

**Community Action Project of
Tulsa County, Inc.**

Tulsa, Oklahoma

Consolidated Financial Statements and
Supplementary Information
Years Ended December 31, 2018 and 2017

Community Action Project of Tulsa County, Inc.

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Community Action Project of Tulsa County, Inc.
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Action Project of Tulsa County, Inc. (a nonprofit organization) and its wholly owned subsidiaries which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Tulsa Community Loan Fund, Inc., Norwood Realty Corporation, Brightwaters Realty Corporation, and Norwood Housing Partners, LP were not audited in accordance with *Government Auditing Standards* as they 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 financial position of Community Action Project of Tulsa County, Inc. and its wholly owned subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Community Action Project of Tulsa County, Inc. 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. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and other awards, Schedules A-1 to A-3, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedules B and C are presented for purposes of additional analysis, and are 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. The 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 June 17, 2019, on our consideration of Community Action Project of Tulsa County, Inc.'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 Community Action Project of Tulsa County, Inc.'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 Community Action Project of Tulsa County, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

June 17, 2019
Green Bay, Wisconsin

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Financial Position

December 31, 2018 and 2017

<i>Assets</i>	2018	2017
Current assets:		
Cash and cash equivalents	\$ 12,281,656	\$ 22,372,691
Certificates of deposit	1,790,000	10,377,380
Restricted cash	336,743	348,535
Accounts receivable	7,762,652	4,150,519
Promises to give	0	2,165,000
Accounts receivable, related parties, net	43,426	41,301
Notes receivable, related parties, current portion	125,447	148,819
Prepaid expenses	595,510	530,547
Total current assets	22,935,434	40,134,792
Other assets:		
Certificates of deposit	2,250,000	2,035,000
Investments	14,216,944	254,943
Escrow funds	15,380,942	17,908,487
Investment in partnership	267,543	267,586
Maintenance deposit	0	2,000,000
Notes and interest receivable, related parties, net	9,818,420	6,667,256
Total other assets	41,933,849	29,133,272
Property and equipment, net	6,170,764	2,206,287
TOTAL ASSETS	\$ 71,040,047	\$ 71,474,351

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Financial Position (Continued)

December 31, 2018 and 2017

<i>Liabilities and Net Assets</i>	2018	2017
Current liabilities:		
Notes payable, current portion	\$ 300,000	\$ 0
Accounts payable	4,300,660	2,736,222
Accrued payroll and related liabilities	2,113,866	1,895,669
Grant funds received in advance	4,769,862	6,781,577
Total current liabilities	11,484,388	11,413,468
Long-term liabilities:		
Due to funding source	1,992,802	1,992,802
Notes payable	4,000,000	4,300,000
Total long-term liabilities	5,992,802	6,292,802
Total liabilities	17,477,190	17,706,270
Net assets:		
Without donor restrictions:		
Undesignated	21,624,443	18,828,622
Board designated - Operating reserve	14,680,259	12,009,485
Board designated - Maintenance deposit	0	2,000,000
Total without donor restrictions	36,304,702	32,838,107
With donor restrictions	17,258,155	20,929,974
Total net assets	53,562,857	53,768,081
TOTAL LIABILITIES AND NET ASSETS	\$ 71,040,047	\$ 71,474,351

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Activities

Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grants and contracts	\$ 50,309,802	\$ 0	\$ 50,309,802
Investment income - Net	303,680	255,900	559,580
Program income	3,777,120	0	3,777,120
Donations	1,885,584	1,045,362	2,930,946
Rental income	193,330	0	193,330
Gain on settlement	60,000	0	60,000
In-kind contributions	304,072	0	304,072
Net assets released from restriction	4,973,081	(4,973,081)	0
Total revenue	61,806,669	(3,671,819)	58,134,850
Expenses:			
Program activities:			
Early childhood education programs	46,523,550	0	46,523,550
Family advancement	3,405,511	0	3,405,511
Child care	872,962	0	872,962
Innovation and research	514,506	0	514,506
Community development/housing	388,156	0	388,156
Total program activities	51,704,685	0	51,704,685
Supportive services:			
Management and general	6,635,389	0	6,635,389
Total expenses	58,340,074	0	58,340,074
Changes in net assets	3,466,595	(3,671,819)	(205,224)
Net assets at beginning of year	32,838,107	20,929,974	53,768,081
Net assets at end of year	\$ 36,304,702	\$ 17,258,155	\$ 53,562,857

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Activities (Continued)

Years Ended December 31, 2018 and 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grants and contracts	\$ 44,973,119	\$ 0	\$ 44,973,119
Investment income - Net	625,022	131,672	756,694
Program income	3,936,916	0	3,936,916
Donations	73,536	2,165,000	2,238,536
Rental income	196,165	0	196,165
Gain on settlement	0	0	0
In-kind contributions	350,829	0	350,829
Net assets released from restriction	2,785,942	(2,785,942)	0
Total revenue	52,941,529	(489,270)	52,452,259
Expenses:			
Program activities:			
Early childhood education programs	40,252,078	0	40,252,078
Family advancement	2,852,752	0	2,852,752
Child care	750,172	0	750,172
Innovation and research	481,851	0	481,851
Community development/housing	484,191	0	484,191
Total program activities	44,821,044	0	44,821,044
Supportive services:			
Fund-raising	3,438	0	3,438
Management and general	6,068,270	0	6,068,270
Total supportive services	6,071,708	0	6,071,708
Total expenses	50,892,752	0	50,892,752
Changes in net assets	2,048,777	(489,270)	1,559,507
Net assets at beginning of year	30,789,330	21,419,244	52,208,574
Net assets at end of year	\$ 32,838,107	\$ 20,929,974	\$ 53,768,081

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Early Childhood Education	Family Advancement	Child Care	Innovation and Research	Community Development/ Housing	Total Program Services	Management and General	Total Expenses	Year Ended December 31, 2017 Total Expenses
Salaries and benefits	\$ 26,015,171	\$ 763,656	\$ 509,435	\$ 463,410	\$ 35,203	\$ 27,786,875	\$ 4,876,863	\$ 32,663,738	\$ 28,112,961
Occupancy	2,436,704	40,784	47,716	23,630	19,243	2,568,077	238,977	2,807,054	2,787,515
Services provided	102,354	706,551	2,004	111	0	811,020	18,139	829,159	624,969
Grant expenses	2,000,000	0	0	0	0	2,000,000	0	2,000,000	532,000
Telephone	123,025	7,744	2,409	2,249	1,143	136,570	34,246	170,816	126,283
Postage	2,081	140	41	0	12	2,274	3,539	5,813	6,793
Supplies	3,758,366	44,061	73,597	5,041	2,295	3,883,360	246,788	4,130,148	3,884,275
Small equipment	228,655	0	4,680	0	0	233,335	0	233,335	532,686
Advertising	84,684	8,077	1,658	0	1,113	95,532	51,640	147,172	185,115
Professional/consulting	62,159	79	1,217	0	12,367	75,822	376,822	452,644	726,733
Contracted services	10,815,138	1,798,256	211,784	0	33,798	12,858,976	41	12,859,017	11,376,699
Repairs and maintenance	204,056	3	3,996	0	47,499	255,554	14,027	269,581	241,791
Insurance	116,499	857	2,281	476	36,890	157,003	26,727	183,730	176,635
Transportation and travel	211,937	16,149	4,150	12,758	1,060	246,054	34,860	280,914	255,833
Development and training	272,852	19,154	5,343	6,831	1,887	306,067	141,862	447,929	399,764
In-kind expenses	89,869	0	2,651	0	0	92,520	211,552	304,072	350,829
Interest	0	0	0	0	0	0	0	0	64,010
Depreciation	0	0	0	0	195,077	195,077	233,218	428,295	291,417
Provision for doubtful accounts and bad debt expense	0	0	0	0	569	569	1,106	1,675	147,109
Other	0	0	0	0	0	0	124,982	124,982	69,335
Total expenses	\$ 46,523,550	\$ 3,405,511	\$ 872,962	\$ 514,506	\$ 388,156	\$ 51,704,685	\$ 6,635,389	\$ 58,340,074	\$ 50,892,752

