

GREATER BERGEN COMMUNITY ACTION, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FEBRUARY 28, 2017

GREATER BERGEN COMMUNITY ACTION, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-16
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	17-18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Expenditures of State Awards	20
Notes to Schedule of Expenditures of State Awards	21
FEDERAL REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Independent Auditor's Report on Compliance With Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance	24-25
Schedule of Findings and Questioned Costs	26-27
Summary Schedule of Prior Audit Findings	28
STATE REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major State Program and on Internal Control over Compliance in Accordance with State of New Jersey, Department of the Treasury Circular 15-08-OMB	29-30
Schedule of Findings and Questioned Costs	31-32
Summary Schedule of Prior Audit Findings	33



AUDITOR'S REPORT

To the Board of Directors
Greater Bergen Community Action, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Greater Bergen Community Action, Inc. (the "Agency"), which comprise the consolidated statement of financial position as of February 28, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater Bergen Community Action, Inc. as of February 28, 2017, 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.

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Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and the State of New Jersey Department of Treasury Circular 15-08-OMB, respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of Greater Bergen Community Action, Inc.’s internal control over financial reporting and on our tests of their 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 Greater Bergen Community Action, Inc.’s internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
November 28, 2017

GREATER BERGEN COMMUNITY ACTION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FEBRUARY 28, 2017

ASSETS

Cash	\$	384,092
Restricted cash		3,418,980
Grants receivable		5,307,882
Due from related parties		2,919,846
Property and equipment, net		11,742,489
		\$ 23,773,289

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	1,455,559
Accrued payroll and related costs		896,905
Accrued vacation		1,141,133
Deferred revenue		2,507,729
Accrued interest payable		187,744
Line of credit		997,327
Long-term debt	\$ 15,534,870	
Less deferred costs, net	747,340	14,787,530
		21,973,927

NET ASSETS - Unrestricted

1,799,362

\$ 23,773,289

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

GREATER BERGEN COMMUNITY ACTION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2017

OPERATING REVENUE:	
Federal grants	\$ 27,943,789
Federal grants - eRate program	330,958
State grants	8,466,635
County grants	556,196
Local grants	1,214,177
In-kind donations	775,779
Rental income	1,334,726
Other income	995,897
	<hr/>
	41,618,157
OPERATING EXPENSES:	
Program services	35,848,298
Management and general	5,830,446
	<hr/>
	41,678,744
CHANGE IN NET ASSETS	(60,587)
NET ASSETS, BEGINNING OF YEAR	<hr/>
	1,859,949
NET ASSETS, END OF YEAR	<hr/>
	\$ 1,799,362

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

GREATER BERGEN COMMUNITY ACTION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2017

	Program Services	Management and General	Total Expenses
Salaries	\$ 20,550,264	\$ 2,644,165	\$ 23,194,429
Payroll taxes and employee benefits	5,583,387	697,138	6,280,525
Consultants	290,344	35,154	325,498
Facilities expense	2,267,876	229,785	2,497,661
Client assistance	108,475	-	108,475
Equipment	219,482	41,806	261,288
Depreciation and amortization	-	280,504	280,504
Grants receivable reserve	-	233,790	233,790
Office expense	809,777	197,806	1,007,583
Project materials	954,812	39,784	994,596
Insurance	492,547	54,727	547,274
Materials and supplies	438,093	4,428	442,521
Food kitchen supplies	1,203,904	35,956	1,239,860
Utilities and maintenance	1,835,611	166,146	2,001,757
Interest expense	-	594,201	594,201
Loss on debt extinguishment	-	552,953	552,953
Travel expense	317,946	22,103	340,049
In-kind expenses:			
Rent	626,172	-	626,172
Professional services	131,965	-	131,965
Materials	17,643	-	17,643
Total expenses	\$ 35,848,298	\$ 5,830,446	\$ 41,678,744

