

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

Tulsa, Oklahoma

Consolidated Financial Statements and
Supplementary Information
Years Ended December 31, 2019 and 2018

Community Action Project of Tulsa County, Inc.

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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. and its wholly owned subsidiaries adopted the following Accounting Standards Updates (ASU) as of and for the year ended December 31, 2019: No. 2016-18, Statement of Cash Flows (Topic 230) – *Restricted Cash* and ASU No. 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

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-2, 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 24, 2020, 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

Wipfli LLP

June 24, 2020
Green Bay, Wisconsin

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

<i>Assets</i>	2019	2018
Current assets:		
Cash and cash equivalents	\$ 11,165,879	\$ 12,281,656
Certificates of deposit	735,000	1,790,000
Restricted cash	1,272,453	336,743
Accounts receivable	5,540,311	7,762,652
Accounts receivable, related parties, net	0	43,426
Promise to give, current portion	111,000	0
Notes receivable, related parties, current portion, net	0	125,447
Prepaid expenses	720,417	595,510
Total current assets	19,545,060	22,935,434
Other assets:		
Certificates of deposit	3,305,000	2,250,000
Investments	17,355,187	14,216,944
Escrow funds	13,185,602	15,380,942
Investment in partnership	0	267,543
Promise to give	333,000	0
Notes and interest receivable, related parties, net	4,000,000	9,818,420
Total other assets	38,178,789	41,933,849
Property and equipment, net	10,612,210	6,170,764
Property and equipment, held for sale	6,500,000	0
TOTAL ASSETS	\$ 74,836,059	\$ 71,040,047

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Financial Position (Continued)

December 31, 2019 and 2018

<i>Liabilities and Net Assets</i>	2019	2018
Current liabilities:		
Notes payable, current portion	\$ 0	\$ 300,000
Accounts payable	2,798,405	4,295,622
Accrued payroll and related liabilities	1,856,864	2,113,866
Refundable advance liability	2,014,787	4,769,862
Total current liabilities	6,670,056	11,479,350
Long-term liabilities:		
Due to funding source	1,070,052	1,992,802
Notes payable	4,000,000	4,000,000
Security deposits	23,857	5,038
Total long-term liabilities	5,093,909	5,997,840
Total liabilities	11,763,965	17,477,190
Net assets:		
Without donor restrictions:		
Undesignated	33,353,223	21,624,443
Board designated - Operating reserve	15,240,467	14,680,259
Total without donor restrictions	48,593,690	36,304,702
With donor restrictions	14,478,404	17,258,155
Total net assets	63,072,094	53,562,857
TOTAL LIABILITIES AND NET ASSETS	\$ 74,836,059	\$ 71,040,047

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Activities

Years Ended December 31, 2019 and 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue:			
Grants and contracts	\$ 50,154,409	\$ 559,680	\$ 50,714,089
Investment income - Net	2,473,289	404,508	2,877,797
Program income	4,326,733	0	4,326,733
Donations	4,746,139	25,000	4,771,139
Rental income	203,364	0	203,364
Loss on disposition of property and equipment	(95,189)	0	(95,189)
Gain on asset acquisition	3,994,170	0	3,994,170
In-kind contributions	239,004	0	239,004
Net assets released from restriction	3,768,939	(3,768,939)	0
Total revenue	69,810,858	(2,779,751)	67,031,107
Expenses:			
Program activities:			
Early childhood education programs	43,820,145	0	43,820,145
Family advancement	3,285,170	0	3,285,170
Child care	1,036,183	0	1,036,183
Innovation and research	370,781	0	370,781
Community development/housing	1,318,377	0	1,318,377
Total program activities	49,830,656	0	49,830,656
Supportive services:			
Management and general	7,691,214	0	7,691,214
Total expenses	57,521,870	0	57,521,870
Changes in net assets	12,288,988	(2,779,751)	9,509,237
Net assets at beginning of year	36,304,702	17,258,155	53,562,857
Net assets at end of year	\$ 48,593,690	\$ 14,478,404	\$ 63,072,094

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Activities (Continued)

Years Ended December 31, 2019 and 2018

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
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

