

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Economic Security Corporation of Southwest Area
Joplin, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Economic Security Corporation of Southwest Area (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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.

Auditor's 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 auditor's 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 auditor considers 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 Economic Security Corporation of Southwest Area as of September 30, 2019, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 to 25 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2020 on our consideration of Economic Security Corporation of Southwest Area'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 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 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 Economic Security Corporation of Southwest Area's internal control over financial reporting and compliance.

R/M/C, CPA's

Springfield, Missouri
February 9, 2020

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

ASSETS

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 577,680 |
| Certificates of deposit | 269,198 |
| Accounts receivable | 1,955,628 |
| Prepaid expenses | 14,242 |
| Inventories | 208,144 |
| Promissory note | 200,000 |
| Investment in Divine Estates, LP | 132,500 |
| Investment in Zahn Apartments Management 2006, Inc. | 5,000 |
| Property and equipment, net of accumulated depreciation of \$4,323,292 | 2,832,386 |
| Construction in progress | <u>2,061,322</u> |
| | <u>\$ 8,256,100</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------|---------------------|
| Accounts payable | \$ 799,556 |
| Accrued payroll | 175,365 |
| Accrued vacation leave | 364,019 |
| Security deposits | 4,447 |
| Long-term debt | 310,203 |
| Line-of-credit | <u>510,000</u> |
| | 2,163,590 |
| Net assets: | |
| Without donor restrictions | <u>6,092,510</u> |
| | <u>\$ 8,256,100</u> |

The accompanying notes are an integral part of these financial statements.

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

| | | |
|--|----------------|---------------------|
| Revenues, gains and other support: | | |
| Public support: | | |
| Contributions | | \$ 409,253 |
| Program revenues: | | |
| Grants | | 18,907,315 |
| Other revenues: | | |
| Rent | | 46,724 |
| Miscellaneous | | <u>134,655</u> |
| | | 19,497,947 |
| Expenses and losses: | | |
| Program services: | | |
| Agency | \$ 107,619 | |
| Community Services Block Grant | 655,834 | |
| Head Start | 10,572,395 | |
| Weatherization | 949,977 | |
| Energy Crisis Intervention Program | 1,969,407 | |
| Housing | 1,546,538 | |
| Other assistance programs | <u>205,283</u> | |
| | 16,007,053 | |
| Management and general | <u>798,322</u> | <u>16,805,375</u> |
| Change in net assets without donor restrictions | | 2,692,572 |
| Net assets without donor restrictions, beginning of year | | 3,356,939 |
| Prior period adjustment | | <u>42,999</u> |
| Net assets without donor restrictions, end of year | | <u>\$ 6,092,510</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

| | <u>Agency</u> | Community Services Block <u>Grant</u> | <u>Head Start</u> | <u>Weatherization</u> |
|----------------------------|-------------------|--|----------------------|-----------------------|
| Salaries | \$ - | \$ 297,119 | \$ 5,849,467 | \$ 275,159 |
| Fringe | 3,671 | 75,016 | 1,400,274 | 87,958 |
| Professional services | 13,880 | 35,208 | 182,925 | 160,536 |
| Travel | 60 | 11,057 | 41,003 | 5,944 |
| Space cost and rent | - | 89,459 | 119,940 | 7,125 |
| Consumable supplies | 812 | 13,918 | 757,676 | 351,827 |
| Other direct cost | 4,544 | 104,350 | 1,164,023 | 61,428 |
| Other in-kind costs | - | - | 403,744 | - |
| Aid and emergency | 88 | 29,707 | 361,403 | - |
| Interest expense | 4,070 | - | 3,655 | - |
| Transfer to other programs | 427 | - | 44,308 | - |
| Depreciation | <u>80,067</u> | <u>-</u> | <u>243,977</u> | <u>-</u> |
| | <u>\$ 107,619</u> | <u>\$ 655,834</u> | <u>\$ 10,572,395</u> | <u>\$ 949,977</u> |