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

GREATER BERGEN COMMUNITY ACTION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (60,587)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	280,504
Amortization of debt issue costs	15,666
Loss on extinguishment of debt - deferred cost write-off	222,725
Forgiveness of notes payable	(8,082)
Grants receivable reserve	233,790
Changes in operating assets and liabilities:	
Grants receivable	(1,464,250)
Due from related parties	(844,621)
Prepaid expenses and other assets	313,751
Accounts payable and accrued expenses	(243,569)
Accrued payroll and related costs	228,099
Accrued vacation	33,481
Deferred revenue	923,890
Accrued interest payable	88,645
	(280,558)
NET CASH USED IN OPERATING ACTIVITIES	(280,558)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	130,339
Purchases of property and equipment	(3,247,423)
	(3,117,084)
NET CASH USED IN INVESTING ACTIVITIES	(3,117,084)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long term debt	(416,901)
Proceeds from purchase of bonds	13,515,000
Increase in restricted cash	(3,418,980)
Premiums received on bonds	619,051
Deferred debt issue costs	(396,075)
Proceeds from loans on personal property	92,429
Payoff of prior bond obligations	(7,715,000)
Proceeds from line of credit borrowings	475,000
	2,754,524
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,754,524
NET DECREASE IN CASH	(643,118)
CASH, BEGINNING OF YEAR	1,027,210
CASH, END OF YEAR	\$ 384,092
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$ 489,252

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

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FEBRUARY 28, 2017

1. NATURE OF THE ORGANIZATION

Greater Bergen Community Action, Inc. is a private non-profit entity formed to stimulate a better focusing of all available local, State, private and Federal resources, with the goal of providing the necessary support to low-income families and low-income individuals of all ages to obtain the skills, knowledge and motivation, to secure the opportunities needed to move towards self-sufficiency. Greater Bergen Community Action, Inc. administers anti-poverty and preschool programs funded by the U.S. Department of Health and Human Services, the New Jersey Department of Community Affairs and others.

The Bergen County Housing Coalition ("BCHC") provides landlord-tenant guidance and solutions to problems in the areas of rights/responsibilities under New Jersey Law, state and local property maintenance codes, and other applicable statutes. The consolidated financial statements include Greater Bergen Community Action, Inc. and its affiliate, BCHC (collectively "the Agency" or "GBCA"). All intercompany transactions and balances have been eliminated in consolidation.

The Agency, as determined by the Internal Revenue Service, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and under the corresponding provisions of the New Jersey State tax laws. The Agency has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

2. ACCOUNTING POLICIES

Basis of Accounting

The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation

The classification of the Agency's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the Agency reports the support as unrestricted.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The Agency has no temporarily or permanently restricted net assets at February 28, 2017.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FEBRUARY 28, 2017

2. ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

In December 2016, in connection with the refinancing of outstanding debt (see Note 5), the Agency was required to fund various reserve accounts totaling \$6,088,824. During the year ended February 28, 2017, \$2,669,874 was expended from the reserve funds for property improvements and costs of debt issuance, and the accounts earned \$30 in interest income.

Grants Receivable

Grants receivable represent unconditional promises to give. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amount to \$5,541,672 at February 28, 2017. The Agency evaluates the collectability of the receivables and employs the allowance method. The Agency has determined that an allowance for uncollectible accounts in the amount of \$233,790 for grants receivable is necessary as of February 28, 2017. Such estimate is based on management's assessment of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information. Grants receivable reserve is an allowance made for certain grants in which the Agency believes are collectable, but for which the funder is currently not recognizing as reimbursable.

Revenue Recognition

Revenue from Federal, state and local government grants and contracts are primarily recorded when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred, if any, are reflected as deferred revenue from Federal, state and local government grants in the accompanying consolidated statement of financial position. Revenue from fee based grants are recorded when earned. The Agency has met all the required non-Federal share matching requirements.

Donated Services and Materials

Various grantor agencies require grantees to contribute to the costs of the program through cash or in-kind contributions. The Agency receives contributed services and materials that are an integral part of its operations. Such services and materials are recorded as in-kind donations, at their fair value, provided the services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. During the year ended February 28, 2017, the Agency recognized \$775,779 of in-kind donations, including rent, professional services and materials. In-kind donations of rent include the excess of the market rate over the actual rent charged to the Agency at two locations.

Certain individuals, including parents of the students in various Head Start program locations, donate time as a requirement of participation in the program. The value of these services does not meet the criteria for U.S. GAAP recognition and is therefore not included in the consolidated financial statements.

Premises Provided by Government Authorities

The Agency does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the Department of Health and Human Services Administration for Children and Families ("ACF") as the premises are temporary in nature, represent shared space whereby a fair value cannot be determined and is industry practice. In addition, the premises are subject to a Federal Interest, which restricts the Agency's ability to make major renovations or further encumber the underlying property without prior written approval.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FEBRUARY 28, 2017

2. ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Generally, property, furniture, fixtures, and equipment purchased with grant funds are reported as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Generally, such property cannot be disposed of without written approval of the funding sources. The funding sources may have a reversionary interest ("Federal Interest") in the property and may determine the use of any proceeds from the sale of these assets.