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Functional Expenses

Year Ended December 31, 2019

	Early Childhood Education	Family Advancement	Child Care	Innovation and Research	Community Development/ Housing	Total Program Services	Management and General	Total Expenses
Salaries and benefits	\$ 26,128,856	\$ 737,664	\$ 617,849	\$ 343,118	\$ 27,632	\$ 27,855,119	\$ 5,344,509	\$ 33,199,628
Occupancy	2,446,041	28,895	57,840	12,892	40,857	2,586,525	206,415	2,792,940
Services provided	79,782	457,051	1,887	0	0	538,720	16,308	555,028
Telephone	114,681	9,843	2,712	2,604	1,026	130,866	41,362	172,228
Postage	2,085	1,020	49	0	0	3,154	3,058	6,212
Supplies	3,173,520	35,037	75,042	1,444	2,216	3,287,259	330,924	3,618,183
Small equipment	88,193	0	2,085	0	0	90,278	16,014	106,292
Advertising	69,070	4,507	1,633	0	1,885	77,095	38,686	115,781
Professional/consulting	78,856	0	1,865	0	9,489	90,210	647,444	737,654
Contracted services	10,960,232	1,994,979	259,168	0	104,261	13,318,640	0	13,318,640
Repairs and maintenance	161,698	0	3,824	0	44,655	210,177	41,929	252,106
Insurance	149,002	1,279	3,523	592	43,551	197,947	31,314	229,261
Transportation and travel	124,619	11,648	2,947	5,769	123	145,106	26,966	172,072
Development and training	192,277	3,234	4,547	4,362	844	205,264	74,766	280,030
In-kind expenses	50,707	0	1,199	0	0	51,906	187,098	239,004
Depreciation	0	0	0	0	194,512	194,512	621,270	815,782
Provision for doubtful accounts and bad debt expense	0	0	0	0	30	30	39	69
Debt forgiveness expense	0	0	0	0	845,000	845,000	0	845,000
Other	526	13	13	0	2,296	2,848	63,112	65,960
Total expenses	43,820,145	3,285,170	1,036,183	370,781	1,318,377	49,830,656	7,691,214	57,521,870

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Functional Expenses (Continued)

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

See accompanying notes to consolidated financial statements.

Community Action Project of Tulsa County, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Change in cash, cash equivalents and restricted cash:		
Cash flows from operating activities:		
Changes in net assets	\$ 9,509,237	(\$ 205,224)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	815,782	428,295
Loss on disposition of property and equipment	95,189	1,587
Contribution of property and equipment	(4,728,833)	0
Provision for doubtful accounts	69	1,675
Forgiveness of notes receivable	2,067,750	0
Forgiveness of notes payable	(300,000)	0
Forgiveness of due to funding source	(922,750)	0
Change in investment in partnership	0	43
Net realized and unrealized (gain) loss on investments and escrow funds	(1,628,200)	569,888
Interest accrued on certificates of deposit and notes receivable	(90,674)	(942)
Gain on acquisition of assets	(3,994,170)	0
Changes in operating assets and liabilities:		
Accounts receivable	2,415,592	(3,614,258)
Promises to give	(444,000)	2,165,000
Prepaid expenses	(38,130)	(64,963)
Accounts payable	(921,601)	999,248
Accrued payroll and related liabilities	(269,615)	218,197
Security deposits	565	(1,809)
Refundable advance liability	(2,755,075)	(2,011,715)
Net cash from operating activities	(1,188,864)	(1,514,978)
Cash flows from investing activities:		
Cash and restricted cash received in acquisition	1,597,095	0
Withdrawals and proceeds from sale of investments in escrow funds	2,576,326	2,856,623
Purchase of investments in escrow funds	(342,608)	(313,716)
Purchase of certificates of deposit	(1,790,000)	(2,024,056)
Redemption of certificates of deposit	1,790,000	10,396,436
Purchase of property and equipment	(1,407,392)	(3,827,360)
Collections on notes receivable, related parties	133,797	221,475
Issuance of notes receivable, related parties	0	(3,350,000)
Approved maintenance deposit withdrawal	0	2,000,000
Proceeds from sale of investments	10,045	70,923
Purchase of investments	(1,558,466)	(14,618,174)
Net cash from investing activities	1,008,797	(8,587,849)
Changes in cash, cash equivalents and restricted cash	(180,067)	(10,102,827)
Cash, cash equivalents and restricted cash at beginning of year, as restated	12,618,399	22,721,226
Cash, cash equivalents and restricted cash at end of year	\$ 12,438,332	\$ 12,618,399
Reconciliation of cash, cash equivalents and restricted cash at December 31, 2019:		
Cash and cash equivalents	\$ 11,165,879	\$ 12,281,656
Restricted cash	1,272,453	336,743
Total cash, cash equivalents and restricted cash	\$ 12,438,332	\$ 12,618,399
Supplemental schedule of other cash activity:		
Purchase of property and equipment included in accounts payable	\$ 0	\$ 758,175
Supplemental schedule of noncash investing activities:		
Fair value of assets acquired (see Note 26)	\$ 8,216,673	\$ 0
Fair value of liabilities assumed (see Note 26)	3,954,960	0

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.

Brightwaters Housing Partners, LP (BHP) is a limited partnership of which BRC owns 100%. BHP was formed to own and operate a low-income housing project. During 2019, BRC purchased the 99.99% limited partner interest of BHP. See Note 26 for more information.

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 December 31, 2018 consolidated financial statements include the accounts of CAP Tulsa, NRC, BRC, TCLF, and NHP. The December 31, 2019 consolidated financial statements include the entities above as well as BHP due to BRC acquiring 100% partner interest in BHP in 2019 (See Note 26). CAP Tulsa and TCLF have common Board members and management. All intercompany transactions and balances have been eliminated for consolidated financial statement purposes. Collectively, the entities are referred to as the "Organizations."

