit Corporation Law and are exempt from state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by SCCAP, including whether the entity is exempt from income taxes. Management has evaluated the tax positions taken and concluded that SCAAP had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, SCCAP is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before June 30, 2019.

Note 4 - In-Kind Contributions

In-kind contributions meeting the requirements for recognition in the statement of activities consist of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Food	\$ 1,422,515	\$ 1,680,881
Supplies	117,562	1,064,389
Donated property and equipment	93,630	-
Donated securities	15,359	-
	<u>\$ 1,649,066</u>	<u>\$ 2,745,270</u>

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 4 - In-Kind Contributions (continued)

Contributed food recognized is comprised of donations of food to be used primarily for distribution in SCCAP's food pantries. There are no associated donor restrictions related to the donations. Contributed food is reported at the estimated fair value based on the value that would be paid to purchase similar products.

Contributed supplies recognized is comprised of donations of miscellaneous supplies, including household items, office supplies, and clothing to be used for various programs and supporting services. There are no associated donor restrictions related to the donations. Contributed supplies are reported at the estimated fair value based on the value that would be paid to purchase similar products.

Donated property and equipment recognized are comprised of donations of equipment, including a new shed and walk-in cooler, to be used for various program services. There are no associated donor restrictions related to the donations. In valuing the contributed property and equipment, SCCAP estimated the fair value on the basis of comparable sales prices.

Contributed securities are valued at market value on the date contributed. There are no associated donor restrictions related to contributed securities. Fair value was based on quoted market prices for the identical securities. It is SCCAP's policy to sell contributed securities immediately upon receipt.

Additionally, during the years ended June 30, 2022 and 2021, a substantial number of individual volunteers and businesses have donated significant amounts of time to SCCAP's programs and supporting services. These services do not meet the criteria for recognition as contributed services and are not reflected on the accompanying financial statements.

Note 5 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the statement of financial position, comprise the following as of June 30:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash	\$ 1,448,004	\$ 2,563,546
Accounts receivable	1,892,586	1,074,524
Promises to give	16,000	-
Investments	52,846	64,561
Restricted cash	116,736	-
Total Financial Assets	<u>3,526,172</u>	<u>3,702,631</u>

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 5 - Liquidity and Availability (continued)

	<u>2022</u>	<u>2021</u>
Less Amounts that are Internally Designated or Externally Restricted		
External restrictions		
Cash subject to donor restrictions	\$ (116,736)	\$ -
Promises to give subject to donor restrictions	(16,000)	-
	<u>(132,736)</u>	<u>-</u>
Total Amounts Not Available to be Used Within One Year		
	<u>(132,736)</u>	<u>-</u>
Financial Assets Available to be Used Within One Year		
	<u>\$ 3,393,436</u>	<u>\$ 3,702,631</u>

As part of SCCAP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The SCCAP's endowment consists of a donor-restricted endowment fund and funds designated by the Board of Directors to function as an endowment. The donor-restricted endowment is subject to an annual spending rate. The Board of Directors approves annual disbursements from the fund. Disbursements from the donor-restricted endowment fund are available for general expenditures. The board-designated endowment is also subject to an annual spending rate. The Board of Directors approves annual disbursements from the fund on a specific need basis. Endowment assets are included in interest in net assets of a community foundation on the statement of financial position.

SCCAP also has a line of credit available to meet short-term needs (refer to Note 9).

Note 6 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

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

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 6 - Fair Value of Financial Instruments (continued)

The following valuation techniques were used to measure fair value of assets in the table below on a recurring basis as of June 30:

Cash and cash equivalents and certificates of deposit - The carrying amount approximates fair value because of the short-term nature of these investments.

Mutual funds - Fair value of mutual funds is based on quoted market prices for the identical securities.

Interest in net assets of a community foundation - Fair value of the interest in net assets of a community foundation is based on SCCAP's ownership interest of the fund. The fund assets were valued based on quoted market prices for identical securities, with SCCAP's ownership interest determined by the community foundation.

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 SCCAP believes its valuation methods 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.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following as of June 30:

	2022			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 5,356	\$ 5,356	\$ -	\$ -
Certificate of Deposit	7,078	7,078	-	-
Mutual Funds				
Fixed income	40,412	40,412	-	-
Total Investments	<u>\$ 52,846</u>	<u>\$ 52,846</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in Net Assets of a Community Foundation	<u>\$ 199,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,623</u>

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 6 - Fair Value of Financial Instruments (continued)

	2021			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 14,992	\$ 14,992	\$ -	\$ -
Certificate of Deposit	7,076	7,076	-	-
Mutual Funds				
Fixed income	42,493	42,493	-	-
Total Investments	<u>\$ 64,561</u>	<u>\$ 64,561</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in Net Assets of a Community Foundation	<u>\$ 43,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,910</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

We evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended June 30, 2022 and 2021, there were no transfers in or out of Level 3.