Capitalized property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Buildings and improvements are depreciated over 40 years. Equipment is depreciated over 5-15 years. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the asset. The Agency has established a \$25,000 threshold above which assets are evaluated to be capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Fair Value of Financial Instruments

The carrying amounts of the Agency's financial instruments (including deferred costs and long-term debt) approximate fair value due to the short-term nature of these instruments or their underlying holdings. The carrying amount of the Agency's long term debt approximates fair value based on the instruments' interest rates, terms, and maturity date, compared to similar financial instruments. The fair value of the due from related parties cannot be determined because no market exists for such instruments.

Impairments

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Agency would recognize an impairment loss. No impairment losses were recognized for the year ended February 28, 2017.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the usage or activity share of program expenses, including management and general expenses. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Agency.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Extinguishment of Debt

The Agency recognizes a gain or loss on extinguishment of debt when debt is refinanced and the present value of the cash flows associated with the refinanced debt and the original debt are substantially different.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FEBRUARY 28, 2017

2. ACCOUNTING POLICIES (CONTINUED)

Debt Issue Costs

Effective March 1, 2016, the Agency adopted Accounting Standards Update (“ASU”) No 2015-03, which requires debt issuance costs to be presented in the consolidated statement of financial position as a reduction in the carrying amount of the debt. Costs incurred in connection with the borrowing are capitalized and amortized over the life of the loan using the effective interest method.

Income Taxes

The Agency follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The Agency files informational returns in the federal and New Jersey State jurisdictions. With few exceptions, the Agency is no longer subject to federal, state, or local income tax examinations for fiscal years before 2014.

The Agency believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the Agency would classify it as “Interest Expense.” The Agency would classify penalties in connection with underpayments of income tax as “Other Expense.”

Subsequent Events

The Agency has evaluated events through November 28, 2017, which is the date the consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2017 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Agency is currently evaluating the effect the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FEBRUARY 28, 2017

2. ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued an accounting standards update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In November 2016, the FASB issued an accounting standards update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In January 2017, the FASB issued an accounting standards update which clarifies when a not-for-profit that is a general or limited partner should consolidate a for-profit limited partnership or similar entity. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017, with early adoption permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

3. RELATED PARTY TRANSACTIONS

GBCA provides certain services and pays certain costs for Community Housing in Partnership, Inc. ("CHIP"), a related agency, which was founded in part by GBCA. During the year ended February 28, 2017, CHIP incurred management and administrative fee expenses with GBCA totaling \$44,591. During the year ended February 28, 2017, GBCA incurred rent expense with CHIP totaling \$188,311. At February 28, 2017, CHIP owed GBCA \$2,282,648, including its portion of the public revenue bonds, as disclosed in Note 5. Interest income, charged at a rate equivalent to the average rate on the outstanding bank loans payable (3.625% at February 28, 2017), recorded by GBCA on this intercompany balance, totaled \$50,250 for the year ended February 28, 2017. Payments against this receivable are made out of available cash flow of CHIP. Payments totaling \$105,000 were made during the year ended February 28, 2017.

GBCA is the main sponsor for 1st Bergen Federal Credit Union ("FBFCU"). FBFCU personnel provide financial literacy training to eligible GBCA clients. At February 28, 2017, GBCA provided support to FBFCU of \$304,198, which was expensed by GBCA. In addition, GBCA used FBFCU to finance the purchase of trucks and cars. The balance of those loans, included in long-term debt, was \$122,816 at February 28, 2017.

On September 30, 2011, GBCA invested \$250,000 in Cap Solar NJB I Corp. ("Cap Solar"), a wholly-owned subsidiary. Cap Solar invested that amount in Cap Solar New Jersey I LLC ("Cap Solar LLC"), as a 51% owner. Cap Solar LLC installed solar panels on locations owned or operated by non-profit entities throughout the State of New Jersey. The other member of Cap Solar LLC invested or loaned Cap Solar LLC approximately \$10 million. The balance of the investment in Cap Solar totaling \$250,000 was written off during 2015. At February 28, 2017, \$323,567 is due from Cap Solar LLC for expenses paid by the Agency on its behalf.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of February 28, 2017:

		Estimated useful life (years)
Land	\$ 1,661,018	-
Buildings and improvements, and leasehold improvements	8,012,445	20-40
Equipment	1,322,929	5-15
Construction in progress	3,145,214	
	<u>14,141,606</u>	
Accumulated depreciation	<u>(2,399,117)</u>	
	<u>\$ 11,742,489</u>	

Depreciation expense for the year ended February 28, 2017 was \$280,504.

