

**Southeastern Idaho Community  
Action Agency, Inc. and Affiliates**

Pocatello, Idaho

Consolidated Financial Statements and  
Supplementary Information  
Year Ended December 31, 2018

# **Southeastern Idaho Community Action Agency, Inc. and Affiliates**

Consolidated Financial Statements and Supplementary Information  
Year Ended December 31, 2018

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## **Independent Auditor's Report**

Board of Directors  
Southeastern Idaho Community Action Agency, Inc.  
Pocatello, Idaho

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

We have audited the accompanying consolidated financial statements of Southeastern Idaho Community Action Agency, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of SEICAA Housing 1, Inc., a subsidiary of Southeastern Idaho Community Action Agency, Inc., was not audited in accordance with *Government Auditing Standards* as this entity did not receive federal funding.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southeastern Idaho Community Action Agency, Inc. and Affiliates as of December 31, 2018, and the changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, Southeastern Idaho Community Action Agency, Inc. and Affiliates adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended December 31, 2018.

## **Other Matters**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, Schedule A, 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 consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 September 18, 2019, on our consideration of Southeastern Idaho Community Action Agency, Inc.'s and St. Anthony Place, LLC'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 Southeastern Idaho Community Action Agency's and St. Anthony Place, LLC'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* considering Southeastern Idaho Community Action Agency, Inc.'s and St. Anthony Place, LLC's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

September 18, 2019  
Madison, Wisconsin

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Consolidated Statement of Financial Position

December 31, 2018

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$1,009,370
Grants receivable	186,404
Other accounts receivable	2,153
Prepaid expense	28,555
Total current assets	1,226,482
Other assets:	
Escrow and reserve accounts	735,722
Self help notes receivable	658,340
Property held for sale	373,320
Total other assets	1,767,382
Property and equipment, net	3,373,756
<b>TOTAL ASSETS</b>	<b>\$ 6,367,620</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of long-term debt	\$ 125,464
Accounts payable	219,771
Accrued payroll and related expenses	53,704
Accrued interest	18,708
Total current liabilities	417,647
Long-term liabilities:	
Security deposits	41,259
Notes payable, net	4,394,817
Total long-term liabilities	4,436,076
Total liabilities	4,853,723
Net assets:	
Without donor restriction	1,511,619
With donor restriction	2,278
Total net assets	1,513,897
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,367,620</b>

See accompanying notes to consolidated financial statements.

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Consolidated Statement of Activities Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue:</b>			
Grant revenue	\$ 2,160,325	\$ 0	\$ 2,160,325
Housing assistance	584,238	0	584,238
Tenant rent	546,211	0	546,211
Program and other income	1,470,368	0	1,470,368
Donations	127,284	0	127,284
Interest income	11,749	0	11,749
Net assets released from restrictions	9,876	( 9,876)	0
<b>Total revenue</b>	<b>4,910,051</b>	<b>( 9,876)</b>	<b>4,900,175</b>
<b>Expenses:</b>			
Community services	969,568	0	969,568
Weatherization assistance	841,896	0	841,896
Senior services	480,683	0	480,683
Housing programs	1,898,403	0	1,898,403
Total program activities	4,190,550	0	4,190,550
Management and general	396,655	0	396,655
Fundraising	23,990	0	23,990
<b>Total expenses</b>	<b>4,611,195</b>	<b>0</b>	<b>4,611,195</b>
Change in net assets	298,856	( 9,876)	288,980
Net assets - Beginning of year	1,212,763	12,154	1,224,917
<b>Net assets - End of year</b>	<b>\$ 1,511,619</b>	<b>\$ 2,278</b>	<b>\$ 1,513,897</b>

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Consolidated Statement of Functional Expenses Year Ended December 31, 2018