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	(\$ 205,224)	\$ 1,559,507
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	428,295	291,417
Provision for doubtful accounts	1,675	147,109
Loss on disposition of property and equipment	1,587	0
Change in investment in partnership	43	36
Net realized and unrealized loss (gain) on investments and escrow funds	569,888	(18,844)
Interest accrued on notes receivable	(942)	(146,427)
Changes in operating assets and liabilities:		
Restricted cash	11,792	(3,996)
Accounts receivable	(3,614,258)	(865)
Promises to give	2,165,000	(2,165,000)
Prepaid expenses	(64,963)	74,972
Accounts payable	997,439	317,960
Accrued payroll and related liabilities	218,197	114,040
Accrued interest payable	0	(30,662)
Grant funds received in advance	(2,011,715)	345,164
Net cash from operating activities	(1,503,186)	484,411
Cash flows from investing activities:		
Withdrawals and proceeds from sale of investments in escrow funds	2,856,623	1,963,096
Purchase of investments in escrow funds	(313,716)	(121,495)
Purchase of certificates of deposit	(2,024,056)	(10,764,084)
Redemption of certificates of deposit	10,396,436	15,897,611
Purchase of property and equipment	(3,827,360)	(485,604)
Collections on notes receivable, related parties	221,475	116,250
Issuance of notes receivable, related parties	(3,350,000)	(650,000)
Approved maintenance deposit withdrawal	2,000,000	500,000
Proceeds from sale of investments	70,923	0
Purchase of investments	(14,618,174)	0
Net cash from investing activities	(8,587,849)	6,455,774
Cash flows from financing activities:		
Payments on notes payable	0	(4,113,033)
Net cash from financing activities	0	(4,113,033)
Changes in cash and cash equivalents	(10,091,035)	2,827,152
Cash and cash equivalents at beginning of year	22,372,691	19,545,539
Cash and cash equivalents at end of year	\$ 12,281,656	\$ 22,372,691
Supplemental schedule of other cash activity:		
Interest paid and expensed	\$ 0	\$ 69,415
Purchase of property and equipment included in accounts payable	758,175	191,176

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Community Action Project of Tulsa County, Inc. (CAP Tulsa) is a 501(c)(3) entity organized as a nonprofit corporation in 1973. CAP Tulsa's mission is to help individuals and families in need achieve self-sufficiency. These activities are performed through a variety of programs in Tulsa County and through program providers in surrounding counties. CAP Tulsa is primarily supported through federal, state, and local grants.

Tulsa Community Loan Fund, Inc. (TCLF) is a 501(c)(3) entity formed to lend needed funds to other nonprofits serving low-income individuals.

Norwood Realty Corporation (NRC) and Brightwaters Realty Corporation (BRC) are wholly owned subsidiaries of CAP Tulsa formed to act as general partners in limited partnerships.

Norwood Housing Partners, LP (NHP) is a limited partnership of which CAP Tulsa owns 99.9% and NRC owns the remaining .1%. NHP was formed to own and operate a low-income housing project. CAP Tulsa became the 99.9% owner effective January 1, 2012.

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 (GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of CAP Tulsa, NRC, BRC, TCLF, and NHP (the "Organizations"). CAP Tulsa and TCLF have common Board members and management. All intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

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): *Presentation of Financial Statements of Not-for-Profit Entities*. 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, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. This guidance was adopted effective January 1, 2018 and was applied retrospectively with the exception of certain omissions permitted by the ASU.

In accordance with the ASU, temporarily restricted and permanently restricted net asset balances at December 31, 2017 of \$19,819,077 and \$1,110,897, respectively, have been combined and reported as net assets with donor restrictions of \$20,929,974 in the consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

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 stipulations or where donor-imposed stipulations are met in the year of the contribution. The Board of Directors has designated certain net assets without donor restrictions for an operating reserve to provide support in the case of a loss in short-term funding. During 2018, the board released the board designation related to the maintenance deposit for maintenance needs at early childhood program sites leased by CAP Tulsa.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organizations and/or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on any related investments for general or specific purposes. The Neighborhood Reinvestment Revolving Loan and Capital Projects Fund, which grants home ownership and improvement loans, and Tulsa Community Foundation (TCF) funds are such net assets with donor restrictions. The initial funds must be maintained in perpetuity or until released from restriction by the donor. The interest and investment income related to the Neighborhood Reinvestment funds are net assets without donor restrictions and the net appreciation / depreciation related to the TCF funds are net assets with donor restrictions in accordance with the Uniform Prudent Management of Institutional Funds Act. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor restrictions.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP 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

Cash and cash equivalents consist of money market investments, repurchase agreements, and commercial paper with original maturities of 90 days or less.

Certificates of Deposit

Certificates of deposit are stated at cost, which approximates fair value.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 support without donor restrictions or with donor restrictions, depending on the existence and nature of any donor 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.

Program income represents amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. Some contributions augment grant funds received for specific programs and are recorded as net assets with donor restrictions until released through usage in the specific program. 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.

All other program income not specifically associated with a grant are recorded as without donor restrictions in the period earned.

Rental income represents income received from various sources for use of property or space owned by NHP. This income is recognized in the period in which it is earned.

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

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 or asset acquisition costs are incurred. Amounts received, if any, in excess of expenses or asset acquisitions 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

CAP Tulsa recognizes in-kind contributions for space, donated materials, and professional services in the consolidated statements of activities in accordance with a financial accounting standard related to accounting for contributions received and contributions made. CAP Tulsa recognized in-kind contributions of \$304,072 and \$350,829 during 2018 and 2017. This standard requires that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different than the in-kind requirements of several of CAP Tulsa's grant awards. CAP Tulsa has received contributions of nonprofessional volunteers in the amount of \$169,948 and \$249,540 during 2018 and 2017, predominantly in the Head Start programs, which are not recorded on the consolidated statements of activities.