In connection with the refinancing of the bond obligations, see note 5, the Agency set up a Project Fund reserve totaling \$5,031,546 with the proceeds from the refinancing. In connection with the construction of two properties the Agency used \$2,256,905 of the Project Reserve fund in the year ended February 28, 2017. At February 28, 2017 the Agency has \$2,774,667 in the fund, including \$26 of interest income on the account, to be used on the Project, defined below. In the period subsequent to February 28, 2017 through the date of this report, approximately \$714,000 was used from the Project Reserve fund on the Project.

The Agency entered into various contracts for capital improvements related to the Project totaling approximately \$437,000 at February 28, 2017. Subsequent to February 28, 2017 and through the date of this report approximately \$100,000 was paid and the balance of approximately \$337,000 is expected to be paid in the next fiscal year.

5. LINE OF CREDIT, BONDS AND LOANS PAYABLE

Line of Credit

The Agency has a line of credit with TD Bank N.A. ("TD Bank") in the amount of \$1,100,000 (the "Line of Credit"), which was due to expire in October 2017. As of February 28, 2017, there was a \$997,327 balance outstanding. The Line of Credit is secured by a second security interest in all assets of the Agency and accrues interest at the bank's annual prime rate (3.75% at February 28, 2017). On October 25, 2017 the Line of Credit was extended to January 29, 2018.

Bonds Payable

The Bergen County Improvement Authority (the "Authority") authorized the issuance and sale of various loans to the Agency. In 2004, the Authority issued \$5,435,000 County Guaranteed Revenue Bonds, Series 2004 A and \$1,765,000 Taxable County Guaranteed Revenue Bonds, Series 2004 B (the "2004 Bonds"). The 2004 Bonds were issued on December 15, 2004, with a maturity date of December 31, 2015 (Series 2004 B) and December 1, 2034 (Series 2004 A). The Series 2004 A bonds had an average interest rate of 5% and the Series 2004 B bonds had an average interest rate of 4.75%. The Series 2004 B bonds were fully repaid at maturity of December 31, 2015. The Series 2004 A bonds included annual principal installments of \$125,000 in 2005 gradually increasing to \$425,000 due in 2034. The 2004 Bonds bore interest from the date of issue, payable semi-annually on June 1 and December 1 each year. The proceeds from the 2004 Bonds were used to refinance certain then existing debt of the Agency and its affiliate, CHIP, to acquire various parcels of real estate, renovate and improve existing properties, provide funding and working capital for certain programmatic needs, and pay the costs of issuance.

GREATER BERGEN COMMUNITY ACTION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2017**

5. LINE OF CREDIT, BONDS AND LOANS PAYABLE (CONTINUED)

The Authority also authorized the issuance and sale of \$2,800,000 County Guaranteed Revenue Bonds, Series 2011 (the "2011 Bonds") pursuant to a resolution adopted on December 3, 2009. The 2011 Bonds were issued on August 11, 2011 with a maturity date of December 1, 2034 and an average interest rate of 4.39%. The Bonds bore interest from the date of issue, payable semi-annually on June 1 and December 1 each year. Principal payments on the 2011 Bonds are due on December 31, 2017 (\$90,000), 2019 (\$190,000), 2021 (\$205,000), 2028 (\$885,000) and 2034 (\$1,190,000). The proceeds were used to refinance a construction loan, renovate and improve existing properties, provide funding and working capital for certain programmatic needs and pay the costs of issuance.