Recently Adopted Accounting Pronouncements

On June 21, 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The entity has applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements (Continued)

During 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, to provide guidance on the presentation of restricted cash or restricted cash equivalents in the consolidated statements of cash flows. The accounting guidance is effective for fiscal years beginning after December 15, 2018. The guidance is to be applied using a retrospective transition method to each period presented. The Organization believes the new accounting guidance improves the information provided in the consolidated financial statements and related disclosures for the primary users of the consolidated financial statements. The beginning balances of cash, cash equivalents, and restricted cash on the consolidated statements of cash flows have been restated to include restricted cash of \$348,535 as of January 1, 2018.

Classification of Net Assets

Net assets and revenue, 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, or for other liquidity needs.

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 remaining Neighborhood Reinvestment Revolving Loan and Capital Projects Fund was released by the donor in 2019. 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Certificates of Deposit

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

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor, are recorded as support 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 to 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.

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 refundable advance liability.

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)

Revenue Recognition (Continued)

Program income represents amounts contributed or paid 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.

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.

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 \$239,004 and \$304,072 during 2019 and 2018. 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 \$100,851 and \$169,948 during 2019 and 2018, 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 consolidated statements of activities, including direct internal investment expenses, if any.

Investment in Partnership

At December 31, 2018, BRC's investment in Brightwaters Housing Partners, L.P. (BHP) was accounted for on the equity method since BHP was a non-controlling general partner in the partnership. At December 31, 2019, the investment is no longer recorded on the equity method since BRC acquired 100% partner interest in BHP in 2019. See Note 26 for more information.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of federal, state, and other grant awards. 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.

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 2019 or 2018.

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

Notes and interest receivable, related parties include amounts from Tulsa Children's Coalition (TCC) at December 31, 2019 and from BHP and TCC at December 31, 2018, 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 net book value of grant-funded property and equipment is \$387,934 and \$418,058 at December 31, 2019 and 2018.

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.

Property and Equipment Held for Sale

Property and equipment held for sale consists of BHP property and equipment. BHP has entered into an Agreement for Option to Purchase Real Estate with an unrelated third party. It is anticipated the sale of the property will be finalized in August, 2020. The property and equipment held for sale is reported at net realizable value.

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 due or paid for the years ended December 31, 2019 and 2018. Deferred taxes have not been provided for as they are not material to the consolidated financial statements.

NHP and BHP are limited partnerships. 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 27.23% 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 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 was originally effective for nonpublic entities for annual periods beginning after December 15, 2018. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Organizations, to annual periods beginning after December 15, 2019.

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, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Organizations, to annual periods beginning after December 15, 2021.

The Organizations are currently evaluating the effects of these ASUs.

Reclassifications

Certain amounts presented in the 2018 consolidated financial statements have been reclassified to conform with the 2019 presentation. 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 believes that the risk is minimal.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Assets

The following reflects CAP Tulsa's financial assets of December 31, 2019 and 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, 2019 and 2018 is as follows:

	2019	2018
Cash and cash equivalents	\$ 11,165,879	\$ 12,281,656
Accounts receivable	5,540,311	7,806,078
Current portion of promises to give	111,000	0
Current portion of notes receivable, related party, net	0	125,447
Escrow funds	13,185,602	15,380,942
Certificates of deposits and investments convertible to cash	18,090,187	16,006,944
Total financial assets at December 31	48,092,979	51,601,067
Less: Collateral included in financial assets	735,000	1,790,000
Less: Accounts payable and security deposits	2,822,262	4,300,660
Less: Refundable advance liability	2,014,787	4,769,862
Less: Board designated operating reserve	15,240,467	14,680,259
Less: Net assets with donor restrictions included in financial assets	14,145,404	16,454,611
<u>Total available financial assets</u>	<u>\$ 13,135,059</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.

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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 4: Escrow Funds (Continued)

The balance and make-up of the escrow funds as of December 31 are as follows:

	2019	2018
Money market funds	\$ 1,656,487	\$ 1,707,946
Certificates of deposit	192,985	188,866
U.S. treasury bills	8,315,085	5,993,850
Fixed income securities	3,021,045	7,490,280
<u>Totals</u>	<u>\$ 13,185,602</u>	<u>\$ 15,380,942</u>

Note 5: Restricted Cash

Restricted cash consisted of the following as of December 31:

	2019	2018
Tenant security deposits	\$ 24,805	\$ 7,243
Replacement reserve	360,878	329,500
Escrow deposits	131,760	0
Operating reserve	369,671	0
Special purpose reserve	385,339	0
<u>Totals</u>	<u>\$ 1,272,453</u>	<u>\$ 336,743</u>

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:

	2019	2018
Mutual funds	\$ 17,144,610	\$ 14,031,889
Investments with Tulsa Community Foundation	210,577	185,055
<u>Totals</u>	<u>\$ 17,355,187</u>	<u>\$ 14,216,944</u>

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

	2019	2018
Interest and dividends	\$ 1,011,676	\$ 872,940
Interest on notes receivable, related parties	266,616	269,363
Realized and unrealized gains (losses)	1,628,200	(569,888)
Investment fees	(28,695)	(12,835)
<u>Totals</u>	<u>\$ 2,877,797</u>	<u>\$ 559,580</u>

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

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:

	2019			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Escrow money market funds	\$ 1,656,487	\$ 0	\$ 0	\$ 1,656,487
Escrow U.S. treasury bills	8,315,085	0	0	8,315,085
Escrow fixed income securities	3,021,045	0	0	3,021,045
Escrow certificates of deposit	192,985	0	0	192,985
Mutual funds	17,144,610	0	0	17,144,610
Investments with Tulsa Community Foundation	0	0	210,577	210,577
Totals	\$ 30,330,212	\$ 0	\$ 210,577	\$ 30,540,789

	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

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, and mutual funds 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 7: Fair Value Measurements (Continued)

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

	2019	2018
Balance at beginning	\$ 185,055	\$ 205,622
Unrealized gain (loss)	25,522	(20,567)
Balance at end	\$ 210,577	\$ 185,055

There were no assets or liabilities measured on a non-recurring basis during 2019 or 2018.