Investments and Escrow Funds

Investments and escrow funds are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized in investment income in the consolidated statements of activities. Investments held by TCF represent funds transferred to a recipient organization for which CAP Tulsa is the sole beneficiary. Investment fees are netted with return on the statements of activities, including direct internal investment expenses, if any.

Investment in Partnership

BRC's investment in Brightwaters Housing Partners, L.P. (BHP) is accounted for on the equity method since BHP is a non-controlling general partner in the partnership. The equity method of accounting is discontinued when the company's share of losses equal the carrying value of its investment.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of federal, state, and other grant awards and related-party receivables. The Organizations analyze the receivables and record an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration such factors as changes in creditworthiness, evaluations of the collectability, prior loss experience, and current economic conditions. An account is considered uncollectible when all collection efforts prove worthless and it is written off through a change to the allowance.

Promises to Give

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give (Continued)

Management individually reviews all past due promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts. Management has determined that no allowance was necessary for 2018 or 2017.

Notes and Interest Receivable, Related Parties and Allowance for Doubtful Accounts

Notes and interest receivable, related parties include amounts from BHP and Tulsa Children's Coalition (TCC), and are stated at the unpaid principal and interest balance. The Organizations analyze the notes and interest receivable and record an allowance for those amounts which management believes will reserve for possible losses on existing notes and interest receivable that may become uncollectible. The evaluations take into consideration such factors as changes in the customer's creditworthiness, evaluations of the collectability, prior loss experience, and current economic conditions.

A loan is considered impaired when, based on current information and events, it is probable that CAP Tulsa will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

At such time when a loan is determined to be past due, the interest-bearing loans are placed on nonaccrual status. The determination of past due loans for purposes of placing on nonaccrual status is made on a case-by-case basis. Interest accrued but not collected for loans that are placed on nonaccrual status is reversed against interest income.

Property and Equipment

Property and equipment purchased are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Property and equipment are items with a cost of \$5,000 or more and have a useful life of more than one year. Leasehold improvements are recorded at cost and amortized using the straight-line method over the shorter of the useful life or lease term.

Property and equipment improvements acquired with grant funds are owned by CAP Tulsa while used in the programs for which they were purchased or in other future authorized programs. However, the funding source has a reversionary interest in assets purchased with grant funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The book value of grant-funded property and equipment is \$418,058 and \$52,763 at December 31, 2018 and 2017.

The Organizations report gifts of property and equipment at their estimated fair value as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes/Uncertain Tax Positions

CAP Tulsa and TCLF are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Oklahoma tax law. The regulations provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

NRC, and BRC are taxable corporations. Income or loss is reported on their income tax returns. There were no taxes paid for the years ended December 31, 2018 and 2017. Deferred taxes have not been provided for as they are not material to the consolidated financial statements.

NHP is a limited partnership. Any income or loss is passed through to the equity partners and reported on their income tax returns.

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 determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Indirect Cost Rate

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all of CAP Tulsa's programs that cannot be readily identified with a final cost objective. A provisional indirect cost rate of 33.6% of direct salaries and wages has been approved by the U.S. Department of Health and Human Services (DHHS). A provisional indirect cost rate is based upon the projected costs of CAP Tulsa for the fiscal year under consideration. CAP Tulsa adjusts the provisional rate based upon actual experience. This adjusted rate is subject to approval at which time the indirect cost rate becomes final. Any adjustments to the rate will be reflected in the consolidated financial statements when the rate is finalized.

Functional Allocation of Costs

A description of each functional classification category appearing on the consolidated statement of functional expenses is listed below.

Early childhood education programs: CAP Tulsa early childhood education programs help very young children develop memory and language, self-control and judgment, reasoning and problem-solving abilities, along with math and reading skills. The programs include center-based and home-based services for qualifying families.

Family advancement: CAP Tulsa family advancement programs help families work toward providing a secure future through academic skills, career training, college preparation and career coaching services.

Child care: CAP Tulsa offers extended care services at five early childhood school locations.

Innovation and research: Innovation Lab brings research and ideas together to improve how CAP Tulsa helps families achieve economic self-sufficiency. Internal and external partners are joined to develop and launch pilot initiatives that benefit low-income families.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Costs (Continued)

Community development/housing: Housing and related services are provided to income eligible individuals through subsidiaries and limited partnerships. During the audit report period, the activities included Brightwaters Housing Partners, L.P. and Norwood Housing Partners, LP.

Management and general: Includes administrative services in the areas of accounting, human resources, executive leadership, marketing, information technology, operations and other departments whose activities support all agency programs.

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization. Those expenses include compensation for personnel services, telephone, facilities, copier, postage, other, and indirect costs. Compensation for personnel services are allocated based on time spent on specific purpose and grant activity. Telephone and facilities expenses are allocated based on percentage of full-time equivalent employees charged to a program. Copier, printing, and postage expenses are allocated based on usage. Other costs may be allocated to multiple programs using a basis determined to be appropriate to the particular cost.

Advertising Costs

Advertising costs are expensed as incurred in the consolidated statements of activities.

New Accounting Pronouncements

In 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 replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this 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 this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. Early application of the amendments in this update is permitted.

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted.

The Organizations are currently evaluating the effects of these ASUs.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

A portion of the 2017 balance for certificates of deposit has been reclassified to other assets to reflect the maturity dates of the certificates of deposit. There was no effect on net assets or the change in net assets.

Note 2: Concentration of Credit Risk

The Organizations maintain a portion of their cash balances in several banks and investment firms. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and amounts at each investment firm are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. The Organizations' cash balances at times exceed insured limits as designated by the FDIC and SIPC. Management has assessed the risk of potential loss due to these concentrations and feels that the risk is minimal.

The Organizations maintain a portion of their cash balances in an overnight Eurodollar sweep account. This account is not insured. The portion of the Organizations' cash balance related to Neighborhood Reinvestment funds are maintained in bank accounts covered by FDIC insurance.

Note 3: Liquidity and Availability of Financial Assets

The following reflects CAP Tulsa's financial assets of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in an operating reserve account that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or operating reserve account for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable. The calculation of available financial assets at December 31, 2018 is as follows:

Cash and cash equivalents	\$ 12,281,656
Accounts receivable	7,806,078
Current portion of notes receivable, related party, net	125,447
Escrow funds	15,380,942
<u>CDs and investments convertible to cash</u>	<u>16,006,944</u>
Total financial assets at December 31, 2018	51,601,067
Less: Collateral included in financial assets	1,790,000
Less: Accounts payable	4,300,660
Less: Grant funds received in advance	4,769,862
Less: Board designated operating reserve	14,680,259
<u>Less: Net assets with donor restrictions included in financial assets</u>	<u>16,454,611</u>
<u>Total available financial assets</u>	<u>\$ 9,605,675</u>

According to its investment policy, CAP Tulsa's investment objectives are the preservation and protection of its assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities. The board designated operating reserve is available for general expenditures with prior approval from the Board of Directors.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 4: Escrow Funds