On December 21, 2016, the Agency refinanced the outstanding 2004 and 2011 Bonds with the issuance of 2016 bonds in the aggregate amount of \$13,515,000 (\$13,380,000 non-taxable Series 2016 A bonds and \$135,000 taxable Series 2016 B bonds, collectively the "2016 Bonds") (the "Refinancing"). The 2016 A Bonds have a maturity date of December 1, 2034 and an average interest rate of 3.96%. The Series 2016 A bonds include annual principal installments of between \$210,000 and \$780,000 with \$1,980,000 due in 2046. The 2016 B Bonds have a maturity date of December 1, 2017 and an interest rate of 1.75%. The 2016 Bonds bear interest from the date of issue, payable semi-annually on June 1 and December 1 each year. The proceeds from the Refinancing were used to repay the outstanding balances of the 2004 and 2011 Bonds, plus interest, totaling \$8,045,228, and to fund several reserves: the Project Fund reserve (\$5,031,546), the Interest Reserve fund (\$314,149), the Reserve fund, (\$327,531) and the Cost of Issue Reserve fund (\$415,598). The Project Fund reserve will be used to fund the conversion of warehouse space for office and classroom space in Hackensack, NJ and Garfield, NJ. (the "Project"). The Project also includes the acquisition of a warehouse building located at 392 Main Street in Hackensack, N.J. The build-out of this property was completed on May 1, 2017 and the property is used to house Agency program and support staff. The classroom buildouts are currently under development and the expected date of completion is between late 2018 and early 2019. At February 28, 2017, there is a total of \$3,418,980 in the reserve accounts (\$2,774,667 Project Reserve fund, \$314,151 Interest Reserve, \$327,533 Reserve and \$2,629 in the Cost of Issue Reserve fund). The reserve funds are recorded as restricted cash in the accompanying consolidated statement of financial condition. The Interest Reserve fund is expected to be used as follows: \$96,661 with the June 1, 2017 payment due, \$108,745 with the December 1, 2017 payment due and \$108,745 with the June 1, 2018 payment due. In the period subsequent to year end, through the date of the audit report, approximately \$714,000 was used to fund the Project out of the Project Reserve Fund.

The Agency incurred costs of \$717,897 in connection with the Refinancing, to be deferred over the life of the 2016 Bonds. The amortization of the 2016 Bond's debt issuance costs in the year ended February 28, 2017 amounted to \$15,666, which includes amortization of the prior costs through December 2016, and is included in interest expense on the accompanying consolidated statement of activities. The accumulated amortization as of February 28, 2017 was \$5,982.

Debt Extinguishment Expense

In connection with the Refinancing, the Agency transferred the remaining balance of the 2004 and 2011 bonds, totaling \$7,715,000, to a third-party trustee at the date of the Refinancing, plus \$330,228 of future interest to be used to pay the bond holders as the bonds are called by the trustee. After the Refinancing the Agency is no longer liable for the repayment of the 2004 and 2011 Bonds.

The Refinancing was deemed an extinguishment of the existing debt, and acquisition of new debt. Accordingly, total loss on debt extinguishment was \$552,953 which consisted of \$330,228 of future interest and \$222,725 debt issuance costs associated with the prior debt which was written off.

Mortgage Loans Payable

On November 21, 2014, in connection with the purchase of an interest in the property located at 500 East 35th Street, Paterson, NJ, TD Bank loaned the Agency \$1,500,000 (the "Paterson Loan"). The Paterson Loan bears interest at a fixed rate of 5.05% and will mature on December 1, 2024. Principal and interest payments totaling \$15,969 are due monthly. Prepayment of the principal is allowed at any time, subject to a prepayment penalty starting at 5% in the first year, reduced 1% each year to 0% in the year of maturity. The Federal Interest in this property is subordinate to the rights of TD Bank.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2017

5. LINE OF CREDIT, BONDS AND LOANS PAYABLE (CONTINUED)

The Agency is required to comply with certain financial and operating covenants including the maintenance of certain financial ratios. The Agency believes it is in compliance with all such covenants.

Long-term debt at February 28, 2017 consists of the following:

Revenue Bond Series 2016 A	\$ 13,380,000
Revenue Bond Series 2016 B	135,000
Mortgage loan, interest at 5.05%, secured by real property	1,239,366
Loans on personal property, interest at average of 7.4% (Note 3)	122,816
Note payable to grantor agency, secured by subject real property, principal forgiven \$5,450 per year through February 2021	20,447
Note payable to grantor agency, secured by subject real property, principal forgiven \$2,632 per year through February 2025	18,190
	14,915,819
Unamortized bond premiums	619,051
	15,534,870
Less: Unamortized debt issue costs	(747,340)
	\$ 14,787,530

Aggregate maturities of long-term debt for each of the succeeding five years are as follows as of February 28,:

2018	\$ 678,826
2019	571,258
2020	589,101
2021	605,000
2022	629,940
Thereafter	11,841,694
	14,915,819
Unamortized bond premiums	619,051
Total	\$ 15,534,870

In 2001, the Agency received funding from the State of New Jersey, Department of Children and Family Services ("DCFS") in the amount of \$108,999, for their Transitional Living Program at 265 State Street, Hackensack, NJ. DCFS is not requiring the Agency to repay the loan as long as they maintain this facility for DCFS clients for a period of 20 years ending in 2021. DCFS is forgiving principal payments at a rate of \$5,450 a year (for 20 years).