Note 8: Accounts Receivable

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

	2019	2018
Federal grants and contracts	\$ 3,444,295	\$ 3,807,859
State grants and contracts	1,889,046	3,900,732
Other grants and contracts	59,664	35,788
Accrued interest on certificates of deposit	91,460	0
Miscellaneous	55,846	18,273
Accounts receivable	\$ 5,540,311	\$ 7,762,652

Note 9: Promise to Give

At December 31, 2019, CAP Tulsa has an unconditional promise to give from a foundation in the amount of \$444,000. The grant is restricted to operating costs at CAP Tulsa's new headquarters. The promise to give is not discounted to present value since difference between present value and the total promise to give is immaterial.

Future maturities on the promise to give at December 31, 2019 is as follows:

2020	\$ 111,000
2021	111,000
2022	111,000
2023	111,000
Total	\$ 444,000

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:

	2019	2018
Brightwaters Housing Partners, L.P.	\$ 0	\$ 109,893
Brightwaters Realty Corp.	0	37,029
Norwood Realty Corp.	0	3,250
Subtotals	0	150,172
Allowance for doubtful accounts	(0)	(106,746)
Accounts receivable, related parties, net	\$ 0	\$ 43,426

Note 11: Notes and Interest Receivable, Related Parties

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

	2019	2018
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.	\$ 0	\$ 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.	0	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.	0	845,000
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.	0	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	4,000,000
Interest receivable from notes receivable with BHP. No payments of interest are required until maturity.	0	1,343,228

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

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

	2019	2018
TCLF		
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.	\$ 3,741,534	\$ 3,876,117
Total notes and interest receivable	7,741,534	11,287,095
Allowance for doubtful accounts	(0)	(1,343,228)
<u>Eliminated in consolidation</u>	<u>(3,741,534)</u>	<u>0</u>
Notes and interest receivable, net	4,000,000	9,943,867
<u>Current portion</u>	<u>(0)</u>	<u>(125,447)</u>
<u>Notes and interest receivable, long-term</u>	<u>\$ 4,000,000</u>	<u>\$ 9,818,420</u>

The CAP Tulsa notes receivable and accrued interest from BHP were forgiven during the year ended December 31, 2019. The TCLF note and interest receivable from BHP was eliminated in consolidation for the year ended December 31, 2019.

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:

	2019	2018
Balance at beginning	\$ 1,343,228	\$ 1,341,553
Provision for doubtful accounts	0	152,994
Recovery of amount previously allowed for	0	(151,319)
<u>Forgiveness of accrued interest previously allowed for</u>	<u>(1,343,228)</u>	<u>0</u>
<u>Balance at end</u>	<u>\$ 0</u>	<u>\$ 1,343,228</u>

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:

	2019	2018
Land	\$ 35,000	\$ 111,767
Building and improvements	10,985,759	2,958,289
Technology/website	663,338	588,762
Furniture/fixtures	755,081	0
Equipment	1,367,615	978,649
Construction/projects in process	0	4,030,353
Subtotals	13,806,793	8,667,820
Accumulated depreciation	(3,194,583)	(2,497,056)
Property and equipment, net	\$ 10,612,210	\$ 6,170,764

CAP Tulsa received a contribution of property valued at \$4,728,833 during the year ended December 31, 2019. The contributed property is included in building and improvements above and donations revenue on the consolidated statements of activities.

Note 13: Notes Payable

The balance at December 31, consists of the following:

	2019	2018
Note payable to a bank with no interest unless the loan is in default, then a rate of 2%. The note was forgivable at the end of 15 years in December 2019 since the Brightwaters Apartment Complex maintained its low-income focus for the compliance period.	\$ 0	\$ 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	\$ 4,000,000	\$ 4,300,000

Future maturities of notes payable are as follows: \$201,681 due in 2021, \$403,361 due each year for 2022 through 2024, and \$2,588,236 due after 2024.

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, 2019 was \$1,992,802. The funds loaned and outstanding to BHP and NHP are as follows:

	2019	2018
BHP	\$ 0	\$ 922,750
NHP	1,070,052	1,070,052
<u>Due to funding source</u>	<u>\$ 1,070,052</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 BHP loans were forgiven in 2019. The CAP Tulsa note receivable from NHP is eliminated in consolidation. When NHP repays the notes receivable, the funds will be returned to the City of Tulsa.