| <u>Energy Crisis Intervention Program</u> | <u>Housing</u> | <u>Other Assistance Programs</u> | <u>Management and General</u> | <u>Total</u> |
|---|---------------------|--|---------------------------------------|----------------------|
| \$ 149,199 | \$ 235,813 | \$ 134,941 | \$ 527,292 | \$ 7,468,990 |
| 35,642 | 71,349 | 35,293 | 122,391 | 1,831,594 |
| 56,436 | - | - | 32,063 | 481,048 |
| 624 | 150 | - | 5,455 | 64,293 |
| 6,600 | 40,004 | 4,188 | 26,282 | 293,598 |
| 6,262 | 631,867 | 1,418 | 17,417 | 1,781,197 |
| 14,831 | 543,295 | 9,312 | 67,422 | 1,969,205 |
| - | - | - | - | 403,744 |
| 1,699,813 | 24,055 | 20,131 | - | 2,135,197 |
| - | - | - | - | 7,725 |
| - | 5 | - | - | 44,740 |
| - | - | - | - | 324,044 |
| <u>\$ 1,969,407</u> | <u>\$ 1,546,538</u> | <u>\$ 205,283</u> | <u>\$ 798,322</u> | <u>\$ 16,805,375</u> |

The accompanying notes are an integral part of these financial statements.

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 2,692,572 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 324,044 |
| Interest added to certificates of deposit | (3,129) |
| Gain on sale of property and equipment | (22,606) |
| Changes in: | |
| Accounts receivable | (1,181,732) |
| Prepaid expenses | (5,207) |
| Inventories | (182,159) |
| Accounts payable | 536,412 |
| Accrued payroll | 59,111 |
| Accrued vacation leave | 29,139 |
| Security deposits | <u>906</u> |
| Net cash provided by operating activities | <u>2,247,351</u> |
| Cash flows from investing activities: | |
| Construction in progress | (2,061,322) |
| Purchase of property and equipment | (697,530) |
| Proceeds from sale of property and equipment | <u>24,088</u> |
| Net cash used in investing activities | <u>(2,734,764)</u> |
| Cash flows from financing activities: | |
| Principal payments on long-term debt | (33,217) |
| Proceeds from line-of-credit | <u>510,000</u> |
| Net cash provided by financing activities | <u>476,783</u> |
| Decrease in cash and cash equivalents | (10,630) |
| Cash and cash equivalents, beginning of year | <u>588,310</u> |
| Cash and cash equivalents, end of year | <u>\$ 577,680</u> |
| Supplemental disclosure of cash flow information: | |
| Cash paid during the year for: | |
| Interest | <u>\$ 7,725</u> |
| Supplemental disclosure of non-cash investing and financing activities: | |
| Purchase of property through issuance of long-term debt | <u>\$ 201,947</u> |

The accompanying notes are an integral part of these financial statements.

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. Nature of operations and summary of significant accounting policies

Nature of operations

Economic Security Corporation of Southwest Area is the community action agency serving Barton, Jasper, Newton and McDonald Counties in Southwest Missouri. The Organization provides a range of services and activities impacting the causes of poverty to help people function at their own financial, physical, mental and social levels and aid in their attempts to attain new levels.

Basis of accounting

Revenues and expenditures are recognized on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned. Expenditures under the accrual basis of accounting are recorded when the liability is incurred.

New accounting pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Agency has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Agency's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

1. Summary of significant accounting policies (continued)

New accounting pronouncement (continued)

The changes have the following effect on net assets at September 30, 2019:

| <u>Net Asset Class</u> | <u>As Originally Presented</u> | <u>After Adoption of ASU 2016-14</u> |
|---------------------------------------|--------------------------------|--------------------------------------|
| Unrestricted net assets | \$ 3,356,939 | \$ - |
| Temporarily restricted net assets | - | - |
| Permanently restricted net assets | - | - |
| Net assets without donor restrictions | - | 3,356,939 |
| Net assets with donor restrictions | - | - |
| Total net assets | <u>\$ 3,356,939</u> | <u>\$ 3,356,939</u> |

Financial statement presentation

For financial reporting purposes, accounting principles generally accepted in the United States of America requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of unrestricted contributions, grants, and other income.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met by actions of the Agency. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. There are no net assets with donor restrictions at September 30, 2019.

The Agency has adopted a policy of recording those donations whose restriction is met in the same accounting period as unrestricted support.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

1. Nature of operations and summary of significant accounting policies (continued)

Cash and cash equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019, cash equivalents consisted primarily of a sweep account.

The Organization maintained balances in excess of \$250,000 at Southwest Bank at September 30, 2019. FDIC insurance covers the first \$250,000 in deposits at each bank and the balance in excess of the FDIC coverage is insured by pledged securities.