In 2005, the Agency received funding from DCFS in the amount of \$52,275 for their Transitional Living Program at 265 State Street, Hackensack, New Jersey. DCFS is not requiring the Agency to repay the loan as long as they maintain this facility for DCFS clients for a period of 20 years ending in 2025. DCFS is forgiving principal payments at a rate of \$2,632 a year (for 20 years).

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2017

6. COMMITMENTS

The Agency leases office space (expiring in 2022) and various operating locations, some of which include annual leases with automatic renewals, for its various programs under non-cancelable operating leases which expire at various dates through 2022.

Future minimum lease payments under non-cancellable operating leases are as follows as of February 28,:

2018	\$	3,414,270
2019		1,487,689
2020		1,153,183
2021		1,095,295
2022		380,560
Total	\$	<u>7,530,997</u>

Rent expense for the year ended February 28, 2017 was \$2,212,180, which is included in the accompanying consolidated statement of functional expenses under facilities expense.

7. OPERATING LEASES

The Agency leases office space to various sub-tenants of its main office lease, as well as operating leases with tenants occupying various locations owned or leased by the Agency. Future minimum rentals under these non-cancellable leases as of February 28 are:

2018	\$	1,147,433
2019		502,117
2020		168,227
2021		173,274
2022		163,192
Total	\$	<u>2,154,243</u>

Rental income for the year ended February 28, 2017 was \$859,395.

8. RETIREMENT PLANS

The Agency adopted a defined contribution 403(b) plan (the "Plan") which covers most of its employees. Employees are eligible to enroll in the Plan on their first day of employment. The Plan provides for the Agency to contribute 75% of the first 6% of an employee's salary deferrals. The Agency's contribution is vested 100% immediately. For the year ended February 28, 2017, pension expense for the Agency was \$398,122, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

The Agency also offers certain employees a deferred compensation plan in accordance with IRC Section 457. The Agency contributed \$172,337 to this plan during the year ended February 28, 2017, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

GREATER BERGEN COMMUNITY ACTION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2017**

9. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees and students; and natural disasters. The Agency maintains commercial insurance to help protect it from such risks.

Certain grants and contracts are subject to audit by the funding sources. Such audits might result in disallowances of claims submitted under the contract. Management is of the opinion that such disallowances, if any, will not have a material effect on the consolidated financial statements. Accordingly, no amounts are provided in the accompanying consolidated financial statements for such disallowances.

10. CONCENTRATIONS

Financial instruments that potentially subject the Agency to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

The Agency received approximately 68% of its total revenue from the United States Department of Health and Human Services and 19% from the New Jersey Department of Education for the year ended February 28, 2017.

Amounts due from two grantors represent approximately 39% of grants receivable at February 28, 2017.

SUPPLEMENTARY INFORMATION

GREATER BERGEN COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2017

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed-through from New Jersey State Department of Labor			
English & Civics - Adult Education	84.002	N/A	\$ 226,799
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed-through from New Jersey State Department of Community Affairs			
Weatherization Assistance for Low-Income Persons	81.042	2013-05228-0358, 2017-05228-0005	\$ 411,371
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed-through from New Jersey State Department of Agriculture			
Child and Adult Care Food Program	10.558	N/A	\$ 1,553,254
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed-through from New Jersey State Department of Community Affairs			
LIHEAP Assistance - Low-Income Home Energy Assistance Program	93.568	2016-05131-0133, 2017-05131-0299	\$ 416,512
Weatherization - LIHEAP - Low-Income Home Energy Assistance Program	93.568	2015-05130-0222	338,170
Heating Improvement Program - Low-Income Home Energy Assistance Program	93.568	2015-05124-0247	397,977
Total from LIHEAP and WEATHERIZATION			\$ 1,152,659
Head Start - Bergen County	93.600	02CH304903	5,299,964
Head Start - Paterson	93.600	02CH-3005-04, 02CH-3005-05	8,121,557
Head Start - Jersey City	93.600	02CH-3077-03, 02CH-3077-04	8,589,294
Total from Head Start			\$ 22,010,815
CDCH-Day Care - Child Care and Development Block Grant	93.575	CO17086	\$ 175,605
Passed-through from New Jersey State Department of Community Affairs			
Community Services Block Grant	93.569	2016-05235-0207, 2017-05235-0207	1,114,118
Total from U.S. Department of Health and Human Services			\$ 24,453,197

See independent auditor's report.
The accompanying notes are an integral part of this schedule.

