

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

December 31, 2020

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

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December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Association for State Community Services Programs

Report on the Financial Statements

We have audited the accompanying financial statements of National Association for State Community Services Programs (the Association), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association for State Community Services Programs as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 2 to the financial statements, National Association for State Community Services Programs has adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.

Prior Period Adjustment

As discussed in Note 10 to the financial statements, deferred rent and related rent expenses were understated by \$153,178 and deferred rent asset and related rent income were understated by \$49,884 in the previous periods. Accordingly, beginning net assets as of January 1, 2020, were restated to reflect the correction of these errors. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021, on our consideration of National Association for State Community Services Programs' 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 National Association for State Community Services Programs' 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 National Association for State Community Services Programs' internal control over financial reporting and compliance.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
April 14, 2021

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Statement of Financial Position

December 31, 2020

Assets

Cash and cash equivalents	\$ 1,075,957
Grants receivable	88,069
Accounts receivable	43,106
Prepaid expenses	118,478
Deferred rent asset	50,721
Property and equipment, net	<u>-</u>

Total assets	<u><u>\$ 1,376,331</u></u>
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Liabilities and Net Assets**Liabilities**

Accounts payable and accrued expenses	\$ 49,858
Accrued vacation	35,001
Deferred revenue	221,131
Deferred rent liability	304,720
Security deposit on sub-lease	<u>41,750</u>

Total liabilities	<u>652,460</u>
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Net Assets

Without donor restrictions	<u>723,871</u>
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Total net assets	<u>723,871</u>
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Total liabilities and net assets	<u><u>\$ 1,376,331</u></u>
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NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Statement of Activities

Year Ended December 31, 2020

Change in Net Assets Without Donor Restrictions**Revenue and Support**

Federal government grants	\$ 1,243,628
Conference registrations	362,056
Membership dues	340,621
Rent income	259,374
Contract revenue	122,714
Interest income	<u>735</u>
Total revenue and support	<u>2,329,128</u>

Expenses

Program services	1,874,805
Supporting services:	
Management and general	<u>372,130</u>
Total expenses	<u>2,246,935</u>

Change in Net Assets	<u>82,193</u>
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Net Assets, beginning of year as previously stated	744,972
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Prior Period Adjustment	<u>(103,294)</u>
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Net Assets, beginning of year as restated	<u>641,678</u>
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Net Assets, end of year	<u><u>\$ 723,871</u></u>
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NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Statement of Functional Expenses

Year Ended December 31, 2020

		Supporting Services	
	Program Services	Management and General	Total
Personnel and fringe benefits	\$ 995,173	\$ 179,198	\$ 1,174,371
Rent	374,272	66,479	440,751
Contract services	366,965	55,013	421,978
Communications	81,783	7,131	88,914
Travel	23,635	3,025	26,660
Supplies	23,184	2,418	25,602
Amortization	-	15,513	15,513
Bad debt	-	9,974	9,974
Insurance	4,784	2,803	7,587
Copy and printing	3,693	318	4,011
Postage	1,316	-	1,316
Miscellaneous	-	30,258	30,258
Total Expenses	\$ 1,874,805	\$ 372,130	\$ 2,246,935

See accompanying notes.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Statement of Cash Flows

Year Ended December 31, 2020

Cash Flows from Operating Activities

Change in net assets \$ 82,193

Adjustments to reconcile change in net assets to net cash
used in operating activities:

Bad debt expense 9,974

Change in operating assets and liabilities:

Grants receivable 44,880

Accounts receivable (30,477)

Prepaid expenses 5,471

Deferred rent asset (837)

Accounts payable and accrued expenses (37,667)

Accrued vacation 5,911

Deferred revenue (36,211)

Deferred rent liability (50,789)

Net cash used in operating activities (7,552)

Net Decrease in Cash and Cash Equivalents (7,552)**Cash and Cash Equivalents, beginning of year** 1,083,509**Cash and Cash Equivalents, end of year** \$ 1,075,957*See accompanying notes.*

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Notes to Financial Statements

December 31, 2020

1. Nature of Operations

National Association for State Community Services Programs (the Association) was incorporated in 1978. The Association was formed to provide resources for the purpose of assisting states in their administration of a variety of programs that address the problems of poverty throughout the United States. The Association is primarily supported through federal government grants.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Grants Receivable

Grants receivable represent uncollected direct federal grant. The balance of grants receivable at December 31, 2020 has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Accounts Receivable

Accounts receivable represent amounts due from the Association's various revenue sources at December 31, 2020. There was no allowance recorded as the entire balance has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment over \$5,000 with a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense on the accompanying financial statements.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Association's operations.
- *Net Assets With Donor Restrictions* represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Association did not have any net assets with donor restrictions at December 31, 2020.