Accounts receivable

Accounts receivable primarily consists of amounts due on grants and contracts from federal, state and other funding and pass-through agencies. The grants and contracts are generally paid on an expense reimbursement or units of service basis. The receivable is due upon the Organization's submission of a request for reimbursement. Funding agencies generally pay within 30 days.

The Organization's policy is that fees are due from clients when services are rendered; however, unsecured credit is occasionally extended to clients. After 90 days, accounts receivable from clients are considered to be uncollectible and are written off. No allowance for doubtful accounts has been established.

Inventories

Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market, and consist primarily of consumable supplies.

Property and equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Depreciation includes amortization on assets acquired under capital lease obligations. The Organization's policy is to capitalize all fixed assets costing more than \$5,000.

Funding agencies retain a reversionary interest in property and equipment purchased with grant funds.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment, and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets.

1. Nature of operations and summary of significant accounting policies (continued)

Government grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income taxes

Economic Security Corporation of Southwest Area is a nonprofit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and a similar section of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), effective January 1, 2009. Under the interpretation, the Organization would record a liability for uncertain tax positions when it is probable that a tax position would not be upheld under examination and the amount can be reasonably estimated. The Organization, with advice from their CPA as needed, continually evaluates expiring statutes of limitations, changes in tax law and new authoritative rulings in determining if there are unreasonable tax positions subject to the provisions of FASB Interpretation No. 48 when preparing their annual 990. At September 30, 2019, the Organization has determined that there were no unreasonable tax positions whereby a liability would need to be recorded.

The federal 990's of the Organization for 2019, 2018 and 2017 are subject to examination by the respective taxing authorities, generally for three years after they were filed.

Functional allocation of expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and management and general categories. Expenses that can be identified with a specific program and support activity are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using various allocation methods.

Compensated absences

Sick and annual leave are accumulated on a monthly basis according to Organization policies. Sick leave cannot be taken as cash upon termination; therefore the Organization records no liability for amounts that could be used under Organization sick leave policies.

A liability for unpaid annual leave has been accrued as an Organization liability in the amount of \$364,019 at September 30, 2019.

1. Nature of operations and summary of significant accounting policies (continued)

Indirect costs

The Organization maintains an indirect cost rate with the Department of Health and Human Services. Administrative costs are allocated to the various programs based upon that rate.

2. Liquidity and availability

The Agency's activities are funded primarily through federal grants. These amounts are available to meet general expenditures of the Agency. As part of its liquidity management, the Agency has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

The Agency's financial assets as of September 30, 2019 are reflected below. The financial assets are reduced by amounts that are not available for general use due to donor-imposed restrictions within one year of the statement of financial position date.

| | |
|---|---------------------|
| Financial assets at year-end | \$ 2,802,506 |
| Less those unavailable for general expenditures within one year due to: | |
| Donor-imposed restrictions: | |
| Restricted by donors with purpose restrictions | _____ - |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,802,506</u> |

3. Property and equipment

Property and equipment at September 30, 2019 consists of:

| | |
|-----------------------------------|---------------------|
| Land | \$ 603,429 |
| Buildings | 4,284,190 |
| Equipment, furniture and fixtures | 213,445 |
| Vehicles | <u>2,054,614</u> |
| | 7,155,678 |
| Less accumulated depreciation | <u>(4,323,292)</u> |
| | <u>\$ 2,832,386</u> |

Depreciation expense for the year ended September 30, 2019 was \$324,044

The Federal Head Start property and equipment was acquired with funds received from the Department of Health and Human Services (HHS). Under terms of the grant agreement, the property and equipment may revert to HHS if it is no longer used in the Agency's Head Start program. Additionally, proceeds from the sale of Head Start property and equipment is to be deposited and used in the Head Start program.

4. Long-term debt

Long-term debt at September 30, 2019, consists of outstanding obligations under various notes payable to banks as follows:

Note payable to bank, payable \$450 monthly, with a balloon payment at maturity, including interest at 2.55%, due October 8, 2019, secured by certificate of deposit with a balance of \$106,581 at September 30, 2019. \$ 41,617

Note payable to bank, payable \$1,130 monthly, including interest at prime, due October 15, 2019, secured by real property with a net book value of \$71,575 at September 30, 2019. 4,120

Note payable to bank, payable \$1,595 monthly, including interest at 5.25%, due August 8, 2023, secured by three school buses, with a net book value of \$113,895 at September 30, 2019. 67,498