Note 7 - Investments

The cost, gross unrealized gains and losses, and fair value of investments consist of the following as of June 30:

	2022			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 5,356	\$ -	\$ -	\$ 5,356
Certificate of Deposit	7,078	-	-	7,078
Mutual Funds				
Fixed income	52,521	-	(12,109)	40,412
	<u>\$ 64,955</u>	<u>\$ -</u>	<u>\$ (12,109)</u>	<u>\$ 52,846</u>

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 7 - Investments (continued)

	2021			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 14,992	\$ -	\$ -	\$ 14,992
Certificate of Deposit	7,076	-	-	7,076
Mutual Funds				
Fixed income	50,122	-	(7,629)	42,493
	<u>\$ 72,190</u>	<u>\$ -</u>	<u>\$ (7,629)</u>	<u>\$ 64,561</u>

Long-term investments held as of June 30, 2022 and 2021 are comprised of investments in cash and cash equivalents, certificate of deposit, and mutual funds. SCCAP has recorded total unrealized holding losses on one of these securities as of June 30, 2022 and 2021. The following tables show the investment's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual security has been in a continuous unrealized loss position as of June 30:

	2022					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual Funds						
Fixed income	\$ -	\$ -	\$ 40,412	\$ (12,109)	\$ 40,412	\$ (12,109)

	2021					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual Funds						
Fixed income	\$ -	\$ -	\$ 42,493	\$ (7,629)	\$ 42,493	\$ (7,629)

Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Note 8 - Interest in Net Assets of a Community Foundation

SCCAP is the beneficiary of an agency endowment fund of the Adams County Community Foundation (the Foundation), a community foundation. The Foundation maintains variance power over distributions from the fund. As beneficiary, SCCAP is entitled to distributions from the fund, based upon the Foundation's spending policy.

The agency endowment fund created by SCCAP at the Foundation is reflected in the statement of financial position as interest in net assets of a community foundation. Through June 30, 2022 and 2021, SCCAP has contributed \$214,100 and \$26,200, respectively, to the fund. Contributions are at the discretion of the Board of Directors of SCCAP.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 8 - Interest in Net Assets of a Community Foundation (continued)

In addition to the agency endowment fund, contributions made by third parties directly to the Foundation created a designated endowment fund, which is not an asset of SCCAP, and is not reflected in the statement of financial position. The Foundation maintains variance power over this designated endowment fund. SCCAP receives information on the value of the funds on an annual basis. As of June 30, 2022 and 2021, the balance of Foundation fund in which SCCAP is currently designated by the contributor as the beneficiary amounted to \$397,970 and \$78,544, respectively, which includes accumulated investment earnings in excess of annual distributions and fees.

Note 9 - Line of Credit

SCCAP has a business line of credit, which provides for borrowings up to \$1,250,000. Interest is charged at the bank's prime rate, which was 4.75% and 3.25% as of June 30, 2022 and 2021, respectively. The line of credit is uncollateralized. There were no borrowings on the line of credit as of June 30, 2022 and 2021.

Note 10 - Notes Payable

Notes payable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Mortgage payable to a bank; monthly payments of \$1,447 including principal and interest for 59 months followed by one balloon payment of remaining principal in February 2016; loan was amended in February 2016 and May 2021; under amended terms, monthly payments of \$772 including principal and interest for 59 months followed by one balloon payment of remaining principal in April 2026; under the amendment terms, interest payable at fixed rate of 2.96%; collateralized by land and building at 153 North Stratton Street, Gettysburg, Pennsylvania	\$ 133,169	\$ 138,337
Loan payable to the County of Adams; monthly principal and interest payments of \$588; interest payable at fixed rate of 1.00%; uncollateralized; matures October 2024	16,200	23,614
Note payable to a bank; monthly payments of \$432 including principal and interest for 60 months; interest payable at fixed rate of 4.80%; collateralized by vehicle purchased; matures February 2025	12,927	17,359
Note payable to a bank; monthly payments of \$470 including principal and interest for 60 months; interest payable at fixed rate of 5.05%; collateralized by vehicle purchased; matures February 2024	8,978	12,511