Revenue Recognition

Grants and Contributions

The majority of the Association's revenue is received through grants and contributions including grants with the federal government. Grants and contributions without donor-imposed conditions are recognized upon receipt or notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Grants and contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying statement of activities as net assets released from restrictions.

Grants and contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. The Association adopted the simultaneous release option for donor-restricted conditional contributions that are recognized and used within the same reporting period, therefore, these amounts are reported as without donor restrictions. Revenue recognized on grants and contributions, but have not been received, is included in grants receivable on the accompanying statement of financial position. Conversely, amounts received in advance of the conditions being met are recorded as refundable advances on the accompanying statement of financial position. There were no refundable advances at December 31, 2020. The Association had approximately \$1,373,777 in unrecognized conditional awards at December 31, 2020.

Conference Registrations

Conference registrations revenue consists primarily of registration fees for the Association's various conferences and events held. Registration fees from conferences and events are recognized at the time the activities are conducted, with any amounts received in advance deferred until that time. Deferred conference registrations at December 31, 2020 were \$1,226 and are included in deferred revenue on the accompanying statement of financial position.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Notes to Financial Statements

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Membership Dues

Membership dues are generally received in advance of the dues year which is on a calendar basis. Member benefits are delivered over the membership period and are recognized as revenue over the membership period. Membership dues received in advance of the membership year, are reported as deferred revenue. Deferred membership dues at December 31, 2020 were \$219,905 and are included in deferred revenue on the accompanying statement of financial position.

Rent Income

The Association subleases a portion of its office space to another organization and records rent income for the month the space is occupied. Revenue received in advance for rent are included in deferred revenue on the accompanying statement of financial position. The Association had no deferred rent income at December 31, 2020.

Contract Revenue

Contract revenue is recognized once the service is rendered. Revenue received in advance for contracts are included in deferred revenue on the accompanying statement of financial position. The Association had no deferred contract revenue at December 31, 2020.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Association incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Association also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as level of direct cost or time and effort incurred by personnel. Expenses allocated include personnel and fringe benefits, rent, contract services, communications, travel, supplies, insurance and copying and printing.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principles

Effective January 1, 2020, the Association adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The core principle of ASU 2014-09 requires the recognition of revenue for exchange and partial exchange transactions when, or as goods or services are delivered, in the amount that reflects the consideration to which the organization is entitled in exchange for what has been delivered. The ASU requires that the Association use the following five step process: 1) Identify exchange agreements or partial exchange agreements that create a contract; 2) Identify their performance obligations; 3) Determine the transaction price; 4) Allocate the transaction price among the performance obligations; 5) Recognize revenue at the point in time when, or over the time period during which, a performance obligation is recognized. The adoption of the ASU did not impact the change in net assets.

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The core principles of ASU 2020-07 address the measurement of nonfinancial contributions and increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments in the update are to be applied on a retrospective basis. ASU 2020-07 is effective for non-public entities for fiscal years beginning after June 15, 2021.

Management is currently evaluating the impact of ASU 2016-02 and ASU 2020-07 on the Association's financial statements.

3. Concentrations

The Association's cash is held in accounts at certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limit per depositor, per institution. The Association monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Revenue from federal government agencies and another source accounted for approximately 65% of the Association's revenue and support for the year ended December 31, 2020. In addition, receivables due from three sources comprised 77% of the total receivables due at December 31, 2020.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Notes to Financial Statements

December 31, 2020

4. Property and Equipment

The Association held the following property and equipment at December 31, 2020:

Furniture and fixtures	\$ 64,688
Total property and equipment	64,688
Less: accumulated depreciation	<u>(64,688)</u>
Property and equipment, net	<u>\$ -</u>

5. Liquidity and Availability of Resources

The following schedule reflects the Association's financial assets as of December 31, 2020, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

Financial Assets:	
Cash and cash equivalents	\$ 1,075,957
Grants receivable	88,069
Accounts receivable	<u>43,106</u>
Total financial assets	<u>1,207,132</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,207,132</u>

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget on a cash-flow basis. Additionally, the Association maintains a line of credit in the amount of \$100,000 upon which it may draw should the need arise.