Note 15: Refundable Advance Liability

Refundable advance liability 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 are incurred, or the services are provided.

Refundable advance liability consists of the following at December 31:

	2019	2018
State/local – Oklahoma Early Childhood Program match	\$ 1,839,557	\$ 4,540,888
State/local – Other	175,230	228,974
<u>Total refundable advance liability</u>	<u>\$ 2,014,787</u>	<u>\$ 4,769,862</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 has been notified it will need to re compete for its 2021 Head Start and Early Head Start grants. Loss of Head Start and Early Head Start funding would have a significant impact on CAP Tulsa's operations.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 16: Commitments and Contingencies (Continued)

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 were at 2% interest and were fully repaid by TCC in 2019. The third note is at 1% interest and matures July, 2025. The proceeds of the notes were used to finance construction of three new early childhood program facilities, which are leased back to CAP Tulsa for early childhood programs.

The note that did not mature in 2019 is secured by a \$388,187 irrevocable letter 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 at December 31, 2019 and 2018, are \$388,187 and \$734,274.

CAP Tulsa has a grant with the State of Oklahoma for the Oklahoma Early Childhood Program. As of December 31, 2019, the grant was for \$12,000,000 and required a \$18,000,000 match. The grant is ongoing as of December 31, 2019. CAP Tulsa believes that the match requirement will be met by the end of the grant year of June 30, 2020.

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 \$129,551 at December 31, 2019.

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 had contract commitments of approximately \$1,614,683 at December 31, 2019.

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, 2019, is \$9,874,794.

Note 17: Operating Leases

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, 2019 and 2018, was \$1,206,971 and \$1,525,206. At December 31, 2019, future minimum lease payments are \$718,368 in 2020.

Note 18: Employee Retirement Plan

CAP Tulsa has a contributory tax deferred defined contribution 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, 2019 and 2018, was \$444,028 and \$435,601.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 19: Investment in Partnership

At December 31, 2018, BRC's investment in Brightwaters Housing Partners, L.P. (BHP) was recorded under the equity method due to the general partner status in the partnership. At December 31, 2019, the financial statements of BHP are included in the consolidated financial statements since BRC acquired 100% partnership interest of BHP in 2019. Therefore, no activity or ending equity method investment is reported at December 31, 2019.

The activity in the investment in partnership in 2018 is as follows:

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

The aggregate financial status and activity (without any required eliminating entries) of the partnership, as of and for the year ended December 31, 2018 is as follows:

	2018
Assets	\$ 6,402,107
Less - Liabilities	7,567,543
Equity (deficit)	(\$ 1,165,436)
Net loss	(\$ 427,597)

Note 20: Self-Insurance Plan

CAP Tulsa 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.

CAP Tulsa maintains a self-insurance reserve to pay actual claims. On December 31, 2019 and 2018, the self-insurance reserve balance was \$437,918 and \$670,038, which is the excess of the amounts withheld to pay for claims over actual claims incurred in 2019 and 2018. 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, 2019 and 2018 but paid after the end of the year. On December 31, 2019 and 2018, CAP Tulsa has recorded a liability of \$91,137 and \$179,765, which is reported net of refunds received in 2020 and 2019 for claims paid in 2019 and 2018 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 21: Net Assets with Donor Restrictions

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

	2019	2018
<u>Subject to expenditure for specified purpose:</u>		
Early childhood program – specified classroom operations	\$ 13,339,101	\$ 15,224,194
Management & General - headquarters office renovation	369,046	1,045,362
Operating costs at CAP Tulsa’s headquarters	444,000	0
Other purpose restrictions	115,680	0
<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	210,577	185,055
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	0	803,544
<u>Total net assets with donor restriction</u>	<u>\$ 14,478,404</u>	<u>\$ 17,258,155</u>

Net assets released from restriction are as follows:

	2019	2018
Collection and spending of promises to give	\$ 0	\$ 2,165,000
Early childhood program expenditures	2,264,079	2,607,196
Headquarters office renovation expenditures	701,316	0
<u>Neighborhood Reinvestment funds released</u>	<u>803,544</u>	<u>200,885</u>
<u>Total net assets released from restriction</u>	<u>\$ 3,768,939</u>	<u>\$ 4,973,081</u>

Note 22: Governing Board Designations

CAP Tulsa’s governing board has designated, from net assets without donor restrictions, \$15,240,467 and \$14,680,259 as of December 31, 2019 and 2018, for an operating reserve. 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.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 22: Governing Board Designations (Continued)

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

	2019	2018
Balance at beginning	\$ 14,680,259	\$ 14,009,485
Approved maintenance deposit distributions	0	(2,000,000)
Approved change in operating reserve balance	560,208	2,670,774
Balance at end	\$ 15,240,467	\$ 14,680,259

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 and are not under common control. CAP Tulsa's fees for these management and accounting services were \$108,000 and \$60,000 during 2019 and 2018. CAP Tulsa's rental payments to TCC for space were \$1,001,053 in 2019 and 2018.

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 utilization in 2018 and 2019 and committed projects to be completed in 2020.

CAP Tulsa has provided TCC with a \$4,000,000 interest free note receivable for capital maintenance needs that will be repaid to CAP Tulsa in accordance with the note that was executed in 2018. See Note 11 for additional information.