Note payable to bank, payable \$1,341 monthly, with a balloon payment at maturity, including interest at 5.0%, due November 6, 2021, secured by deed of trust on property with a net book value of \$357,517 at September 30, 2019. 196,968

\$ 310,203

Aggregate annual maturities of notes payable at September 30, 2019, reflecting the terms of the refinancing described above, are:

Year ending
September 30,

| | |
|------|---------------|
| 2020 | \$ 30,990 |
| 2021 | 60,780 |
| 2022 | 201,487 |
| 2023 | <u>16,946</u> |

\$ 310,203

5. Line-of-credit

The Agency has a line-of-credit with Southwest Missouri Bank. A maximum of \$850,000 may be drawn, with Agency assets serving as collateral. Advances bear interest at 7.0%. The line-of-credit expires March 15, 2020. The Agency had drawn \$510,000 on the line-of-credit at September 30, 2019.

6. Contributed services and in-kind contributions

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the year ended September 30, 2019, \$403,744 of contributed professional services and in-kind contributions, all of which apply to the Head Start Program, is reflected in the financial statements. Other services with an estimated fair value of \$2,844,824, which have not been included in the financial statements because they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America, were contributed by parents and others to the Head Start Program.

In addition to receiving cash contributions and contributed services, the Organization receives other in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an asset or expense in the financial statements, and similarly increase contribution revenue by a like amount.

7. Related parties

Economic Security Community Development Corporations

Economic Security Corporation of Southwest Area (ESC) and Economic Security Community Development Corporation (ESCDC) are related parties. ESCDC was incorporated in September, 2001, to obtain a Missouri Housing Development Commission (MHDC) loan/grant to construct residential facilities and rent to low-income families. The bylaws of ESCDC name ESC as its only member. Certain members of ESC's board of directors also serve as board members of ESCDC's board of directors.

Although ESC has control over the direction and policies of ESCDC through common board membership and its function as an organization member, it does not have an economic interest in ESCDC. ESCDC is a separate stand-alone not-for-profit organization whose purpose, under its agreement with MHDC, is limited to the operations of the low-income housing project being funded by MHDC. No other organization, including ESC, is responsible for or receives the benefits from the financial results of ESCDC.

ESC provides administration and operational services to ESCDC on a contractual basis. The accounts of ESCDC are maintained separate from the accounts of ESC and are not included in the financial statements of ESC.

7. Related parties (continued)

Divine Estates Management, LLC

Economic Security Corporation of Southwest Area is 100% owner of Divine Estates Management, LLC (DE Management). At September 30, 2019, DE Management's only asset is its .002% ownership of Divine Estates, LP. For its ownership in DE Management and the resulting .002% ownership in Divine Estates, LP, ESC made a \$132,500 capital contribution of real estate which had been acquired with Community Development Block Grant funds. DE Management is the Managing General Partner of Divine Estates, LP.

Divine Estates, LP, a Missouri single purpose limited partnership, was formed on March 28, 2003, for the purpose of developing, constructing and managing a thirty-six unit apartment project, known as Divine Estates, to serve low-income families.

Net profits, net losses and federal tax credits of Divine Estates, LP are allocated 99.89% to the Investment Limited Partner, USA XXXIIIDivine, LLC; .10% to the State Tax Credit Limited Partner, Divine Estates Credit Fund; .008% to the Non-Managing General Partner, Divine Properties, LLC; and .002% to the Managing General Partner, Divine Estates Management, LLC. State tax credits are allocated 100% to the State Tax Credit Limited Partner. The term of the Partnership shall continue until January 1, 2090, unless sooner dissolved in accordance with the provisions of the Partnership Agreement.

The major activities of Divine Estates, LP are governed by the Partnership Agreement and the Internal Revenue Code Section 42. Each building of the project is to be qualified and allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements.

Zahn Apartments Management 2006, Inc.

Economic Security Corporation of Southwest Area is 100% owner of Zahn Apartments Management 2006, Inc. (ZA Management). At September 30, 2019, ZA Management's only asset is its .0051% ownership of Zahn Apartments, LP. For its ownership in ZA Management and the resulting .0051% ownership in Zahn Apartments, LP, ESC contributed real estate which had been acquired with Community Development Block Grant funds. ZA Management is the Managing General Partner of Zahn Apartments, LP.