	Weatherization								
	Community	and Energy	Senior	Housing	Total	Management			Total
	Services	Assistance	Services	Programs	Program	and General	Fundraising		
Expense:									
Salaries and fringe benefits	\$ 378,078	\$ 351,245	\$ 140,572	\$ 244,095	\$ 1,113,990	\$ 334,846	\$ 1,358	\$	\$ 1,450,194
Professional fees	17,030	8,990	5,229	12,319	43,568	9,070	0		52,638
Client assistance	357,287	277,499	273,260	89,173	997,219	0	0		997,219
Contracted services	4,340	92,643	0	613,050	710,033	0	0		710,033
Travel and training	25,901	15,951	21,285	2,966	66,103	13,127	0		79,230
Insurance	10,620	20,309	4,722	112,468	148,119	11,019	0		159,138
Office expense	3,196	602	1,286	19,014	24,098	1,378	0		25,476
Dues and subscriptions	9,288	421	1,198	32,890	43,797	3,577	0		47,374
Space and storage	46,160	17,175	3,235	6,065	72,635	6,402	0		79,037
Equipment	10,753	230	4,982	306	16,271	1,924	0		18,195
Supplies	19,448	23,824	0	774	44,046	5,797	13,171		63,014
Utilities	27,055	9,113	4,155	165,295	205,618	4,745	1,218		211,581
Operating and maintenance	51,136	17,576	12,924	66,764	148,400	( 18,294)	0		130,106
Depreciation	4,994	5,980	4,531	239,545	255,050	28,289	0		283,339
Interest	0	0	0	230,653	230,653	0	0		230,653
Other	4,282	338	3,304	63,026	70,950	( 5,225)	8,243		73,968
<b>Total expense</b>	<b>\$ 969,568</b>	<b>\$ 841,896</b>	<b>\$ 480,683</b>	<b>\$ 1,898,403</b>	<b>\$ 4,190,550</b>	<b>\$ 396,655</b>	<b>\$ 23,990</b>	<b>\$</b>	<b>\$ 4,611,195</b>

See accompanying notes to consolidated financial statements.

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Consolidated Statement of Cash Flows Year Ended December 31, 2018

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Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets	\$	288,980
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Adjustments to reconcile change in unrestricted net assets  
to net cash provided by operating activities:

Depreciation		283,339
Amortization of debt finance costs		5,194
Loans forgiven	(	195,000)
Changes in operating assets and liabilities:		
Grants receivable		145,211
Other accounts receivable		40,567
Land held for sale	(	49,672)
Prepaid expenses	(	28,555)
Accounts payable	(	86,048)
Accrued payroll and related expenses	(	37,036)
Accrued interest	(	1)
Grant funds received in advance	(	6,324)
Security deposits		2,890

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Net cash provided by operating activities		363,545
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Cash flows from investing activities:

Loans receivable issued	(	89,980)
Purchase of land held for sale	(	215,000)
Proceeds from sale of land held for sale		98,387
Loans receivable collected		37,670
Deposits to escrows and reserves	(	92,697)
Purchase of property and equipment	(	65,872)

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Net cash used in investing activities	(	327,492)
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# Southeastern Idaho Community Action Agency, Inc and Affiliates

## Consolidated Statement of Cash Flows (Continued)

Year Ended December 31, 2018

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Cash flows from financing activities:

Principal payments on notes payable ( 92,593)

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Net cash used in financing activities ( 92,593)

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Change in cash and cash equivalents ( 56,540)

Cash and cash equivalents - Beginning of year 1,065,910

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Cash and cash equivalents - End of year \$ 1,009,370

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**Other cash activity:**

Interest paid \$ 230,653

# **Southeastern Idaho Community Action Agency, Inc. and Affiliates**

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Operations**

Southeastern Idaho Community Action Agency, Inc. (SEICAA) is incorporated as an Idaho nonprofit corporation. It is recognized as a charitable organization under the Internal Revenue Code Section 501(c)(3) and files the annual information return Form 990.

SEICAA provides services to needy community members and the elderly through various advocacy and participant programs. The primary focus of the programs are advocacy, energy assistance to low-income families, weatherization programs, health and welfare services to the elderly, and affordable housing.

SEICAA's program services can be broadly defined into four functional areas:

- Community Services—programs providing benefits to the less fortunate members to the community.
- Weatherization and Energy Assistance—programs providing weatherization and energy assistance for qualifying persons. Approximately 51% of total grant funding is received under the Federal Low Income Home Energy Assistance Program.
- Housing—programs providing affordable housing in accordance with the U.S. Department of Housing and Urban Development (HUD), and Idaho Housing Authority (IHA) project guidelines.
- Senior Services—programs providing volunteer, meals on wheels, and other aging services to the elderly.