6. Commitments and Contingencies**Operating Leases**

In November 2013, the Association entered into a noncancelable lease agreement for office space commencing in November 2013 and terminating in October 2024. The terms of the lease require monthly payments of \$33,749.83 with an annual escalation clause and pass-through of the Association's proportionate share of increases in operating costs. The lease also provides rent abatements for the first twelve months of the lease period. In addition, as part of the lease, the Association obtained a letter of credit with a financial institution which amounted to \$35,000 at December 31, 2020.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Notes to Financial Statements

December 31, 2020

6. Commitments and Contingencies (continued)

Operating Leases (continued)

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the lease term. The difference between GAAP rent expense and the actual lease payments is reflected as deferred rent liability on the accompanying statement of financial position. At December 31, 2020, the deferred rent liability related to the lease amounted to \$304,720. Total rent expense from this operating lease was \$416,590 for the year ended December 31, 2020, and is included in rent on the accompanying statement of functional expenses.

The Association entered into a sublease agreement for a portion of its office space. The sublease agreement commenced in February 2019 and expires in November 2023. The terms of the sublease require monthly payments of \$20,875 with an annual escalation clause. The lease also provides rent abatements for the first two months of the lease period.

Similar to rent expenses, all rental receipts, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the lease term in accordance with GAAP. The difference between GAAP rent income and the actual rental receipts is reflected as deferred rent asset on the accompanying statement of financial position. At December 31, 2020, the deferred rent asset related to the sublease amounted to \$50,721. Total rent income from this operating sublease was \$259,374 for the year ended December 31, 2020, and is presented on the accompanying statement of activities.

At December 31, 2020, future minimum lease payments and sublease receipts for operating lease net of expected sublease receipts are as follows for the years ending December 31:

	Lease Payments	Sublease Receipts	Net
2021	\$ 479,098	\$ (267,586)	\$ 211,512
2022	491,086	(276,951)	214,135
2023	503,344	(262,690)	240,654
2024	428,122	-	428,122
Total	<u>\$ 1,901,650</u>	<u>\$ (807,227)</u>	<u>\$ 1,094,423</u>

Line of Credit

The Association has an unsecured line of credit with a financial institution on which it may draw up to \$100,000. The line of credit carries interest at the bank's prime rate plus 10.72% and expires on September 3, 2021. The rate was 13.97% as of December 31, 2020. There was no outstanding balance on the line of credit at December 31, 2020.

6. Commitments and Contingencies (continued)

Office of Management and Budget Uniform Guidance and Indirect Costs

The Association has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2020, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until the audit is reviewed and accepted by the applicable government agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or pass-through agencies of the independent auditors' reports for the year ended December 31, 2020, will not have a material effect on the Association's financial position at December 31, 2020, or its results of operations for the year then ended.

Hotel Agreements

The Association holds conference and events at hotels and other venues and has entered into several agreements for its future conferences and events. These agreements state that the Association will be liable for certain cancellation fees and liquidated damages in the event of cancellation. Such expenses are recorded at the time there is a decision to cancel. Due to the state issued mandatory ban of large gatherings, the Association cancelled and re-scheduled events and meetings. No cancellation fees or liquidated damages were imposed on the Association for such cancellations or re-scheduling. Management does not expect any hotel agreement cancellations other than those caused by pandemic related restrictions.

7. Retirement Plan

The Association has established a SIMPLE retirement contribution plan (the Plan) that covers all eligible full-time employees. The retirement benefits vest immediately. The Association contributes up to 3% of the annual compensation of the participating employees. The Association contributed \$22,027 to the Plan during the year ended December 31, 2020.

8. Income Taxes

Under Section 501(c)(6) of the Internal Revenue Code, the Association is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2020, as the Association had no material taxable net unrelated business income.

The Association follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses. The Association performed an evaluation of uncertain tax positions for the year ended December 31, 2020 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Association files tax returns.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Notes to Financial Statements

December 31, 2020

9. Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 14, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.