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 10 - Notes Payable (continued)

	<u>2022</u>	<u>2021</u>
Mortgage payable to a bank; monthly payments of \$298 including principal and interest; interest payable at 6.25% for five years and at the bank's prime rate thereafter; interest as of June 30, 2022 and 2021 was 4.75% and 3.25%, respectively; collateralized by land and building at 169 North Stratton Street, Gettysburg, Pennsylvania; matures September 2023	\$ 4,855	\$ 7,866
	176,129	199,687
Current maturities	<u>(25,761)</u>	<u>(24,938)</u>
	<u>\$ 150,368</u>	<u>\$ 174,749</u>

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 18). SCCAP applied for a loan under this Program and received from PNC Bank, a loan in the amount of \$679,800 on April 15, 2020. The loan was forgivable if SCCAP met certain criteria as established under the Program. On March 30, 2021 SCCAP was notified by their bank that the loan had been forgiven in full by the Small Business Administration. Forgiveness of notes payable for the year ended June 30, 2021 is included in grant income in the statement of activities.

Future minimum maturities of notes payable, assuming no changes in current terms, consist of the following for the remaining four years ending June 30:

2023	\$ 25,761
2024	22,470
2025	11,399
2026	<u>116,499</u>
	<u>\$ 176,129</u>

Note 11 - Obligations under Capital Leases

SCCAP rents office equipment under several different capital lease agreements. The leases require monthly payments ranging from \$141 to \$1,011.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 11 - Obligations under Capital Leases (continued)

The net book value of equipment under the capital lease obligations consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Equipment under capital leases, at cost	\$ 32,684	\$ 32,684
Accumulated amortization	<u>(24,779)</u>	<u>(17,980)</u>
	<u>\$ 7,905</u>	<u>\$ 14,704</u>
Amortization expense	<u>\$ 6,799</u>	<u>\$ 17,321</u>

Future minimum lease payments, assuming no change in current terms, consist of the following for the remaining three years ending June 30:

2023	\$ 6,791
2024	3,637
2025	<u>1,005</u>
	11,433
Amount representing interest	<u>(681)</u>
	<u>\$ 10,752</u>
Current portion	\$ 6,286
Noncurrent portion	<u>4,466</u>
	<u>\$ 10,752</u>

Note 12 - Endowments

The SCCAP's endowments include both a donor-restricted endowment fund and funds designated by the Board of Directors to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 12 - Endowments (continued)

Interpretation of Relevant Law

The Board of Directors of SCCAP has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the SCCAP classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the SCCAP considers the following factors in making a determination to accumulate or appropriate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of SCCAP's and the donor-restricted endowment funds
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of SCCAP
- 7) The investment policies of SCCAP

The following schedule represents the endowment net asset composition by type of endowment fund as of June 30:

	<u>2022</u>	<u>2021</u>
Endowment funds without donor restrictions	\$ 38,737	\$ -
Endowment funds with donor restrictions	<u>184,483</u>	<u>-</u>
	<u>\$ 223,220</u>	<u>\$ -</u>

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 12 - Endowments (continued)

Interpretation of Relevant Law (continued)

The following schedule represents the changes in endowment net assets for the years ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning	\$ -	\$ -	\$ -
 Establish Board-Designated Endowment	43,910	-	43,910
 Contributions	-	211,497	211,497
 Investment Return			
Net depreciation (realized and unrealized)	(4,852)	(25,794)	(30,646)
 Distributions	<u>(321)</u>	<u>(1,220)</u>	<u>(1,541)</u>
Endowment Net Assets, Ending	<u>\$ 38,737</u>	<u>\$ 184,483</u>	<u>\$ 223,220</u>

Funds with Deficiencies

The relevant state law has no requirement to restore permanent fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absence of donor stipulations or laws to the contrary. SCCAP has interpreted state law to allow spending of the original principal with no requirement to restore fund deficiencies to the original value. As such, SCCAP has no underwater endowments as of June 30, 2022 and 2021. Any fund deficiencies are reported as reductions to net assets with donor restrictions.