St. Anthony Place, LLC, HUD Project 124-EH019 (St. Anthony) is a wholly owned LLC of SEICAA. St. Anthony operates an 88-unit apartment complex in Pocatello, Idaho. St. Anthony is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

SEICAA Housing 1, Inc. (HUD Project 124-444010) operates a 24-unit apartment complex in Blackfoot, Idaho. SEICAA Housing 1, Inc. is a separate 501(c)(3) organization that is managed by SEICAA and has common board members with SEICAA.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of SEICAA, St. Anthony Place, LLC, and SEICAA Housing 1, Inc. (the "Organizations"). All intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

#### **Basis of Presentation**

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

# **Southeastern Idaho Community Action Agency, Inc. and Affiliates**

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Classification of Net Assets**

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

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions or where donor-imposed restrictions are met in the year of contribution.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources may be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of consolidated financial statement presentation, the Organizations include their checking, savings, and certain money accounts with an original maturity of 90 days or less as cash equivalents.

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organizations, that is, in substance, unconditional. Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

# **Southeastern Idaho Community Action Agency, Inc. and Affiliates**

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition (Continued)**

##### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

##### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Tenant rent and housing assistance revenue are recognized when earned.

#### **Other Accounts Receivable**

The Organizations record receivables related to services or housing provided. The Organizations evaluate the creditworthiness of the customers and establishes an allowance if necessary. At December 31, 2018, management has determined there is no need for an allowance.

#### **Property Held for Sale**

SEICAA owns land in conjunction with the self-help housing program that is held for sale. SEICAA assists families building homes by purchasing parcels of land to resell to program participants. Proceeds from the sale of land are used to offset program costs. The balance consists of land held for sale and construction costs for homes on the land.

#### **Property and Equipment**

Property and equipment are capitalized at cost and depreciated over their estimated useful life using the straight-line method. The Organizations consider property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Property and equipment acquired are owned by SEICAA while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds; therefore, the disposition of buildings or equipment, as well as the ownership of any proceeds therefrom, are subject to funding source regulations.

#### **Debt issuance costs**

Debt issuance costs represent costs associated with obtaining debt to finance the purchase and renovation of a building. Unamortized financing fees have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method.

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

SEICAA and SEICAA Housing 1, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. They are also exempt from Idaho franchise or income tax. St. Anthony Place, LLC is a disregarded entity for tax purposes and the activity and account balances are included on SEICAA's tax filings.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

#### **Cost Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

#### **Self Help Notes Receivable**

SEICAA has issued notes receivable to homeowners in the self help program. These loans are for 30 years and are forgiven if certain criteria is met. SEICAA anticipates that the homeowners will comply with the criteria and the loans will be forgiven. The balance of the loans receivable at December 31, 2018 was \$658,340.

#### **Change in Accounting Policy**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, and presentation of an analysis of expenses by function and by nature, among other changes. The guidance was adopted effective January 1, 2018.

#### **New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic companies for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### New Accounting Pronouncements (Continued)

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in the Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in the Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early adoption of the amendments in this Update is permitted. The Organization has not elected to early implement the amendments.

#### Subsequent Events

Subsequent events have been evaluated through September 18, 2019, which is the date the consolidated financial statements were available to be issued.

### Note 2: Concentration of Credit Risk

The Organizations maintain cash balances at several banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Bank balances at the financial institutions may exceed the FDIC limit on occasion. The Organizations have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

### Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of December 31, 2018:

Cash and cash equivalents	\$1,009,370
Grants receivable	186,404
Other accounts receivable	2,153
Subtotal financial assets	1,197,927
Less: Accounts payable	( 219,771)
Less: Accrued payroll and related expenses	( 53,704)
Less: Accrued interest	( 18,708)
Less: Board designated net assets	( 192,877)
Less: Restricted program contributions included in cash and cash equivalents	( 2,278)
<b>Total</b>	<b>\$ 710,589</b>

SEICAA does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately three to four months of operating expenses. SEICAA has grant commitments available for future expenses in the amount of \$550,000 as further described in Note 10.