In accordance with a multi-party memorandum of understanding, CAP Tulsa has set up an escrow fund to hold cash in the form of money market funds and investments received for the benefit of the early childhood programs. The escrow fund is to be managed by CAP Tulsa and used to support the operational costs of 26 classrooms. Tulsa Educare, Inc. (TEI) is entitled to a proportionate amount of the escrow funds to support 16 of those 26 classrooms and CAP Tulsa has the ultimate discretion for the distribution to TEI (see note 16). The remaining balance is to be used to support 10 classrooms operated by CAP Tulsa. The balance and make-up of the escrow funds as of December 31 are as follows:

	2018	2017
Money market funds	\$ 1,707,946	\$ 45,899
Certificates of deposit	188,866	0
U.S. treasury bills	5,993,850	6,890,358
Fixed income securities	7,490,280	10,972,230
Totals	\$ 15,380,942	\$ 17,908,487

Note 5: Restricted Cash

Restricted cash consisted of the following as of December 31:

	2018	2017
Tenant security deposits	\$ 7,243	\$ 8,241
Replacement reserve	329,500	340,294
Totals	\$ 336,743	\$ 348,535

Note 6: Investments

The Organizations maintain investment accounts with an investment firm. The investments are carried at fair value. As of December 31, investments consist of the following:

	2018	2017
Preferred stock	\$ 0	\$ 49,321
Mutual funds	14,031,889	0
Investments with Tulsa Community Foundation	185,055	205,622
Totals	\$ 14,216,944	\$ 254,943

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 6: Investments (Continued)

The Organizations' total investment income, which includes activity from investments, escrow funds, and interest on notes receivable, as of December 31, was as follows:

	2018	2017
Interest and dividends	\$ 872,940	\$ 287,995
Interest on notes receivable, related parties	269,363	449,855
Realized and unrealized gains (losses)	(569,888)	18,844
Investment fees	(12,835)	0
Totals	\$ 559,580	\$ 756,694

Note 7: Fair Value Measurements

Financial accounting standards related to fair value measurements describe a fair value hierarchy that includes three levels of inputs to be used to measure fair value. In general, the Organizations measure fair values determined by Level 1 inputs utilizing quoted market prices in active markets and fair values determined by Level 2 inputs utilizing market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. Fair values determined by Level 3 inputs utilize market value of the underlying assets, consisting mainly of securities which are valued based on quoted market prices, based on recent trading activity and other observable market data.

Information regarding the fair value measurements of assets measured on a recurring basis as of December 31, is as follows:

	2018			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Escrow money market funds	\$ 1,707,946	\$ 0	\$ 0	\$ 1,707,946
Escrow U.S. treasury bills	5,993,850	0	0	5,993,850
Escrow fixed income securities	7,490,280	0	0	7,490,280
Escrow certificates of deposit	188,866	0	0	188,866
Mutual funds	14,031,889	0	0	14,031,889
Investments with Tulsa Community Foundation	0	0	185,055	185,054
Totals	\$ 29,412,831	\$ 0	\$ 185,055	\$ 29,597,886

	2017			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Escrow money market funds	\$ 45,899	\$ 0	\$ 0	\$ 45,899
Escrow U.S. treasury bills	6,890,358	0	0	6,890,358
Escrow fixed income securities	10,972,230	0	0	10,972,230
Preferred stock - Domestic	49,321	0	0	49,321
Investments with Tulsa Community Foundation	0	0	205,622	205,622
Totals	\$ 17,957,808	\$ 0	\$ 205,622	\$ 18,163,430

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 7: Fair Value Measurements (Continued)

Following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market funds and certificates of deposit are measured at cost, which approximates fair value.
- U.S. treasury bills, fixed income securities, mutual funds, and preferred stock securities are valued at quoted market prices.
- Investments with Tulsa Community Foundation are valued based on the market value of the underlying assets, consisting mainly of equity securities and fixed income securities which are valued based on quoted market prices based on recent trading activity and other observable market data.

Following is a description of the changes in Level 3 fair value measurements measured on a recurring basis:

	2018	2017
Balance at beginning	\$ 205,622	\$ 187,570
Unrealized (loss) gain	(20,567)	18,052
<u>Balance at end</u>	<u>\$ 185,055</u>	<u>\$ 205,622</u>

There were no assets or liabilities measured on a non-recurring basis during 2018 or 2017.

Note 8: Accounts Receivable

Accounts receivable as of December 31, consist of the following amounts:

	2018	2017
Federal grants and contracts	\$ 3,807,859	\$ 1,056,350
State grants and contracts	3,900,732	2,986,166
Other grants and contracts	35,788	17,333
Miscellaneous	18,273	90,670
<u>Accounts receivable</u>	<u>\$ 7,762,652</u>	<u>\$ 4,150,519</u>

Note 9: Unconditional and Conditional Promises to Give

In 2017, CAP Tulsa received a conditional promise to give to contribute a portion of a building to be used as the headquarters if fundraising, renovation, and other contractual conditions are met. The contribution of the building has not been recorded on the consolidated statements of financial position as of December 31, 2018 or 2017 since CAP Tulsa had not yet satisfied the conditions of the promises to give.

At December 31, 2017, CAP Tulsa had \$2,165,000 in unconditional pledges receivable which were collected in 2018. The proceeds from the pledges were used in 2018 for the costs of renovations of a new office headquarters.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 10: Accounts Receivable, Related Parties

Accounts receivable, related parties as of December 31, consist of the following amounts:

	2018	2017
Brightwaters Housing Partners, L.P.	\$ 109,893	\$ 109,363
Brightwaters Realty Corp.	37,029	36,084
Norwood Realty Corp.	3,250	2,600
Subtotals	150,172	148,047
Allowance for doubtful accounts	(106,746)	(106,746)
Accounts receivable, related parties, net	\$ 43,426	\$ 41,301

Note 11: Notes and Interest Receivable, Related Parties

Notes and interest receivable at December 31, consist of the following:

	2018	2017
CAP Tulsa		
Note receivable with BHP, with an interest rate of 4.7%, due January 1, 2035. The note is secured by Brightwaters Housing Complex. This loan was made from an advance from the City of Tulsa as described in Note 13 and is repayable to the funding source when repaid.	\$ 320,000	\$ 320,000
Note receivable with BHP, with an interest rate of 4.7%, due January 1, 2035. The note is secured by Brightwaters Housing Complex.	300,000	300,000
Note receivable with BHP, with an interest rate of 4.7%, due January 1, 2035. The note is secured by Brightwaters Housing Complex.	845,000	845,000
Note receivable with BHP, with an interest rate of 4.33%, due January 1, 2035. The note is secured by Brightwaters Housing Complex.	0	86,101
Note receivable with BHP, with an interest rate of 3.56%, due June 30, 2044. The note is secured by Brightwaters Housing Complex. This loan was made from an advance from the City of Tulsa as described in Note 13 and is repayable to the funding source when repaid.	602,750	602,750
Note receivable with TCC, with no interest, due June 1, 2031. The note is secured by a \$4,000,000 irrevocable letter of credit (See Note 23).	4,000,000	650,000
Interest receivable from notes receivable with BHP. No payments of interest are required until maturity.	1,343,228	1,341,553