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 were at 2% interest and were repaid in 2019 when they matured. The third note is at 1% interest and matures July, 2025. The total outstanding loan balance at December 31, 2019 and 2018, is \$388,187 and \$734,274. CAP Tulsa does not anticipate having to make any payments as co-borrower on these notes.

A member of the Board of Directors is employed by a financial institution that holds CAP Tulsa's operating cash and escrow accounts. Another member of the Board of Directors is employed by Union Public Schools, which is a subgrantee of CAP Tulsa's Head Start/Early Head Start grant award. Subgrantee expense under this contract during the year ended December 31, 2019 was \$346,961.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 24: Grant Awards

At December 31, 2019, CAP Tulsa had commitments under various grants of approximately \$14,974,000. Additionally, CAP Tulsa had commitments for funding under the federal Head Start program and the state grant award for the Oklahoma Early Childhood Program to subrecipients at December 31, 2019, of approximately \$3,000,000. 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:

	2019	2018
Department of Health and Human Services Federal Head Start	33%	33%
Oklahoma Early Childhood Program	21	21
Private foundation, Match to the Oklahoma Early Childhood Program and contributions	28	29

Note 26: Acquisition of Assets

Effective December 13, 2019, BRC, a wholly owned subsidiary of CAP Tulsa and .01% general partner in BHP, acquired the limited partner's 99.99% interest for \$1. As BRC is consolidated with CAP Tulsa, the consolidated financial statements include 100% of the assets and liabilities of BHP. The Organization recognized the transaction as an acquisition of assets and recorded substantially all assets and liabilities of the existing project on December 31, 2019. Operations of the partnership from December 14, 2019 through December 31, 2019 were immaterial and are excluded from the consolidated financial statements.

The fair value of assets acquired and liabilities assumed of BHP are as follows:

Cash and reserves	\$ 1,597,095
Property and equipment, held for sale	6,500,000
Accounts receivable and prepaid expenses	119,578
Current liabilities	(195,172)
Security deposit liability	(18,254)
Notes payable and accrued interest	(3,741,534)
Subtotal	4,261,713
Less: Investment in subsidiary	(267,543)
Gain on acquisition of assets	\$ 3,994,170

BHP property and equipment are reported as held for sale due to an Agreement for Option to Purchase Real Estate BHP has executed with an unrelated third party. It is anticipated the sale of the property and equipment will be finalized in August 2020.

Community Action Project of Tulsa County, Inc.

Notes to Consolidated Financial Statements

Note 27: Subsequent Event

Subsequent events have been evaluated through June 24, 2020, which is the date the consolidated financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Crisis, including financial markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Supplementary Information

Community Action Project of Tulsa County, Inc.

Schedule A-1

Schedule of Expenditures of Federal and Other Awards

Year Ended December 31, 2019

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	\$ 1,993,593
DEPARTMENT OF TREASURY				
NeighborWorks Organizational Underwriting	21.000	NeighborWorks America	0	12,543
NeighborWorks Community Impact Measures		NeighborWorks America	3,000	3,000
NeighborWorks Expendable		NeighborWorks America	97,061	142,527
NeighborWorks NTI Travel Grant		NeighborWorks America	4,200	4,200
		Total Federal Expenditures CFDA 21.000	104,261	162,270
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Professional Opportunity Grant 90FX0045-04-00	93.093	U.S. Dept. of Health and Human Services	0	1,851,810
Health Professional Opportunity Grant 90FX0045-05-00		U.S. Dept. of Health and Human Services	0	468,421
		Total Federal Expenditures CFDA 93.093	0	2,320,231
Preschool Development Grant Birth through Five (PDG B-5)	93.434	Oklahoma Partnership for School Readiness Foundation	0	276,212
Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program 3409020863	93.505	Oklahoma Department of Health	0	523,787
Community Service Block Grant CSBG 19	93.569	Oklahoma Department of Commerce	0	928,972
Head Start/Early Head Start 06CH010305-04	93.600	U.S. Dept. of Health and Human Services	346,961	13,824,644
Early Head Start CCP 06HP000065-02 and 06HP000065-03			0	2,295,191
			346,961	16,119,835
Early Head Start CCP - Reed	93.600	Tulsa Educare	0	541,682
		Total Federal Expenditures CFDA 93.600	346,961	16,661,517
Total Department of Health and Human Services Expenditures			346,961	20,710,719
TOTAL FEDERAL EXPENDITURES			\$ 451,222	\$ 22,866,582
STATE AND LOCAL PROGRAMS				
Administrative		Tulsa Area United Way	\$ 0	\$ 17,600
Administrative		Oklahoma Department of Commerce	0	46,450
Administrative		Anne & Henry Zarrow Foundation	0	39,764
Administrative		FIS Listen for Good Project	0	8,670
Administrative		George Kaiser Family Foundation/BEST	0	34,517
Early Childhood Programs		Blue Cross Blue Shield of Oklahoma	0	6,000
Early Childhood Programs		Oklahoma Department of Commerce	0	196,793
Early Childhood Programs		American Airlines Inc	0	20,124
Early Childhood Programs		Tulsa Area United Way	0	127,062
Early Childhood Programs		Williams Foundation	0	5,000
Early Childhood Programs		Kaleidoscope Foundation	0	1,010
Early Childhood Programs		HoganTaylor Foundation	0	305
Early Childhood Programs		Cox Communications	0	2,500

Community Action Project of Tulsa County, Inc.