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 4: Grants Receivable

The grants receivable balance at December 31, 2018 of \$186,404 consists primarily of amounts due under grants with state agencies.

### Note 5: Escrows and Reserves

Several housing projects are required to make periodic deposits to various reserve funds established to meet future commitments. Some of the funds are restricted and disbursements must be approved by the funding source. The escrows and reserves are as follows at December 31, 2018:

Tenant security deposits	\$ 39,140
Replacement reserves	525,589
Escrows	95,654
<u>Residual receipt reserves</u>	<u>75,339</u>
<u>Total escrows and reserves</u>	<u>\$ 735,722</u>

### Note 6: Property and Equipment

Property and equipment consist of the following at December 31, 2018:

Land	\$ 309,090
Buildings and improvements	7,779,769
Furniture and fixtures	43,434
<u>Equipment</u>	<u>749,045</u>
Subtotal	8,881,338
<u>Accumulated depreciation</u>	<u>( 5,507,582)</u>
<u>Property and equipment, net</u>	<u>\$ 3,373,756</u>

### Note 7: Notes Payable

The notes payable balance consist of the following at December 31, 2018:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Mortgage payable to Department of Housing and Urban Development in the original amount of \$3,643,800. Payable in monthly installments of \$22,643 including interest at 6.75%. The mortgage matures December 2043. Collateralized by St. Anthony Place housing complex.	52,093	3,225,198	3,277,291

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7: Notes Payable (Continued)

	Current	Long-Term	Total
Mortgage payable to Department of Housing and Urban Development in the original amount of \$585,321. Payments are deferred and interest is 0% until December 2043 when the first mortgage is paid. The contract does not specify what the interest rate will be nor over what maturity the payments will be made. Collateralized by St. Anthony Place housing complex.	0	514,638	514,638
Note payable to Idaho Housing and Finance Association. The original note was \$506,400. Payable in monthly installments of \$1,252 including interest of 1%. The mortgage matures January 2031. Collateralized by Fountain Court housing complex.	13,371	157,338	170,709
Note payable to Idaho Housing and Finance Association. The original note was \$325,499. Payments are deferred until January 2020 and interest is 0%. The note matures January 2045. Collateralized by Station 1938 housing complex.	0	325,499	325,499
SEICAA has entered into 8 contracts with Community Frameworks Self-Help Housing Opportunity Program for special purpose grants in the total amount of \$362,000. The funds may be used by SEICAA for a 10-year period provided certain requirements are met. At the end of 10 years, SEICAA may retain the funds without obligation to repay. No interest is required to be paid.	60,000	302,000	362,000
<b>Total notes payable</b>	<b>\$ 125,464</b>	<b>\$ 4,524,673</b>	<b>\$ 4,650,137</b>

Total notes payable net of debt issuance costs are as follows:

Total notes payable	\$ 4,650,137
Unamortized debt issuance costs	( 129,856)
<b>Current portion</b>	<b>( 125,464)</b>
<b>Total long term note payable, net</b>	<b>\$ 4,394,817</b>

The original cost of financing fees was \$181,798 and accumulated amortization at December 31, 2018 was \$51,942. Amortization of financing fees for the year ended December 31, 2018 were \$129,856. Interest expense, including amortization of financing fees, was \$230,653 for the year ended December 31, 2018.



# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 7: Notes Payable (Continued)

Future principal payments on notes payable at December 31, including those under refinanced terms, are as follows:

2019	\$ 125,464
2020	82,241
2021	86,261
2022	170,548
2023	613,779
Thereafter	3,571,844
<hr/>	
Total	\$ 4,650,137

### Note 8: Net Assets

Net assets with donor restrictions as of December 31, 2018 are \$2,278 related to the meals on wheels program.

The board of directors has designated net assets without donor restrictions for uses in the following programs:

Community services	\$ 137,099
Weatherization and energy assistance	26,710
Senior services	29,068
<hr/>	
Total	\$ 192,877

### Note 9: Retirement Plan

SEICAA has established a SIMPLE IRA Plan for all qualified employees. Qualified employees include all employees over 21 who have completed one full year of service with SEICAA and who have had earnings exceeding the minimum for SIMPLE plans as determined by IRS regulations. Each participating employee must contribute a minimum of 3% to receive a 3% match from SEICAA. Participants are fully vested when they qualify to participate in the plan. All contributions become the property of the employee or the designated beneficiary when the contributions are made. Employer contributions during the year totaled \$21,061.