Zahn Apartments, LP, a Missouri single purpose limited partnership, was formed on January 25, 2006 for the purpose of developing, constructing and managing an apartment project, known as Zahn Apartments, to serve low-income families.

Net profits, net losses and federal tax credits of Zahn Apartments, LP are allocated 99.89% to the Investment Limited Partner, MEF Investors 2006, LLC; .10% to the State Tax Credit Limited Partner, Zahn Credit Fund, LP; .0049% to the Non-Managing General Partner, Zahn Properties, LLC; and .0051% to the Managing General Partner, Zahn Apartments Management 2006, Inc.. State tax credits are allocated 100% to the State Tax Credit Limited Partner. The term of the Partnership shall continue indefinitely, unless sooner dissolved in accordance with the provisions of the Partnership Agreement.

7. Related parties (continued)

The major activities of Zahn Apartments, LP are governed by the Partnership Agreement and the Internal Revenue Code Section 42. Each building of the project is to be qualified and allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements.

Drake Hotel Properties, Inc.

Economic Security Corporation of Southwest Area is 100% owner of Drake Hotel Properties, Inc. (DA Management). At September 30, 2019, DA Management's only asset is its .01% ownership of Drake Hotel Apartments, LP. For its ownership in DA Management and the resulting .01% ownership in Drake Apartments, LP, ESC contributed \$200,000 which had been acquired with Community Development Block Grant funds. DA Management is the Managing General Partner of Drake Hotel Apartments, LP.

Drake Hotel Apartments, LP, a Missouri single purpose limited partnership, was formed on April 3, 2006 for the purpose of developing, constructing and managing an apartment project, known as Drake Hotel Apartments, to serve low-income families.

Net profits, net losses and federal tax credits of Drake Hotel Apartments, LP are allocated 99.88% to the Investment Limited Partner, MEF Drake Investors 2005, LLC; .10% to the State Tax Credit Limited Partner, Drake Hotel Credit Fund, LP; .01% to the Non-Managing General Partner, Alliant ALP 33, LLC; and .01% to the Managing General Partner, Drake Hotel Properties, Inc.. State tax credits are allocated 100% to the State Tax Credit Limited Partner. The term of the Partnership shall continue indefinitely, unless sooner dissolved in accordance with the provisions of the Partnership Agreement.

The major activities of Drake Hotel Apartments, LP are governed by the Partnership Agreement and the Internal Revenue Code Section 42. Each building of the project is to be qualified and allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements.

Forest Park Apartments

Forest Park Apartments is a 32 unit multi-family development consisting of three separate four-plex buildings that is marketed to homeless families. Economic Security Corporation of Southwest Area is the Lead Referral Agency for which Missouri Housing Development Commission provided an allocation of tax credits.

7. Related parties (continued)

The Primary reason for admission of the Organization as a partner in these real estate joint ventures is to qualify the projects for federal and state grants, tax credits, and permanent financing which are favorable to the development of the low income housing projects. While the Organization has an ownership interest in these real estate joint ventures, the financial nature of these interests are de minimis and are, therefore, not reported in the financial statements.

8. Joplin Bungalows, LLC

Joplin Bungalows, LLC was created in 2018 to develop, construct, maintain, operate and manage a twenty unit affordable housing complex commonly known as “Joplin Bungalows” located in Joplin, Missouri. Economic Security Corporation of Southwest Area (ESC) is the sole member of the LLC and serves as the administrative entity for Joplin Bungalows, LLC under common control of the ESC board of directors. At September 30, 2019, the Agency has \$2,061,322 in construction in progress related to this project.

9. Administrative services

The Organization administers the operations of the Jasper County Public Housing Agency, Joplin, Missouri. The Jasper County Public Housing Agency provides housing programs for low income families through a contract with the U.S. Department of Housing and Urban Development. The accounts of the Housing Agency are maintained separate from the accounts of Economic Security Corporation of Southwest Area as the Housing Agency has a separate, independent board that is not controlled by the board of the Organization. As required by the U.S. Department of Housing and Urban Development, Jasper County Public Housing Agency has a separate audit.

10. Pension plan

The Organization provides a Tax Sheltered Savings Plan under Internal Revenue Code Section 403(b) for its employees. Any full-time or part-time regular employee may participate in the 403(b) program after they have been employed for 90 days. Employees can begin contributing their own funds into the program up to the maximum the law allows. After one year of employment the Organization will match dollar for dollar the amount that they contribute up to 4%. After they have been employed 5, 10 and 15 years, the Organization will match their contribution up to 5%, 6% and 7%, respectively. After 20 years the Organization will match up to 8%. That is the maximum benefit the Organization will allow. The combined Organization and employee contributions may not exceed limits established by law. Pension expense was \$219,322 for 2019.