Schedule A-2

Schedule of Expenditures of Federal and Other Awards

Year Ended December 31, 2019

Federal Grantor/Pass-Through Number / Program Title	Funding Source/ Pass-Through Entity	Pass-through to subrecipients	Expenditures
STATE AND LOCAL PROGRAMS (CONTINUED)			
Early Childhood Programs - Early Head Start	George Kaiser Family Foundation	0	602,182
Early Childhood Programs - Early Head Start	Grace & Franklin Bernsen Foundation	0	10,000
Early Childhood Programs - Early Head Start	Community Development Block Grant - Disney	0	23,856
Early Childhood Programs - Early Head Start	Community Development Block Grant - Briarglen	0	32,974
Early Childhood Programs - Early Head Start	ONEOK Foundation Family Literacy	0	2,000
Early Childhood Programs - Early Head Start	TCF-Pediatric Healthcare Fund	0	4,259
Early Childhood Programs - Early Head Start	Inasmuch Foundation	0	19,357
Early Childhood Programs - Early Head Start	Anne & Henry Zarrow Foundation	0	34,992
Early Childhood Programs - Early Head Start	FIS Listen for Good Project	0	3,109
Early Childhood Programs - Oklahoma Early Childhood Program	McMahon Foundation	30,000	30,000
Early Childhood Programs - Oklahoma Early Childhood Program	George Kaiser Family Foundation	3,121,648	14,405,868
Early Childhood Programs - Oklahoma Early Childhood Program	Oklahoma State Department of Education	3,195,758	10,474,863
Early Childhood Programs - Oklahoma Early Childhood Program	OPSR - PITC	0	20,837
Family Advancement - Career Advance & Educational Pathways	Charles and Lynn Schusterman Family Foundation	0	42,358
Family Advancement - Career Advance & Educational Pathways	Inasmuch Foundation	0	13,196
Family Advancement - Career Advance & Educational Pathways	Bank of Oklahoma	0	9,896
Family Advancement - Career Advance & Educational Pathways	Annie E Casey Foundation	0	1,073
Family Advancement - Career Advance & Educational Pathways	Tulsa Area United Way	0	89,324
Family Advancement - Career Advance & Educational Pathways	The Sharna and Irvin Frank Foundation	0	10,037
Family Advancement - Career Advance & Educational Pathways	Anne & Henry Zarrow Foundation	0	3,141
Family Advancement - ESL	Dollar General Foundation	0	7,611
Family Advancement - ESL	Charles and Lynn Schusterman Family Foundation	0	207,642
Family Advancement - ESL	Anne & Henry Zarrow Foundation	0	18,887
Family Advancement - ESL	Inasmuch Foundation	0	160
Family Advancement - ESL	Tulsa Area United Way	0	390,435
Family Advancement - Research and Innovation	Anne & Henry Zarrow Foundation	0	243
Research and Innovation	FIS Listen for Good Project	0	15,523
Research and Innovation	Anne & Henry Zarrow Foundation	0	2,698
Research and Innovation	Tulsa Area United Way	0	34,472
	TOTAL STATE & LOCAL EXPENDITURES	6,347,406	27,016,788
	TOTAL GRANTS AND CONTRACTS EXPENDITURES	\$ 6,798,628	49,883,370

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, 2019. 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, 2019

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 01/01/2019	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 12/31/2019
DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Pass-through Agency											
Oklahoma Department of Commerce											
Community Service Block Grant	CSBG 18	93.569	17149	\$ 901,330	\$ 901,330	\$ 0	\$ 0	\$ 140,285	\$ 0	\$ 0	\$ 0
Community Service Block Grant	CSBG 19	93.569	17426	928,972	0	928,972	928,972	719,848	0	0	209,124
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$ 1,830,302	\$ 901,330	\$ 928,972	\$ 928,972	\$ 860,133	\$ 0	\$ 0	\$ 209,124
STATE PROGRAMS											
State of Oklahoma											
Pass-through Agency											
Oklahoma Department of Commerce											
State Appropriated Funds											
	SAF/CAA-HS-19	N/A	17315	\$ 194,580	\$ 113,505	\$ 81,075	\$ 97,290	\$ 81,075	\$ 0	\$ 0	\$ 0
	SAF/CAA-HS-20	N/A	17598	199,006	0	199,006	99,503	82,919	0	0	16,584
	SAF/CAA-19	N/A	17314	48,893	24,446	24,447	24,447	28,521	0	0	0
	SAF/CAA-20	N/A	17597	44,007	0	44,007	22,003	18,336	0	0	3,667
TOTAL STATE OF OKLAHOMA				\$ 486,486	\$ 137,951	\$ 348,535	\$ 243,243	\$ 210,851	\$ 0	\$ 0	\$ 20,251

Community Action Project of Tulsa County, Inc.