### Note 10: Grant Awards

At December 31, 2018, SEICAA had received future funding commitments under various grants of approximately \$550,000. These commitments are not recognized in the accompanying consolidated financial statements as receivables and revenue as they are conditional awards.

### Note 11: Lessor Activity

SEICAA-owned projects are a mix of Transitional Housing projects and low-to-moderate income projects. Leases are all for one year or less. Rent is received from either the tenant or as housing assistance. Housing assistance revenue was \$584,238 and tenant rent was \$546,211 for the year ended December 31, 2018.

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 11: Lessor Activity (Continued)

A summary of the acquisition costs and accumulated depreciation on the above properties at December 31, 2018, is as follows:

Land	\$ 213,486
Buildings and improvements	6,445,680
Furniture	84,700
Equipment	117,916
Subtotal	6,861,782
Accumulated depreciation	( 4,579,167)
Net	\$ 2,282,615

# **Supplementary Information**

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# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Schedule A

### Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through Southeast Idaho Council of Governments</b>			
Nurtitional Program for the Elderly	10.U01	N/A	\$ 18,018
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Direct</b>			
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155	N/A	3,325,993
Operating Assistance for Troubled Multifamily Housing	14.164	N/A	514,638
Self-Help Homeownership Opportunity Program	14.247	N/A	572,000
<b>Passed through the Idaho Housing and Finance Association</b>			
Emergency Solutions Grant Program	14.231	ESG 18-17	64,612
Continuum of Care Program	14.267	COC 16-37 / 17-37	78,832
Lower Income Housing Assitance Program - Section 8 (Section 8 Project-Based Cluster)	14.856	N/A	584,238
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>5,140,313</b>
<b>DEPARTMENT OF ENERGY</b>			
<b>Passed through the State of Idaho</b>			
Weatherization Assistance for Low-Income Persons	81.042	DOE 516 / 517 BPA 518 / 519	242,762
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed through the Idaho Department of Health and Welfare</b>			
Low-Income Home Energy Assistance	93.568	LIHEAP 518 / 519 LPW 517 / 518 / 519	1,106,973
Community Services Block Grant	93.569	CSBG 518 / 519	303,724
<b>Passed through the Southeast Idaho Council of Governments</b>			
Nutrition Services (Aging Cluster)	93.045	N/A	142,191
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>1,552,888</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
<b>Direct</b>			
Retired Senior Volunteer Program	94.002	N/A	63,255

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Schedule A

### Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF HOME LAND SECURITY</b>			
<b>Direct</b>			
Emergency Food and Shelter National Board Programs	97.024	N/A	6,246
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 7,023,482</b>

**Notes to Schedule of Expenditures of Federal Awards**

**Note 1:** Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Southeastern Idaho Community Action Agency, Inc. under programs of the federal government for the year ended December 31, 2018. 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 Southeastern Idaho Community Action Agency, Inc., it is not intended to and does not present the financial position, changes in nets assets or cash flows of Southeastern Idaho Community Action Agency, Inc.

**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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3:** Indirect Cost Allocation - Southeastern Idaho Community Action Agency, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Southeastern Idaho Community Action Agency, Inc. has an indirect rate that has been approved by the U.S. Department of Health and Human Services (DHHS).

**Note 4:** Subrecipient - Southeastern Idaho Community Action Agency, Inc. does not have subrecipients or subrecipient expenditures.