11. Major source of revenue

The U.S. Department of Health and Human Services provided 59% of total 2019 grant revenue through direct support of the Head Start Program.

12. Promissory note

During the year ended September 30, 2005, the Organization made a loan in the amount of \$200,000 to the Drake Hotel Apartments, LP subject to a promissory note dated August 24, 2005. The funds were used for the development of a low-income housing apartment complex located in the City of Carthage, Missouri. The note will mature on the earlier of the repayment in full of the outstanding principal balance or July 31, 2023. The promissory note is non-interest bearing and principal will be paid from 25% of net available cash flow from the operations of the Drake Hotel Apartments. The Organization received a grant in the amount of \$200,000 to fund the project.

13. Rental income

The Organization has entered into various lease agreements to lease office space in the buildings disclosed in Note 2 to other entities. The operating leases renew on an annual basis.

Rental income from the above leases for the year ended September 30, 2019 was \$46,724.

14. Operating leases

The Organization has entered into operating leases with various individuals and organizations to provide locations for Head Start classrooms. The long-term operating leases have various terms.

The minimum lease payments under these leases are as follows:

| <u>Year ending</u> <u>September 30,</u> | |
|--|-------------------|
| 2020 | \$ 85,948 |
| 2021 | 54,716 |
| 2022 | <u>17,200</u> |
| | <u>\$ 157,864</u> |

The total amount of rent expense under these operating leases for the year ended September 30, 2019 was \$81,994.

15. Subsequent events

The Organization has evaluated subsequent events through February 9, 2020, the date which the financial statements were available to be issued. There were no significant events noted that did not exist at the date of the consolidated statement of financial position but arose subsequent to that date.

SUPPLEMENTARY INFORMATION

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

SUPPLEMENTAL CSBG PROGRAM SCHEDULE

YEAR ENDED SEPTEMBER 30, 2019

| | | |
|--|---------------|-------------------|
| Revenues: | | |
| Missouri Department of Social Services/DFS 90% | | \$ 693,568 |
| Expenditures: | | |
| Salaries | \$ 297,119 | |
| Fringe benefits | 75,016 | |
| Travel | 11,057 | |
| Space cost | 89,459 | |
| Consumable supplies | 13,859 | |
| Other direct costs | 168,997 | |
| Indirect costs | <u>38,061</u> | <u>693,568</u> |
| Excess of revenues under expenditures | | - |
| Net assets, beginning of year (grant basis) | | <u>137,908</u> |
| Net assets, end of year (grant basis) | | <u>\$ 137,908</u> |

Verification of reported performance:

Based on our audit, it is our opinion that Economic Security Corporation of Southwest Area billed properly for services completed in accordance with the provisions of the CSBG Award documents and materially complied with all material CSBG regulations.

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

SUPPLEMENTAL LIHEAP/ECIP PROGRAM SCHEDULE

YEAR ENDED SEPTEMBER 30, 2019

| | | |
|---|---------------|------------------|
| Revenues: | | |
| MO Department of Social Services/DFS | | \$ 1,994,466 |
| Expenditures: | | |
| Salaries | \$ 149,199 | |
| Fringe | 35,642 | |
| Travel | 624 | |
| Space cost | 6,600 | |
| Consumable supplies | 6,262 | |
| Direct client services | 1,699,813 | |
| Other direct cost | 71,196 | |
| Indirect costs | <u>19,019</u> | <u>1,988,355</u> |
| Excess revenues over (under) expenditures | | 6,111 |
| Net assets, beginning of year | | <u>-</u> |
| Net assets, end of year | | <u>\$ 6,111</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

G-19-LIHEAP-19-05

WEATHERIZATION PROGRAMS

RECONCILIATION OF REVENUES AND EXPENSES

FOR PERIOD OF OCTOBER 1, 2018 TO SEPTEMBER 30, 2019

| | Division of <u>Energy</u> | <u>Subgrantee</u> |
|-----------------------------------|---------------------------------|-------------------|
| Beginning agency fund balance | \$ - | \$ - |
| Revenue: | | |
| Grant income | <u>319,913</u> | <u>319,913</u> |
| Expenditures: | | |
| Administration | 12,597 | 12,597 |
| Insurance | 742 | 742 |
| Training and technical assistance | 6,594 | 6,594 |
| Program operations | <u>299,980</u> | <u>299,980</u> |
| | <u>319,913</u> | <u>319,913</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> |
| Ending cash on hand | | <u>\$ -</u> |
| Ending inventory | | <u>\$ -</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