10. Prior Period Adjustment

Certain understatements of previously reported rent income and expense, and related deferred rent assets and liabilities were discovered during 2020. Accordingly, an adjustment of \$49,884 was made to increase deferred rent assets, an adjustment of \$153,178 was made to increase deferred rent liability as of the beginning of the year ended December 31, 2020. A corresponding entry was made to decrease previously reported net assets without donor restrictions by \$103,294, and the beginning net assets without donor restrictions at January 1, 2020 was restated on the accompanying statement of activities.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
National Association for State Community Services Programs

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Association for State Community Services Programs (the Association), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

The Association's Response to Findings

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



HAN GROUP LLC
Washington, DC
April 14, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
National Association for State Community Services Programs

Report on Compliance for the Major Federal Program

We have audited National Association for State Community Services Programs' (the Association) compliance with the types of compliance requirements described in the Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on the Association's major federal program for the year ended December 31, 2020. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal program 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 of America; 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 the Association'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 the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on the Major Federal Program

In our opinion, National Association for State Community Services Programs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 program 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 the Association'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.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
April 14, 2021

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

<u>Federal Grantor / Pass Through Entity / Program Title</u>	<u>Agency / Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Subrecipient Expenditures</u>
Department of Health and Human Services				
Nationwide Performance Management System Development and Data Collection, Analysis and Reporting for the Community Services Block Grant Program	90ET0468/03	93.569	\$ 663,483	\$ -
Nationwide Performance Management System Development and Data Collection, Analysis and Reporting for the Community Services Block Grant Program CARES Act Supplemental	90ET0468/03 CARES Act Supplemental	93.569	122,727	-
Community Services Block Grant Performance Management Technical Assistance	90ET0483/01	93.569	<u>37,797</u>	<u>-</u>
Total Department of Health and Human Services			<u>824,007</u>	<u>-</u>
Department of Energy				
Grantee Training and Technical Assistance	DE-EE0008789	81.117	386,901	-
WAP Training and Technical Assistance Award	DE-EE0008070	81.117	<u>32,720</u>	<u>-</u>
Total Department of Energy			<u>419,621</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,243,628</u>	<u>\$ -</u>

See accompanying notes to this schedule.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activities of National Association for State Community Services Programs (the Association) under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to, and does not, present the financial position, changes in net assets, or cash flow of the Association.

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.

3. Indirect Cost Rate

The Association has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

I. Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: **Unmodified**
- Internal control over financial reporting:
 - Material weakness(es) identified: **Yes**
 - Significant deficiency(ies) identified that are not considered to be material weakness(es):
None reported
- Noncompliance which is material to the financial statements noted: **No**

Federal Awards

- Internal control over major federal programs:
 - Material weakness(es) identified: **No**
 - Significant deficiency(ies) identified that are not considered to be material weakness(es):
None reported
- Type of auditors' report issued on compliance for major federal programs: **Unmodified**
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): **No**
- Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.569

Community Service Block Grant

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

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

II. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

Finding 2020-001 – Prior Period Adjustment

Criteria or Specific Requirements: 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. During our audit procedures, we noted certain understatements of previously reported deferred rent assets and liability, and related rent income and expenses.

Condition: The Association did not properly record deferred rent asset and liability, and related rent income and expenses in accordance with GAAP for the years ended December 31, 2013 to December 31, 2019.

Effect: Lack of effective controls in place over the financial reporting function resulted in understatement of previously reported rent income and expenses, and deferred rent asset and liability. As a result, a prior period adjustment was required to the financial statements to correct these errors. Improper recording of deferred rent asset and liability and related revenue and expenses resulted in overstatement of beginning net assets by \$103,294.

Context: The Association did not have proper understanding of Accounting Standard Codification 840, *Leases* therefore, internal control over recording rent revenue and expenses, and financial reporting were not operating effectively.

Cause: Internal controls over financial reporting were not operating effectively to prevent or detect improper recording of rent income and expense on a timely basis.

Repeat Finding: No similar findings noted in the prior year.

Perspective Information: None.

Recommendation: We recommend that management implement internal control procedures to prevent such errors in recording rent revenue and expenses, and preparing financial statements in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions: The Association agrees with the auditors' conclusion. The cause of the prior period adjustment was a unique circumstance around a complicated real estate transaction. The original accounting was developed in accordance with guidance from a previous auditor. The current auditor clarified the proper accounting. The Association is interested in following the correct accounting guidance and accordingly has adjusted its records to reflect this adjustment.

III. Findings and Questioned Costs Relating to Federal Awards: None Reported