GREATER BERGEN COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2017

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed-through from New Jersey State's Bergen County Technical Schools			
OUT of School Youth- GED Program	17.259	15-805, 16-805, 17-805	\$ 691,845
WFNJ-ESL OF TANF & GA/SNAP - WIA Adult Program	17.258	WFNJ 15-710	24,992
Total from U.S. Department of Labor			<u>\$ 716,837</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
HUD-Ladder - Housing Urban Development	14.235	NJ0018B2F0101407	\$ 88,110
Housing Counseling - Housing Counseling Assistance Program	14.169	HC150321023, HC160321023	24,793
Sandy Relief-Housing Counseling Grant - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	SANDY-CDBG-DR	255,945
Passed-through from New Jersey State Department of Community Affairs			
Homelessness Prevention Rapid Rehousing - Emergency Solutions Grant Program	14.231	PS-GBCATA16	19,500
Neighborhood Enhancement - Community Development Block Grants	14.228	2014-02325-0153	153,485
Passed-through from New Jersey State Bergen County Community Development			
Tenant Outreach & Guidance Program	14.218	PS-BCHCTOG15	40,498
Total from U.S Department of Housing and Human Development			<u>\$ 582,331</u>
Total Expenditures of Federal Awards			<u>\$ 27,943,789</u>

See independent auditor's report.
The accompanying notes are an integral part of this schedule.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Greater Bergen Community Action, Inc. (a not-for-profit organization) (the "Agency") under programs of the federal government for the year ended February 28, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because this Schedule presents only a selected portion of the operations of the Agency, it is not intended and does not present the financial position, changes in net assets or cash flows of the Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available and when applicable.

3. SUB-RECIPIENTS

Of the federal expenditures presented in the Schedule, the Agency provided no federal awards to sub-recipients.

4. INDIRECT COST RATE

The Agency allocates indirect costs to various federal programs based upon the portion of expenses incurred by the program.

GREATER BERGEN COMMUNITY ACTION, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2017

<u>State Grantor/Pass-through Grantor/Program</u>	<u>State Grant Award Number</u>	<u>State Expenditures</u>
<u>DEPARTMENT OF EDUCATION</u>		
Abbott Program - Jersey City Public Schools	N/A	\$ 3,425,735
Abbott Program - Paterson Public Schools	N/A	3,435,066
Paterson Extended Care	N/A	228,320
Parent Linking Program	N/A	133,922
Total from Department of Education		<u>\$ 7,223,043</u>
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>		
Shelter Support - Ladder & Phases	2015-02149-0216-01	\$ 20,506
Prevention of Homelessness	2015-02150-0275-01, 2017-02150-0110-00	131,939
Total from Department of Community Affairs		<u>\$ 152,445</u>
<u>DEPARTMENT OF HUMAN SERVICES</u>		
Senior Services Meals Program	DOAS16CBS002	\$ 21,828
Passed-through from New Jersey State Bergen County		
Homelessness Prevention Program	GBCA-S15A	4,090
Total from Department of Human Services		<u>\$ 25,918</u>
<u>DEPARTMENT OF ADDICTION SERVICES</u>		
Drug Court	LOC-16-2442-DC, LOC-17-2442-DC	\$ 239,277
<u>DEPARTMENT OF CHILDREN AND FAMILIES</u>		
Phases Program	17-HZBN	\$ 315,696
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>		
Universal Service Fund	2017-05131-0299-00	\$ 266,878
Lead Remediation Pilot Program	2017-02328-0063-00	162,998
Total from Community Affairs		<u>\$ 429,876</u>
<u>DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT</u>		
Skill Enhancement for Able-Bodied Adults without Dependents	13-136-7617	\$ 63,915
<u>DEPARTMENT OF STATE</u>		
Center for Hispanic Policy, Research and Development	CHPRD16-012	\$ 16,465
Total Expenditures of State Awards		<u>\$ 8,466,635</u>

See independent auditor's report.
The accompanying notes are an integral part of this schedule.