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 11: Notes and Interest Receivable, Related Parties (Continued)

	2018	2017
TCLF		
Note receivable with BHP, with an interest rate of 4.7%, due January 1, 2035. Monthly payments of principal and interest are made from available cash. The note is secured by Brightwaters Housing Complex.	\$ 0	\$ 10,660
Note receivable and interest receivable with BHP, with an interest rate of 7.05%, due January 1, 2035. Interest and principal payments are payable monthly. The note is secured by Brightwaters Housing Complex.	3,876,117	4,001,564
Total notes and interest receivable	11,287,095	8,157,628
Allowance for doubtful accounts	(1,343,228)	(1,341,553)
Notes and interest receivable, net	9,943,867	6,816,075
Current portion	(125,447)	(148,819)
Notes and interest receivable, long-term	\$ 9,818,420	\$ 6,667,256

All of the loans receivable listed in Note 11 are from related parties and are considered in the related party loan class for evaluation purposes. CAP Tulsa regularly evaluates various attributes of loans to determine the appropriateness of the allowance for doubtful accounts. CAP Tulsa's only class of loans is related party which is generally evaluated based on whether the loan is performing according to the contractual terms of the loan or not. CAP Tulsa has not identified any loans that are nonperforming. In addition, CAP Tulsa has not identified any loans that are past due according to the contractual terms; therefore, no loans have been placed on nonaccrual status. CAP Tulsa has not had to grant any concessions to the borrowers as troubled debt restructurings due to financial difficulties and has not individually evaluated certain loans for impairment. The allowance for doubtful accounts described below relates to loans evaluated collectively for collectability and relates primarily to accrued interest earned but unpaid.

Summarized activity in the allowance for doubtful accounts for the years ended December 31, follows:

	2018	2017
Balance at beginning	\$ 1,341,553	\$ 1,194,444
Provision for doubtful accounts	152,994	147,109
Recovery of amount previously allowed for	(151,319)	0
Balance at end	\$ 1,343,228	\$ 1,341,553

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 12: Property and Equipment

The balance at December 31 consists of the following:

	2018	2017
Land	\$ 111,767	\$ 111,767
Building and improvements	2,958,289	3,543,034
Technology/website	588,762	374,605
Equipment	978,649	651,242
Construction/projects in process	4,030,353	273,524
Subtotals	8,667,820	4,954,172
Accumulated depreciation	(2,497,056)	(2,747,885)
Property and equipment, net	\$ 6,170,764	\$ 2,206,287

Construction/projects in process at December 31, 2018 and 2017, consists of architectural fees, construction fees and equipment related to renovations of a new headquarters office location.

Construction and development commitments related to construction in progress as of December 31, 2018, is \$526,932. This amount represents the excess of executed contracts over payments at December 31, 2018.

Note 13: Notes Payable

The balance at December 31, consists of the following:

	2018	2017
Note payable to a bank with no interest unless the loan is in default, then a rate of 2%. The note is forgivable at the end of 15 years in December 2019, if the Brightwaters Apartment Complex maintains its low-income focus for the compliance period.	\$ 300,000	\$ 300,000
Note payable to a family foundation with no interest unless the loan is in default. No principal or interest payments until 2021. Monthly principal only payments of \$33,613 begin July 1, 2021 through May 31, 2031. The note is secured by a \$4,000,000 irrevocable letter of credit.	4,000,000	4,000,000
Total notes payable	\$ 4,300,000	\$ 4,300,000

Future maturities of notes payable are as follows: \$300,000 due in 2019, \$201,681 due in 2021, \$403,361 due in 2022, \$403,361 due in 2023 and \$2,991,597 due after 2023.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 14: Due to Funding Source

CAP Tulsa received amounts totaling \$320,000, \$1,070,052 and \$602,750 from the City of Tulsa during the years ended December 31, 2004, 2012, and 2014. The cumulative funds received as of December 31, 2018 was \$1,992,802. The funds loaned and outstanding to BHP and NHP are as follows:

	2018	2017
BHP	\$ 922,750	\$ 922,750
NHP	1,070,052	1,070,052
<u>Due to funding source</u>	<u>\$ 1,992,802</u>	<u>\$ 1,992,802</u>

The loans are secured by the properties in each complex and are forgivable if the projects comply with the requirements of the projects during the affordability period. The CAP Tulsa note receivable from NHP is eliminated in consolidation. When BHP and NHP repay the notes receivable, the funds will be returned to the City of Tulsa.

Note 15: Grant Funds Received in Advance

Grant funds received in advance represents grant funding received from federal, state, and local funding sources for which allowable expenses have not been incurred or program services have not been provided. The revenue will be earned in the period in which the expenses occur or the services are provided.

Grant funds received in advance consist of the following at December 31:

	2018	2017
State/local – Oklahoma Early Childhood Program match	\$ 4,540,888	\$ 6,207,852
State/local – Other	228,974	573,725
<u>Total grant funds received in advance</u>	<u>\$ 4,769,862</u>	<u>\$ 6,781,577</u>

Note 16: Commitments and Contingencies

In the normal course of business, CAP Tulsa receives grants from various governmental and private agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with grant conditions. Any potential liability for reimbursement, which may arise as a result of such audits, is not believed, by CAP Tulsa's management, to be material.

CAP Tulsa provides various services to residents in the Tulsa area. CAP Tulsa receives a substantial amount of its support from government agencies. A significant reduction in the level of this support may have an adverse effect on CAP Tulsa's programs and activities.

CAP Tulsa is also listed as a co-borrower on three TCC notes payable to the Pearl M. and Julia J. Harmon Foundation with initial loan amounts totaling \$6,340,000. Two of the notes are at 2% interest and mature December 1, 2019. The third note is at 1% interest and matures July 2025. The proceeds of all three notes were used to finance construction of three new early childhood program facilities, which are leased back to CAP Tulsa for early childhood programs.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 16: Commitments and Contingencies (Continued)

The notes are all secured by \$734,274 in irrevocable letters of credit issued for the account of both organizations and the contingent reimbursement obligations under the letter of credit secured by real estate mortgages granted by TCC on the underlying early childhood facilities. Payments by TCC on the notes are current and CAP Tulsa does not expect to have to make any payments as a co-borrower. The total outstanding loan balances for these three notes at December 31, 2018 and 2017, are \$734,274 and \$1,099,229.

CAP Tulsa has a grant with the State of Oklahoma for the Oklahoma Early Childhood Program. As of December 31, 2018, the grant was for \$10,650,000 and required a \$15,975,000 match. The grant is ongoing as of December 31, 2018. CAP Tulsa believes that the match requirement will be met by the end of the grant year of June 30, 2019.

CAP Tulsa entered into an agreement with the University of Oklahoma for a program quality evaluation for its early childhood program. The contract was ongoing at the end of the year and CAP Tulsa had a contract commitment of \$180,676 at December 31, 2018.