G-18-EE0007930-2-05

WEATHERIZATION PROGRAMS

RECONCILIATION OF REVENUES AND EXPENSES

FOR PERIOD OF JULY 1, 2018 TO SEPTEMBER 30, 2019

| | Division of <u>Energy</u> | <u>Subgrantee</u> |
|-----------------------------------|---------------------------------|-------------------|
| Beginning agency fund balance | \$ - | \$ - |
| Revenue: | | |
| Grant income | <u>247,055</u> | <u>247,055</u> |
| Expenditures: | | |
| Administration | 9,465 | 9,465 |
| Insurance | 268 | 268 |
| Training and technical assistance | 6,730 | 6,730 |
| Program operations | <u>230,592</u> | <u>230,592</u> |
| | <u>247,055</u> | <u>247,055</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> |
| Ending cash on hand | | <u>\$ -</u> |
| Ending inventory | | <u>\$ -</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

G-19-EE0007930-3-05

WEATHERIZATION PROGRAMS

RECONCILIATION OF REVENUES AND EXPENSES

FOR PERIOD OF JULY 1, 2019 TO SEPTEMBER 30, 2019

| | Division of <u>Energy</u> | <u>Subgrantee</u> |
|-----------------------------------|---------------------------------|-------------------|
| Beginning agency fund balance | \$ - | \$ - |
| Revenue: | | |
| Grant income | <u>30,431</u> | <u>30,431</u> |
| Expenditures: | | |
| Administration | 1,073 | 1,073 |
| Training and technical assistance | 3,380 | 3,380 |
| Program operations | <u>25,978</u> | <u>25,978</u> |
| | <u>30,431</u> | <u>30,431</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> |
| Ending cash on hand | | <u>\$ -</u> |
| Ending inventory | | <u>\$ -</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

G-18-16-0213E-05

WEATHERIZATION PROGRAMS

RECONCILIATION OF REVENUES AND EXPENSES

FOR PERIOD OF JANUARY 1, 2018 TO OCTOBER 31, 2018

| | Division of <u>Energy</u> | <u>Subgrantee</u> |
|-------------------------------|---------------------------------|-------------------|
| Beginning agency fund balance | \$ - | \$ - |
| Revenue: | | |
| Grant income | <u>115,824</u> | <u>115,824</u> |
| Expenditures: | | |
| Administration | 6,185 | 6,185 |
| Insurance | 971 | 971 |
| Program operations | <u>108,668</u> | <u>108,668</u> |
| | <u>115,824</u> | <u>115,824</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> |
| Ending cash on hand | | <u>\$ -</u> |
| Ending inventory | | <u>\$ -</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

G-19-16-0213E-2-05

WEATHERIZATION PROGRAMS

RECONCILIATION OF REVENUES AND EXPENSES

FOR PERIOD OF NOVEMBER 1, 2018 TO SEPTEMBER 30, 2019

| | Division of <u>Energy</u> | <u>Subgrantee</u> |
|-------------------------------|---------------------------------|-------------------|
| Beginning agency fund balance | \$ - | \$ - |
| Revenue: | | |
| Grant income | <u>131,744</u> | <u>131,744</u> |
| Expenditures: | | |
| Administration | 6,193 | 6,193 |
| Insurance | 1,000 | 1,000 |
| Program operations | <u>124,551</u> | <u>124,551</u> |
| | <u>131,744</u> | <u>131,744</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> |
| Ending cash on hand | | <u>\$ -</u> |
| Ending inventory | | <u>\$ -</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