Schedule C

Schedule of Cash - Restricted - Neighborhood Reinvestment Corporation

December 31, 2019

Grant Name	Type	Amount Funded	Amount Expended	Unexpended Balance	2019	
					Restriction Release	Restricted Balance
NRC capital grant	Cash-Restricted	\$ 3,544	\$ 0	\$ 3,544	\$ 3,544	\$ 0
NRC capital fund	Cash-Restricted	50,000	0	50,000	50,000	0
NRC MFI capital	Cash-Restricted	515,000	0	515,000	515,000	0
NRC BW MFI capital	Cash-Restricted	185,000	0	185,000	185,000	0
NRC NHP development	Cash-Restricted	50,000	0	50,000	50,000	0
TOTAL CASH - RESTRICTED		\$ 803,544	\$ 0	\$ 803,544	\$ 803,544	\$ 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, 2019, 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 24, 2020. 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* 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 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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*.

Community Action Project of Tulsa County, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Project of Tulsa County, Inc.'s response was not subjected to the auditing procedures applied in the audit of the consolidated 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 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.



Wipfli LLP

June 24, 2020
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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on the major federal program is not modified with respect to this matter.

Community Action Project of Tulsa County, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Project of Tulsa County, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of 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 24, 2020
Green Bay, Wisconsin

Community Action Project of Tulsa County, Inc.

Schedule of Findings and Questioned Costs
Years Ended December 31, 2019 and 2018

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?	Yes
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)]?	Yes
Identification of major federal programs:	
<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Child and Adult Care Food Program	10.558
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

Community Action Project of Tulsa County, Inc.

Schedule of Findings and Questioned Costs
Years Ended December 31, 2019 and 2018

Section II - Financial Statement Findings

Finding 2019-001: Revenue Recognition for Grants and Contributions

Condition: Wipfli LLP proposed adjusting journal entries to recognize revenue related to unconditional grants and contributions and a promise to give in accordance with a new accounting standard that we deem to be significant to the consolidated financial statements. Since Community Action Project of Tulsa County, Inc. did not accurately apply this new accounting standard prior to the audit, a significant deficiency exists in the Organization's internal controls over financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

Criteria: Community Action Project of Tulsa County, Inc. did not maintain effective internal control over financial reporting related to proper revenue recognition for the unconditional promise to give and contributions received during the year.

Cause: The internal controls of Community Action Project of Tulsa County, Inc. did not detect and correct the adjustment described above prior to the audit.

Effect: As a result of the financial reporting matter identified in the condition paragraph, a significant deficiency exists in Community Action Project of Tulsa County, Inc. internal controls over financial reporting.

Recommendation: We recommend Community Action Project of Tulsa County, Inc. implement procedures to provide sufficient internal control over revenue recognition for contributions such that all transactions are recorded in accordance with GAAP.

View of responsible officials: Management agrees with the assessment and has committed to a corrective action plan.

Community Action Project of Tulsa County, Inc.

Schedule of Findings and Questioned Costs

Years Ended December 31, 2019 and 2018

Section III - Federal and State Award Findings and Questioned Costs

Finding 2019-002: Real Property Reports and Notice of Federal Interest

Department of Health and Human Services Head Start Program – CFDA No. 93.600, Grant No. 06CH010305-04; Grant period: January 1, 2019 – December 31, 2019

Questioned Costs: None

How the questioned costs were computed: N/A

Condition: Community Action Project of Tulsa County, Inc. received Head Start funds during 2000 and 2001 for the original construction of a childcare site. This funding was passed through to another entity to construct the facility. A Notice of Federal Interest (NFI) was not filed when construction was completed. Community Action Project of Tulsa County, Inc. was notified during a 2019 monitoring visit that a NFI must be filed for this site. Community Action Project of Tulsa County, Inc. filed the NFI in June 2020. In addition, the required reporting for this site was not included on the SF-429A Real Property Status Report completed in 2019. This report was updated in June 2020.

Criteria: Section 1303.46 of the Performance Standards states *if a grantee uses federal funds to purchase real property or a facility...it must record a notice of federal interest in the official real property records for the jurisdiction where the facility is or will be located.* Head Start Information Memorandum ACF-IM-HS-15-01 states that *the status of real property purchased, constructed, or subject to major renovations paid for in whole or in part with federal Head Start funds and real property claimed as match for a Head Start award must be reported annually on forms SF-429 and SF-429-A.*

Cause: Community Action Project of Tulsa County, Inc. was not aware of the requirement to file the NFI for this property until the issue was raised during a monitoring visit in 2019. The SF-429A Real Property Status Report was incomplete since the NFI for this property had not been filed when the report was completed.

Effect: Because of the above condition, Community Action Project of Tulsa County, Inc. was not in compliance with program requirements for reporting and special tests and provisions.

Recommendation: Community Action Project of Tulsa County, Inc. filed the NFI in June 2020 and also submitted an updated SF-429A report in June 2020.

View of responsible officials: Management agrees with the finding and has completed a corrective action plan.

Section IV - Summary Schedule of Prior Year Findings

None