CAP Tulsa entered into agreements with service providers for the Healthcare Professional Opportunity Grant. The contracts were ongoing at the end of the year and CAP Tulsa has contract commitments of \$1,593,024 at December 31, 2018.

CAP Tulsa entered into a memorandum of understanding in relation to the Tulsa Early Childhood Stimulus Project (TECS) with several parties. One of the stipulations of this agreement is that CAP Tulsa serve as the fiscal management agent for the funds available under this agreement. CAP Tulsa has agreed to escrow these funds and manage the disbursement for qualified expenses to TEI. CAP Tulsa's commitment to TEI as of December 31, 2018, is \$10,181,494.

Note 17: Operating Leases and Maintenance Deposit

CAP Tulsa leases buildings and equipment for offices and operations under operating leases. Total building and equipment rental expense for the years ended December 31, 2018 and 2017, was \$1,525,206 and \$1,426,006. At December 31, 2018, future minimum lease payments are \$182,518 in 2019.

CAP Tulsa also entered into an agreement with a related party (see note 23) whereby CAP Tulsa provided a maintenance deposit for capital and maintenance needs at early childhood program sites leased by CAP Tulsa. This amount was accounted for on the consolidated statements of financial position as a deposit asset due to the contractual arrangement to perform specified maintenance activities and capital improvements. Since the related maintenance and capital improvement activities at the related party were in process or committed at December 31, 2018 and will be completed in 2019 and 2020, the deposit was recognized as expense on the consolidated statements of activities in 2018. The balance was \$2,000,000 as of December 31, 2017.

Note 18: Employee Retirement Plan

CAP Tulsa has a contributory tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate in the plan at the beginning of their employment with CAP Tulsa. Employer contributions begin as soon as the employee enrolls in the plan and are fully vested at that time. CAP Tulsa's discretionary contribution for the years ended December 31, 2018 and 2017, was \$435,601 and \$369,800.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 19: Investment in Partnership

The investments in BHP is recorded under the equity method due to the general partner status in the partnership. The activity in the real estate partnership is as follows:

<u>Partnership</u>	<u>Percentage Ownership</u>	<u>Balance 12/31/17</u>	<u>Share of Income (Losses) for 2018</u>	<u>Investment in and Change in Advances</u>	<u>Impairment</u>	<u>Balance 12/31/18</u>
Brightwaters Housing Partners, L.P.	.01%	\$267,586	(\$ 43)	\$ 0	\$ 0	\$267,543

<u>Partnership</u>	<u>Percentage Ownership</u>	<u>Balance 12/31/16</u>	<u>Share of Income (Losses) for 2017</u>	<u>Investment in and Change in Advances</u>	<u>Impairment</u>	<u>Balance 12/31/17</u>
Brightwaters Housing Partners, L.P.	.01%	\$267,622	(\$ 36)	\$ 0	\$ 0	\$267,586

The aggregate financial status and activity (without any required eliminating entries) of the partnership, as of and for the year ended December 31, are as follows:

	<u>2018</u>	<u>2017</u>
Assets	\$ 6,402,107	\$ 7,050,944
<u>Less - Liabilities</u>	<u>7,567,543</u>	<u>7,788,783</u>
<u>Equity (deficit)</u>	<u>(\$ 1,165,436)</u>	<u>(\$ 737,839)</u>
<u>Net loss</u>	<u>(\$ 427,597)</u>	<u>(\$ 372,369)</u>

CAP Tulsa has determined that the partnership above is a variable interest entity. CAP Tulsa participated significantly in the design of the limited partnership and the operation of the partnership is subject to regulatory constraints by state and federal authorities which place significant limitations on the decision making options of the general partner.

In addition, CAP Tulsa has determined that it is not the primary beneficiary of this variable interest entity as the limited partner either absorbs a majority of the variable interest entity's expected losses, receives a majority of the expected returns, or both. The limited partner performs significant operational responsibilities indicating that it is involved in oversight of the partnership; therefore, CAP Tulsa has determined that the limited partner is the controlling member.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 20: Self-Insurance Plan

Beginning in 2017, the Organization maintains a self-insurance benefit agreement for its eligible employees and their eligible dependents. The plan includes an individual stop loss maximum of \$75,000 to reduce the risk of excessive claims in any one period.

The Organization maintains a self-insurance reserve to pay actual claims. On December 31, 2018 and 2017, the self-insurance reserve balance was \$670,038 and \$582,248, which is the excess of the amounts withheld to pay for claims over actual claims incurred in 2018 and 2017. The amounts withheld are based on actuarial estimates. The reserve balance is included in net assets without donor restrictions on the consolidated statements of financial position.

A liability is also maintained to fund the cost of claims incurred under the plan prior to December 31, 2018 and 2017, but paid after the end of the year. On December 31, 2018 and 2017, CAP Tulsa has recorded a liability of \$179,765 and \$30,069, which is reported net of refunds received in 2019 and 2018 for claims paid in 2018 and 2017 that were in excess of the stop loss maximum. The liability balance is included in accrued payroll and related liabilities on the consolidated statements of financial position.

Note 21: Net Assets with Donor Restrictions

Net assets with donor restrictions represent amounts contributed by donors as follows:

	2018	2017
<u>Subject to expenditure for specified purpose:</u>		
Early childhood program – specified classroom operations	\$ 15,224,194	\$ 17,554,923
Management & General - headquarters office renovation	1,045,362	2,165,000
<u>Subject to Organization spending policy and appropriation:</u>		
Tulsa Community Foundation Investment in perpetuity (including amounts above original gift amount of \$106,468), which, once appropriated, is expendable to support any organization program or general operations	185,055	205,622
Neighborhood Reinvestment Revolving Loan and Capital Project Fund to be held in perpetuity until authorization release obtained from donor, which once obtained, is released to net assets without donor restrictions	803,544	1,004,429
<u>Total net assets with donor restriction</u>	<u>\$ 17,258,155</u>	<u>\$ 20,929,974</u>

Net assets released from restriction are as follows:

	2018	2017
Collection and spending of promises to give	\$ 2,165,000	\$ 0
Early childhood program expenditures	2,607,196	2,534,842
Neighborhood Reinvestment funds released	200,885	251,100
<u>Total net assets released from restriction</u>	<u>\$ 4,973,081</u>	<u>\$ 2,785,942</u>

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 22: Governing Board Designations

CAP Tulsa's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of December 31:

	2018	2017
Operating reserve	\$ 14,680,259	\$ 12,009,485
Maintenance deposit	0	2,000,000
Totals	\$ 14,680,259	\$ 14,009,485

The operating reserve designation has been established to ensure the stability of the mission, programs, employment, and ongoing operations of CAP Tulsa, and is based on a percentage of budgeted total operating expenses as approved by the Board of Directors. Expenditures from the reserve require prior approval by the Board of Directors. See Note 17 for more information about the maintenance deposit.