Return Objectives and Endowment Spending Policy

SCCAP's overall investment objective is to provide for current programming or operating expenses, while preserving the endowment's long-term value. SCCAP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board of Directors approves annual disbursements from the funds on a specific need basis.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 13 - Net Assets without Donor Restrictions

SCCAP's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 3,535,574	\$ 2,471,112
Internal designations		
Endowment	<u>38,737</u>	<u>-</u>
	<u>\$ 3,574,311</u>	<u>\$ 2,471,112</u>

Note 14 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose		
Restricted cash - building improvements	\$ 100,000	\$ -
Restricted cash - food	7,749	-
Restricted cash - other client assistance	1,390	-
Perpetual in nature		
Endowment	160,886	-
Promises to give - endowment	16,000	-
Restricted cash - endowment	<u>7,597</u>	<u>-</u>
	<u>\$ 293,622</u>	<u>\$ -</u>

Note 15 - Commitment

SCCAP leases a number of buildings in Adams County and Franklin County. All leases are either annual or month-to-month except for three leases that are long-term. These leases expire within one to five years. SCCAP also leases various office equipment. All leases are also one to five-year agreements.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 15 - Commitment (continued)

Future minimum lease payments, assuming no change in current terms, consist of the following for the remaining five years ending June 30:

	<u>Buildings</u>	<u>Equipment Operating Leases</u>	<u>Total</u>
2023	\$ 182,831	\$ 6,752	\$ 189,583
2024	183,954	1,272	185,226
2025	179,210	954	180,164
2026	162,583	-	162,583
2027	40,846	-	40,846
	<u>\$ 749,424</u>	<u>\$ 8,978</u>	<u>\$ 758,402</u>

All leases can be canceled by SCCAP should the funding grants not be renewed.

Note 16 - Major Customer and Credit Risk Concentration

SCCAP's contracts are generally with government agencies and a majority of its revenue is derived from these sources. For the years ended June 30, 2022 and 2021, 80% and 56%, respectively, of total support and revenue recognized by SCCAP was attributed to federal monetary sources. Without this support, SCCAP's ability to provide program services at their current capacity would be significantly reduced. Additionally, these programs are subject to program compliance audits by the grantors or their respective oversight agencies. SCCAP is potentially liable for any expenses, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenses.

At times during the years ended June 30, 2022 and 2021, SCCAP's cash balances may have exceeded the federally insured limit of \$250,000.

Note 17 - Retirement Plan

SCCAP sponsors a 401(k) retirement plan for their employees. Employees are eligible to participate after one year of service and attaining the age of 18. Under the terms of the plan, employees are entitled to contribute up to the maximum amount permitted by law. Annually, SCCAP contributes 3% of each eligible employee's eligible compensation to the plan. Contributions to the plan for the years ended June 30, 2022 and 2021 amounted to \$90,849 and \$94,949, respectively.

South Central Community Action Programs, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 18 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which SCCAP operates. It is unknown how long these conditions will last and what the complete financial effect will be to SCCAP.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 19 - Reclassifications

Certain information in the 2021 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2022 financial statements. There was no change to total changes in net assets or total net assets

Note 20 - Subsequent Events

SCCAP has evaluated subsequent events through December 21, 2022. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2022 were noted.

**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
South Central Community Action Programs, Inc.
Gettysburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Central Community Action Programs, Inc. (SCCAP), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2022

Report on Internal Control over Financial Reporting

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

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

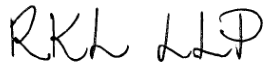
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

December 21, 2022
York, Pennsylvania

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
South Central Community Action Programs, Inc.
Gettysburg, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Community Action Program, Inc.'s (SCCAP) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of SCCAP's major federal programs for the year ended June 30, 2022. SCCAP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SCCAP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SCCAP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of SCCAP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SCCAP's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