| | <u>Grant Award Number</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|---|------------------------------------|----------------------|
| <u>U.S. Department of Health and Human Services:</u> | | | |
| Head Start Program | 07CH709505 | 93.600 | \$ 8,529,143 |
| Head Start Program | 07HP000085 | 93.600 | <u>1,864,787</u> |
| | | | 10,393,930 |
| Passed through Missouri Department of Social Services: | | | |
| Community Services Block Grant | PG282000007 | 93.569 | 693,568 |
| Low-Income Housing Energy Assistance | ER11017006/ER11020006 | 93.568 | 1,950,222 |
| Skill Up | None | 93.588 | 162,844 |
| Passed through Missouri Department of Economic Development: | | | |
| Weatherization Assistance for Low-Income Persons | G-19-LIHEAP-19-05 | 93.568 | <u>319,913</u> |
| Total Department of Health and Human Services | | | <u>13,520,477</u> |
| <u>U.S. Department of Agriculture:</u> | | | |
| Passed through Missouri Department of Health: | | | |
| Child and Adult Care Food Program | ERS46110006 | 10.558 | <u>440,364</u> |
| <u>U.S. Department of Energy:</u> | | | |
| Passed through Missouri Department of Economic Development: | | | |
| Weatherization Assistance for Low-Income Persons | G-18-EE0007930-2-05/ G-19-EE0007930-3-05 | 81.042 | <u>271,210</u> |
| <u>U.S. Department of Housing and Urban Development:</u> | | | |
| Passed through Department of Mental Health: | | | |
| Shelter Plus Care | ER1973PC006 | 14.238 | 206,911 |
| Passed through Missouri Housing Development Commission: | | | |
| Home Investment Partnership Act (HERO) | 2018-HERO-006/ERS4611009 | 14.239 | 871,035 |
| Emergency Solutions Grant | 19-736-S | 14.231 | 24,932 |
| Continuum of Care Planning Grant | M00274L7P021800 | 14.267 | 9,148 |
| Supportive Housing Program | MO0032L7P021811/ ER197-RAP-1606 | 14.235 | 190,717 |
| Supportive Housing Program with Disabilities | MO0030L7P021811 | 14.181 | 42,978 |
| Rapid Re-Housing Continuum of Care | MO0183L7P021805/ MO0237L7P021802 | 14.257 | 100,318 |
| Passed through City of Joplin: | | | |
| CDBG – Disaster Recovery Grant | CS190278001-ESC | 14.269 | <u>1,406,885</u> |
| Total Department of Housing and Urban Development | | | <u>2,852,924</u> |
| | | | <u>\$ 17,084,975</u> |

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Economic Security Corporation of Southwest Area and is presented on the modified accrual basis of accounting. The modification to the accrual basis of accounting is that property and equipment are recorded as expenditures in the year purchased according to grant requirements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect cost rate

Economic Security Corporation of Southwest Area maintains an indirect cost rate with the Department of Health and Human Services and is not eligible to use the 10 percent de minimus indirect cost rate.

ROBERTS, MCKENZIE, MANGAN & CUMMINGS

A Professional Corporation

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Springfield, Missouri 65804

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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

Board of Directors
Economic Security Corporation of Southwest Area
Joplin, Missouri

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 consolidated financial statements of Economic Security Corporation of Southwest Area (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statement 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 February 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Security Corporation of Southwest Area'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 Economic Security Corporation of Southwest Area's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R/M/C, CPA's

Springfield, Missouri
February 9, 2020

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

Board of Directors
Economic Security Corporation of Southwest Area
Joplin, Missouri

Report on Compliance for Each Major Federal Program

We have audited Economic Security Corporation of Southwest Area's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Economic Security Corporation of Southwest Area's major federal programs for the year ended September 30, 2019. Economic Security Corporation of Southwest Area'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Economic Security Corporation of Southwest Area'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 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 Economic Security Corporation of Southwest Area'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 of Economic Security Corporation of Southwest Area's compliance.

Opinion on Each Major Federal Program

In our opinion, Economic Security Corporation of Southwest Area 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 September 30, 2019.

Report on Internal Control Over Compliance

Management of Economic Security Corporation of Southwest Area 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 Economic Security Corporation of Southwest Area's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Economic Security Corporation of Southwest Area'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 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.

R/M/MC, CPA's

Springfield, Missouri
February 9, 2020

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS
YEAR ENDED SEPTEMBER 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified?

Yes No
- Significant deficiencies identified?

Yes No
- Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?

Yes No
- Significant deficiencies identified?

Yes No

Type of auditors’ report issued on compliance for major programs: Unmodified.

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

Yes No

ECONOMIC SECURITY CORPORATION OF SOUTHWEST AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS
(CONTINUED)

YEAR ENDED SEPTEMBER 30, 2019

Findings required to be reported by *Government Auditing Standards*

No matters are reportable.