The following is a summary of the changes in board designated net assets:

	2018	2017
Balance at beginning	\$ 14,009,485	\$ 14,775,000
Approved maintenance deposit distributions	(2,000,000)	(500,000)
Approved change in operating reserve balance	2,670,774	(265,515)
Balance at end	\$ 14,680,259	\$ 14,009,485

Note 23: Related Party Transactions

CAP Tulsa leases several of its child education facilities from TCC. CAP Tulsa also has a management contract with TCC under which CAP Tulsa provides management and accounting services to TCC since TCC has no employees. Both CAP Tulsa and TCC have separate Boards with no common members. CAP Tulsa's fees for these management and accounting services were \$60,000 during 2018 and 2017. CAP Tulsa's rental payments to TCC for space were \$1,001,053 in 2018 and \$901,523 in 2017.

CAP Tulsa paid TCC \$2,500,000 during 2012 and entered into a capital maintenance agreement whereby TCC will perform on-going facility and capital improvements for each childcare facility that TCC leases to CAP Tulsa. TCC is to use the funds for projects that contribute to the improvement of the childcare facility grounds or major repairs or renovations to improve the existing facilities. The funds are recorded and tracked in a separate account designated for maintenance and improvements on TCC's general ledger. No funds may be removed from this account without prior approval from CAP Tulsa. In 2017, \$500,000 was utilized by TCC with CAP Tulsa's prior approval. In 2018, the remaining \$2,000,000 was released for current year utilization in the amount of \$567,452 and remaining balance for works in process and committed projects in 2019 and 2020.

In 2017, CAP Tulsa provided TCC with \$650,000 for capital maintenance needs that will be repaid to CAP Tulsa in accordance with a \$4,000,000 interest free note receivable that was executed in 2018. In accordance with the agreement, \$3,350,000 additional funds were loaned to TCC in 2018, for a total note receivable from TCC of \$4,000,000 at December 31, 2018. See Note 11 for additional information.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 23: Related Party Transactions (Continued)

CAP Tulsa is listed as a co-borrower on three TCC notes payable to the Pearl M. and Julia J. Harmon Foundation with an initial balance of \$6,340,000, as further described in Note 16. The remaining balance of the notes payable at December 31, 2018 and 2017, is \$734,274 and \$1,099,229. CAP Tulsa does not anticipate having to make any payments as co-borrower on these notes.

Note 24: Grant Awards

At December 31, 2018, CAP Tulsa had commitments under various grants of approximately \$14,400,000. Additionally, CAP Tulsa had commitments for funding under the state grant award for the Oklahoma Early Childhood Program to subrecipients at December 31, 2018, of approximately \$1,800,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

Note 25: Revenue Sources

CAP Tulsa had the following concentration of total revenue sources for the year ended December 31:

	2018	2017
Department of Health and Human Services Federal Head Start	33%	32%
Oklahoma Early Childhood Program	21	21
Private foundation, Match to the Oklahoma Early Childhood Program and contributions	29	30

Note 26: Subsequent Event

Subsequent events have been evaluated through June 17, 2019, which is the date the consolidated financial statements were available to be issued.

In 2019, the fundraising, renovation, and other contractual conditions of the conditional promise to give for a portion of a building to be used as a headquarters were met. As a result, the fair value of the donation will be recognized as donations revenue in 2019.

Supplementary Information

Community Action Project of Tulsa County, Inc.

Schedule A-1

Schedule of Expenditures of Federal and Other Awards

Year Ended December 31, 2018

Federal Grantor/Pass-Through Number / Program Title	CFDA Number	Funding Source/ Pass-Through Entity	Pass-through to subrecipients	Expenditures
DEPARTMENT OF AGRICULTURE				
Child and Adult Care Food Program DC-72-326	10.558	Oklahoma State Department of Education	\$ 0	2,160,223
DEPARTMENT OF TREASURY				
NeighborWorks Organizational Underwriting	21.U00	NeighborWorks America	31,500	80,471
NeighborWorks NTI Travel Grant		NeighborWorks America	6,600	6,600
		Total Federal Expenditures CFDA 21.000	38,100	87,071
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Professional Opportunity Grant 90FX0045-03-00	93.093	U.S. Dept. of Health and Human Services	0	2,093,054
Health Professional Opportunity Grant 90FX0045-04-00		U.S. Dept. of Health and Human Services	0	512,818
		Total Federal Expenditures CFDA 93.093	0	2,605,872
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program 3409020863	93.505	Oklahoma Department of Health	0	563,248
Community Service Block Grant 17149 and 17203	93.569	Oklahoma Department of Commerce	0	991,790
Head Start/Early Head Start 06CH010305-03	93.600	U.S. Dept. of Health and Human Services	0	13,587,688
Early Head Start 06HP000065-01 and 06HP000065-02		U.S. Dept. of Health and Human Services	0	3,008,778
ACF/Northwestern University - Educating Parents and Children in Head Start SP0044098-PROJ0013193		Northwestern University	0	64,506
		Total Federal Expenditures CFDA 93.600	0	16,660,972
		Total Department of Health and Human Services Expenditures	0	20,821,882
		TOTAL FEDERAL EXPENDITURES	\$ 38,100	\$ 23,069,176

Community Action Project of Tulsa County, Inc.

Schedule A-2

Schedule of Expenditures of Federal and Other Awards

Year Ended December 31, 2018

Federal Grantor/Pass-Through Number / Program Title	Funding Source/ Pass-Through Entity	Pass-through to subrecipients	Expenditures
STATE AND LOCAL PROGRAMS			
Administrative	Tulsa Area United Way	\$ 0	\$ 2,376
Administrative	Oklahoma Department of Commerce	0	48,893
Early Childhood Programs	Blue Cross Blue Shield of Oklahoma	0	8,472
Early Childhood Programs	Gelvin Foundation	0	4,000
Early Childhood Programs	Oklahoma Department of Commerce	0	194,580
Early Childhood Programs	American Airlines Inc	0	20,000
Early Childhood Programs	Flint Foundation	0	10,000
Early Childhood Programs	Tulsa Area United Way	0	194,716
Early Childhood Programs	Williams Foundation	0	10,000
Early Childhood Programs	Kaleidoscope Foundation	0	1,815
Early Childhood Programs	Children's Medical Charities	0	3,000
Early Childhood Programs	HoganTaylor Foundation	0	1,195
Early Childhood Programs	Pathways to Health	0	1,000
Early Childhood Programs	Cox Communications	0	2,500
Early Childhood Programs	Charles and Lynn Schusterman Family Foundation	0	130,059
Early Childhood Programs - Early Head Start	George Kaiser Family Foundation	0	752,252
Early Childhood Programs - Oklahoma Early Childhood Program	McMahon Foundation	15,000	15,000
Early Childhood Programs - Oklahoma Early Childhood Program	Sarkey's Foundation	10,000	10,000
Early Childhood Programs - Oklahoma Early Childhood Program	George Kaiser Family Foundation	3,555,371	14,536,073
Early Childhood Programs - Oklahoma Early Childhood Program	Oklahoma State Department of Education	3,345,380	10,457,985
Early Childhood Programs - Oklahoma Early Childhood Program	Potts Family Foundation	7,088	7,088
Family Advancement - Career Advance & Educational Pathways	Charles and Lynn Schusterman Family Foundation	0	47,248
Family Advancement - Career Advance & Educational Pathways	Inasmuch Foundation	0	11,804
Family Advancement - Career Advance & Educational Pathways	Warren Foundation	0	4,925
Family Advancement - Career Advance & Educational Pathways	Bank of Oklahoma	0	12,161
Family Advancement - Career Advance & Educational Pathways	Tulsa Area United Way	0	68,329
Family Advancement - Career Advance & Educational Pathways	State Farm	0	5,000
Family Advancement - ESL	Dollar General Foundation	0	4,772

Community Action Project of Tulsa County, Inc.