RKL LLP

December 21, 2022
York, Pennsylvania

South Central Community Action Programs, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Lising Number	Pass-Through Grantor's #	Accrued (Deferred) Revenue as of July 1, 2021	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2022
U.S. Department of Agriculture						
Supplemental Nutrition Assistance Program (SNAP) Cluster						
Pass-Through Programs from						
Center for Community Action (Passed through from Pennsylvania						
Department of Human Services)						
State Administrative Matching Grants for the Supplemental						
Nutrition Assistance Program						
	10.561	DC18065329	\$ 9	\$ 9	\$ -	\$ -
Total Supplemental Nutrition Assistance Program (SNAP) Cluster			<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>
Food Distribution Cluster						
Pass-Through Programs from						
Pennsylvania Department of Agriculture						
Emergency Food Assistance Program						
	10.568	4100086614	-	4,934	4,934	-
Emergency Food Assistance Program						
	10.568	4100086617	-	2,462	2,462	-
Adams County, Pennsylvania (Passed through from Pennsylvania						
Department of Agriculture)						
Emergency Food Assistance Program						
(Administrative Costs)						
	10.568	ME #446347	996	23,087	22,091	-
(Food Commodities)						
	10.569	ME #446347	-	46,341	46,341	-
Franklin County, Pennsylvania (Passed through from Pennsylvania						
Department of Agriculture)						
Emergency Food Assistance Program						
(Administrative Costs)						
	10.568	ME #44155085	2,801	36,199	34,401	1,003
(Food Commodities)						
	10.569	ME #446355	-	62,456	62,456	-
Total Food Distribution Cluster			<u>3,797</u>	<u>175,479</u>	<u>172,685</u>	<u>1,003</u>
Other Programs						
Pass-Through Programs from						
Pennsylvania Department of Health						
Special Supplemental Nutrition Program for Women,						
Infants, and Children (WIC)						
	10.557	4100077849	199,478	1,334,591	1,384,444	249,331
Pennsylvania Department of Agriculture						
WIC Farmers' Market Nutrition Program (FMNP)						
	10.572	ME #44176162	-	6,610	6,610	-
Total Other Programs			<u>199,478</u>	<u>1,341,201</u>	<u>1,391,054</u>	<u>249,331</u>
Total U.S. Department of Agriculture			<u>203,284</u>	<u>1,516,689</u>	<u>1,563,739</u>	<u>250,334</u>

South Central Community Action Programs, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Lising Number	Pass-Through Grantor's #	Accrued (Deferred) Revenue as of July 1, 2021	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2022
U.S. Department of Housing and Urban Development						
CDBG - Entitlement Grants Cluster						
Pass-Through Programs from						
Franklin County, Pennsylvania (Passed through from Pennsylvania						
Department of Community and Economic Development)						
COVID-19 Community Development Block Grants						
	14.218	2020 CDBG-CV	\$ 8,523	\$ 21,844	\$ 14,726	\$ 1,405
Total CDBG - Entitlement Grants Cluster			8,523	21,844	14,726	1,405
Other Programs						
Pass-Through Programs from						
Adams County, Pennsylvania (Passed through from Pennsylvania						
Department of Community and Economic Development)						
COVID-19 Emergency Solutions Grant Program						
	14.231	C000074136	56,024	136,521	198,639	118,142
Franklin County, Pennsylvania (Passed through from Pennsylvania						
Department of Community and Economic Development)						
Emergency Solutions Grant Program						
	14.231	C000074225	29,090	94,961	65,871	-
Emergency Solutions Grant Program						
	14.231	C000072751	132	132	-	-
COVID-19 Emergency Solutions Grant Program						
	14.231	C000074154	4,784	177,492	241,904	69,196
Total Other Programs			90,030	409,106	506,414	187,338
Total U.S. Department of Housing and Urban Development			98,553	430,950	521,140	188,743
U.S. Department of the Treasury						
Pass-Through Programs from						
Adams County, Pennsylvania (Passed through from Pennsylvania						
Department of Human Services)						
Emergency Rental Assistance Program						
	21.023	2430111169	(1,578,962)	3,000,000	4,235,864	(343,098)
Emergency Rental Assistance Program						
	21.023	2430111177	-	1,000,000	297,798	(702,202)
Franklin County, Pennsylvania (Passed through from Pennsylvania						
Department of Human Services)						
Emergency Rental Assistance Program						
	21.023	094201 SCCAP	(517,540)	6,000,000	6,517,094	(446)
Emergency Rental Assistance Program						
	21.023	094201 SCCAP	-	4,039,275	4,240,741	201,466
Total U.S. Department of the Treasury			(2,096,502)	14,039,275	15,291,497	(844,280)