**Note 5:** Balance of Outstanding Loans - The loan programs listed subsequently are administered directly by Southeastern Idaho Community Action Agency, Inc., and balances and transactions relating to the programs are included in Southeastern Idaho Community Action Agency, Inc.'s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2018, consists of:

Program Name	CFDA Number	Outstanding Balance at December 31, 2018
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155	3,277,291
Operating Assistance for Toubled Multifamily Housing	14.164	514,638
Self-Help Homeownership Opportunity Program	14.247	362,000



## **Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Southeastern Idaho Community Action Agency, Inc.  
Pocatello, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Southeastern Idaho Community Action Agency, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 18, 2019. The financial statements of SEICAA Housing 1, Inc., a subsidiary of Southeastern Idaho Community Action Agency, Inc., were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Southeastern Idaho Community Action Agency, Inc. and Affiliates’ 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeastern Idaho Community Action Agency, Inc. and Affiliates’ internal control. Accordingly, we do not express an opinion on the effectiveness of Southeastern Idaho Community Action Agency, Inc. and Affiliates’ 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southeastern Idaho Community Action Agency, Inc. and Affiliates' consolidated 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 consolidated 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*.

## **Responses to Findings**

Southeastern Idaho Community Action Agency, Inc. and Affiliates' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Southeastern Idaho Community Action Agency, Inc. and Affiliates' response was not subject to the audit 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 Southeastern Idaho Community Action Agency, Inc. and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southeastern Idaho Community Action Agency, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

September 18, 2019  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance**

Board of Directors  
Southeastern Idaho Community Action Agency, Inc.  
Pocatello, Idaho

### **Report on Compliance for Each Major Federal Program**

We have audited Southeastern Idaho Community Action Agency, Inc. and Affiliate's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. Southeastern Idaho Community Action Agency, Inc. and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility for Compliance**

Management of Southeastern Idaho Community Action Agency, Inc. and Affiliate is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southeastern Idaho Community Action Agency, Inc. and Affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeastern Idaho Community Action Agency, Inc. and Affiliate'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 on Southeastern Idaho Community Action Agency, Inc. and Affiliate's compliance.

### **Opinion**

In our opinion, Southeastern Idaho Community Action Agency, Inc. and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.



## Report on Internal Control Over Compliance

Management of Southeastern Idaho Community Action Agency, Inc. and Affiliate 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 Southeastern Idaho Community Action Agency, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeastern Idaho Community Action Agency, Inc. and Affiliate's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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



Wipfli LLP

September 18, 2019  
Madison, Wisconsin

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Schedule of Findings and Questioned Costs

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### Section I - Summary of Auditor's Results

#### **Financial Statements**

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

#### **Federal Awards**

Internal control over major federal programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]?	No

Identification of major federal programs:

<b><u>Name of Federal Major Program or Cluster</u></b>	<b><u>CFDA No.</u></b>
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155
Department of HHS - Low-Income Home Energy Assistance	93.568

Dollar threshold used to distinguish between Federal Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

# Southeastern Idaho Community Action Agency, Inc. and Affiliates

## Schedule of Findings and Questioned Costs

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### Section II - Financial Statement Findings

#### 2018-001 – Account Reconciliations

**Condition:** In 2018, SEICAA experienced turn over in their accounting department due to the retirement of the long-term CFO, who left the Organization on December 31, 2018. While a transition for the new CFO occurred, it appears that some of the processes were not well documented and therefore, at the time of audit fieldwork, which took place during the week of April 1, 2019, the Organization had not reconciled several asset and liability accounts such as prepaid insurance, property and equipment, property held for sale, and accrued workers compensation. The Organization had to create reconciliations for current year and in some cases, prior year accounts and post additional entries during the audit. The adjustments posted while not material to the financial statements, indicated that processes need to be established for month-end and year-end closing of the general ledger.

**Criteria:** Uniform Guidance 200.302(b)(4) states a non-federal entity must provide for “*effective control over, and accountability for, all funds, property, and other assets.*”

**Cause:** There was turnover in the Chief Financial Officer position on December 31, 2018 and it was determined that there was a lack of written procedures to identify the appropriate account reconciliations that should be performed.

**Effect:** A significant deficiency in internal control over financial reporting exists due to account reconciliation matters identified in the condition paragraph that resulted in the Organization posting significant adjusting journal entries during and after audit fieldwork.

**Recommendation:** We recommend the Organization establish a process for reviewing asset and liability accounts and the timing for when accounts are reconciled.

**View of Responsible Officials:** Management agrees with the finding and has developed and begun implementation of a corrective action plan.

### Section III - Federal Award Findings and Questioned Costs

None

### Section IV – Status of Prior Year Findings

None