Schedule A-3

Schedule of Expenditures of Federal and Other Awards

Year Ended December 31, 2018

Federal Grantor/Pass-Through Number / Program Title	Funding Source/ Pass-Through Entity	Pass-through to subrecipients	Expenditures
STATE AND LOCAL PROGRAMS (Continued)			
Family Advancement - ESL	Charles and Lynn Schusterman Family Foundation	\$ 0	\$ 142,739
Family Advancement - ESL	Zarrow	0	54,158
Family Advancement - ESL	The Sharna and Irvin Frank Foundation	0	5,000
Family Advancement - ESL	Tulsa Area United Way	0	302,746
Family Advancement - ESL	Grace and Franklin Bernsen Foundation	0	10,000
Family Advancement - Financial Capabilities	Charles and Lynn Schusterman Family Foundation	0	60,013
Family Advancement - Financial Capabilities	Bank of the West	0	10,000
Family Advancement - Financial Capabilities	Tulsa Area United Way	0	32,954
Research and Innovation	Tulsa Area United Way	0	57,773
TOTAL STATE & LOCAL EXPENDITURES		6,932,839	27,240,626
TOTAL GRANTS AND CONTRACTS EXPENDITURES		\$ 6,970,939	50,309,802

Notes to the Schedule of Expenditures of Federal and Other Awards

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal and Other Awards (the "Schedule") includes the federal grant activity of Community Action Project of Tulsa County, 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 Community Action Project of Tulsa County, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Project of Tulsa County, 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 Rate

Community Action Project of Tulsa County, Inc. has an approved indirect cost rate, and therefore, did not use the 10% de minimis cost rate.

Community Action Project of Tulsa County, Inc.

Schedule B

Schedule of Funds - Oklahoma Department of Commerce

Year Ended December 31, 2018

Federal/State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Grant Expenditures in Prior Audit Period	Unspent Grant Award at 01/01/2018	Contract Receipts or Revenue Recognized	Contract Disburse/Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recog.	Match Disburse/Expend.	Cash/ Accrued or (Deferred) Revenue at 12/31/2018
DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Pass-through Agency											
Oklahoma Department of Commerce											
Community Service Block Grant	CSBG 17	93.569	16878	\$ 889,298	\$ 889,298	\$ 0	\$ 141,842	\$ 0	\$ 0	\$ 0	\$ 0
Community Service Block Grant	Discretionary	93.569	17203	90,460	0	90,460	90,460	90,460	0	0	0
Community Service Block Grant	CSBG 18	93.569	17149	901,330	0	901,330	901,330	761,045	0	0	0
				\$ 1,881,088	\$ 889,298	\$ 991,790	\$ 1,133,632	\$ 851,505	\$ 0	\$ 0	\$ 0
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
STATE PROGRAMS											
State of Oklahoma											
Pass-through Agency											
Oklahoma Department of Commerce											
State Appropriated Funds											
	SAF/CAA-HS-18	N/A	16945	\$ 194,580	\$ 97,290	\$ 97,290	\$ 113,505	\$ 97,290	\$ 0	\$ 0	\$ 0
	SAF/CAA-HS-19	N/A	17315	194,580	0	194,580	113,505	97,290	0	0	16,215
	SAF/CAA-18	N/A	16948	48,893	24,446	24,447	24,447	24,447	0	4,889	4,889
	SAF/CAA-19	N/A	17314	48,893	0	48,893	28,520	24,446	0	0	4,074
				\$ 486,946	\$ 121,736	\$ 365,210	\$ 279,977	\$ 243,473	\$ 0	\$ 4,889	\$ 4,889
TOTAL STATE OF OKLAHOMA											

Community Action Project of Tulsa County, Inc.

Schedule C

Schedule of Cash - Restricted - Neighborhood Reinvestment Corporation

December 31, 2018

Grant Name	Type	Amount Funded	Amount Expended	Unexpended Balance	2018	
					Restriction Release	Restricted Balance
NRC SCD BW development	Cash-Restricted	\$ 45,000	\$ 0	\$ 45,000	\$ 45,000	\$ 0
NRC real estate development and lending	Cash-Restricted	36,101	0	36,101	36,101	0
NRC capital grant	Cash-Restricted	50,000	3,544	46,456	46,456	0
NRC capital fund	Cash-Restricted	50,000	50,000	0	0	0
NRC MFI capital	Cash-Restricted	515,000	515,000	0	0	0
NRC BW MFI capital	Cash-Restricted	185,000	185,000	0	0	0
NRC community development BW	Cash-Restricted	0	0	0	0	0
NRC loan fund	Cash-Restricted	0	0	0	0	0
NRC NHP development	Cash-Restricted	50,000	50,000	0	0	0
NRC mortgage lending	Cash-Restricted	0	0	0	0	0
NRC Norwood development	Cash-Restricted	73,328	0	73,328	73,328	0
TOTAL CASH - RESTRICTED		\$ 1,004,429	\$ 803,544	\$ 200,885	\$ 200,885	\$ 0



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

Board of Directors
Community Action Project of Tulsa County, Inc.
Tulsa, Oklahoma

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 Community Action Project of Tulsa County, Inc. (a nonprofit organization) and its wholly owned subsidiaries, 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 June 17, 2019. The financial statements of Tulsa Community Loan Fund, Inc., Norwood Realty Corporation, Brightwaters Realty Corporation, and Norwood Housing Partnership were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Project of Tulsa County, Inc.’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Project of Tulsa County, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action Project of Tulsa County, Inc.’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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

June 17, 2019
Green Bay, Wisconsin



Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Community Action Project of Tulsa County, Inc.
Tulsa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Community Action Project of Tulsa County, Inc.’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 Community Action Project of Tulsa County, Inc.’s major federal programs for the year ended December 31, 2018. Community Action Project of Tulsa County, Inc.’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 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 Community Action Project of Tulsa County, Inc.’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 Community Action Project of Tulsa County, Inc.’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 Community Action Project of Tulsa County, Inc.’s compliance.

Opinion

In our opinion, Community Action Project of Tulsa County, Inc.’s 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 Community Action Project of Tulsa County, Inc. 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 Community Action Project of Tulsa County, Inc.'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 the major federal programs 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Project of Tulsa County, Inc.'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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

June 17, 2019
Green Bay, Wisconsin

Community Action Project of Tulsa County, Inc.

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
Identification of major federal programs:	
<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Community Services Block Grant	93.569
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None