South Central Community Action Programs, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Lising Number	Pass-Through Grantor's #	Accrued (Deferred) Revenue as of July 1, 2021	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2022
U.S. Department of Energy						
Pass-Through Programs from Pennsylvania Department of Community and Economic Development Weatherization Assistance for Low-Income Persons	81.042	C000066300	\$ 102,021	\$ 398,907	\$ 539,922	\$ 243,036
Total U.S. Department of Energy			<u>102,021</u>	<u>398,907</u>	<u>539,922</u>	<u>243,036</u>
U.S. Department of Health and Human Services						
Child Care Development Fund (CCDF) Cluster						
Pass-Through Programs from Center for Community Action (Passed through from Pennsylvania Department of Human Services) Child Care and Development Block Grant	93.575	DC18065329	\$ 14,333	\$ 228,105	\$ 258,929	\$ 45,157
Child Care Consultants, Inc. (Passed through from Pennsylvania Department of Human Services) Child Care and Development Block Grant	93.575	DC18105336	22,057	133,125	149,814	38,746
Berks County, Pennsylvania (Passed through from Pennsylvania Department of Human Services) Child Care and Development Block Grant	93.575	06-4100070188	8,989	8,989	-	-
Child Care and Development Block Grant	93.575	05-4100085687	-	67,695	78,218	10,523
Center for Community Action (Passed through from Pennsylvania Department of Human Services) Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DC18065329	7,983	17,595	13,095	3,483
Total Child Care Development Fund (CCDF) Cluster			<u>53,362</u>	<u>455,509</u>	<u>500,056</u>	<u>97,909</u>

South Central Community Action Programs, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Lising Number	Pass-Through Grantor's #	Accrued (Deferred) Revenue as of July 1, 2021	Federal Funds Received	Expenditures	Accrued (Deferred) Revenue as of June 30, 2022
U.S. Department of Health and Human Services (continued)						
Other Programs						
Pass-Through Programs from						
Pennsylvania Department of Community and Economic Development						
COVID-19 Low-Income Home Energy Assistance	93.568	C000061674	\$ 1,662	\$ 1,662	\$ -	\$ -
Low-Income Home Energy Assistance	93.568	C000061674	16,559	16,559	-	-
COVID-19 Low-Income Home Energy Assistance	93.568	C000073874	-	496,755	821,966	325,211
Low-Income Home Energy Assistance	93.568	C000073874	43,683	249,789	206,106	-
Total Low-Income Home Energy Assistance			61,904	764,765	1,028,072	325,211
COVID - 19 Community Services Block Grant	93.569	C000066920	86,328	159,598	177,210	103,940
Community Services Block Grant	93.569	C000066920	40,940	390,868	349,928	-
Community Services Block Grant	93.569	C000081863	-	-	26,443	26,443
Total Community Services Block Grant			127,268	550,466	553,581	130,383
Center for Community Action (Passed through from Pennsylvania Department of Human Services)						
Every Student Succeeds Act/Preschool Development Grants	93.434	DC18065329	350	350	-	-
Temporary Assistance for Needy Families	93.558	DC18065329	2,295	6,222	5,159	1,232
Social Services Block Grant	93.667	DC18065329	2,160	6,205	5,273	1,228
			4,805	12,777	10,432	2,460
Total Other Programs			193,977	1,328,008	1,592,085	458,054
Total U.S. Department of Health and Human Services			247,339	1,783,517	2,092,141	555,963
U.S. Department of Homeland Security						
Pass-Through Programs from						
United Way of America						
Emergency Food and Shelter National Board Program	97.024	725000-001 PH 37	-	5,000	5,000	-
Emergency Food and Shelter National Board Program	97.024	725000-001 PH 38	-	11,200	11,200	-
COVID-19 Emergency Food and Shelter National Board Program	97.024	725000-001 PH CARES	5,363	6,600	1,237	-
Total U.S. Department of Homeland Security			5,363	22,800	17,437	-
Total Expenditures of Federal Awards			\$ (1,439,942)	\$ 18,192,138	\$ 20,025,876	\$ 393,796

South Central Community Action Programs, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of South Central Community Action Programs, Inc. (SCCAP) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SCCAP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SCCAP.

Note 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 contained in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

SCCAP has elected not to use the ten-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Non-Monetary Assistance

Non-monetary assistance expenditures reported in the Schedule at fair market value consisted of the following for the year ended June 30:

	<u>2022</u>
10.569 Food Commodities	<u>\$ 108,797</u>

In addition for the year ended June 30, 2022, SCCAP's value of food vouchers attributable to their clients for the Women, Infant, and Children's Program (10.557) was \$1,866,866. This amount was not included on the Schedule since the Commonwealth of Pennsylvania is responsible for these funds.

South Central Community Action Programs, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

21.023

Emergency Rental Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

yes no

South Central Community Action Programs, Inc.

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2022

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.

South Central Community Action Programs, Inc.

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2022

Section II - Financial Statement Findings Related to June 30, 2021

No findings are reported.

Section III - Federal Award Findings and Questioned Costs Related to June 30, 2021

No findings are reported.