GREATER BERGEN COMMUNITY ACTION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the "Schedule") includes the state grant activity of Greater Bergen Community Action, Inc. (a not-for-profit organization) (the "Agency") under programs of the state government for the year ended February 28, 2017. The information in this Schedule is presented in accordance with the requirements of the State of New Jersey Department of the Treasury OMB Circular 15-08-OMB. Because this Schedule presents only a selected portion of the operations of the Agency, it is not intended and does not present the financial position, changes in net assets or cash flows of the Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

3. SUB-RECIPIENTS

Of the state expenditures presented in the Schedule, the Agency provided no funds to sub-recipients.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Greater Bergen Community Action, Inc.

We have audited, 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, the consolidated financial statements of Greater Bergen Community Action, Inc. (the "Agency"), which comprise the consolidated statement of financial position as of February 28, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's consolidated 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 the Agency's consolidated financial statements are free of 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*.

We noted certain matters that we reported to management of the Agency in a separate letter dated November 28, 2017.

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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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
November 28, 2017



Independent Auditor's Report on Compliance With Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Directors
Greater Bergen Community Action, Inc.

Report on Compliance for the Major Federal Program

We have audited Greater Bergen Community Action, Inc.'s (the "Agency") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended February 28, 2017. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Agency'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 ("CFR") 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 Agency'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 with each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Greater Bergen Community Action, Inc. 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 February 28, 2017.

Report on Internal Control over Compliance

Management of Greater Bergen Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency'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 the Agency's internal control over compliance.

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Report on Internal Control over Compliance (Continued)

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.

MBAF CPAs, LLC

New York, NY
November 28, 2017

GREATER BERGEN COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEBRUARY 28, 2017

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported
Noncompliance material to consolidated financial statements noted? Yes X No

Federal Awards

Internal control over major program:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Uniform Guidance? Yes X No

Identification of Major Program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Head Start	93.600	\$ 22,010,815
LIHEAP and Weatherization Cluster	93.568	\$ 1,152,659
Community Services Block Grant	93.569	\$ 1,114,118
English & Civics - Adult Education	84.002	\$ 226,799

Dollar threshold used to distinguish between Type A and Type B programs: \$ 838,314

Auditee qualified as low-risk auditee: X Yes No

GREATER BERGEN COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEBRUARY 28, 2017

Section II - Financial Statement Findings:

None noted.

Section III - Federal Award Findings and Questioned Costs:

None noted.

GREATER BERGEN COMMUNITY ACTION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEBRUARY 28, 2017

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH STATE OF NEW JERSEY, DEPARTMENT OF THE TREASURY CIRCULAR 15-08-OMB

To the Board of Directors
Greater Bergen Community Action, Inc.

Report on Compliance for the Major State Program

We have audited the compliance of Greater Bergen Community Action, Inc. (the "Agency"), with the types of compliance requirements described in the New Jersey State Grants Compliance Supplement that could have a direct and material effect on each of Greater Bergen Community Action, Inc.'s major state programs for the year ended February 28, 2017. Greater Bergen Community Action, Inc.'s major state programs are identified in the summary of auditor's 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Greater Bergen Community Action, Inc.'s major state 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 State of New Jersey, Department of the Treasury Circular 15-08-OMB. Those standards and Circular 15-08-OMB 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 state program occurred. An audit includes examining, on a test basis, evidence about Greater Bergen Community Action, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on Greater Bergen Community Action, Inc.'s compliance with those requirements.

Opinion on the Major State Program

In our opinion, Greater Bergen Community Action, Inc. 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 state programs for the year ended February 28, 2017.

Report on Internal Control Over Compliance

Management of Greater Bergen Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Greater Bergen Community Action, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state

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program and to test and report internal control over compliance in accordance with the State of New Jersey, Department of the Treasury Circular 15-08-OMB, 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 Greater Bergen Community Action, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state 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 state 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 state 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 State of New Jersey, Department of the Treasury Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
November 28, 2017

GREATER BERGEN COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEBRUARY 28, 2017

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to consolidated financial statements noted? Yes X No

State Awards

Internal control over major program:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular 15-08-OMB? Yes X No

Identification of Major Program:

<u>Name of State Program</u>	<u>State grant award number</u>	<u>Expenditures</u>
Abbott Program	N/A	\$ 6,860,801
Universal Service Fund	2017-05131-0299-00	\$ 266,878

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee: X Yes No

GREATER BERGEN COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEBRUARY 28, 2017

Section II - Financial Statement Findings:

None noted.

Section III - State Award Findings and Questioned Costs:

None noted.

GREATER BERGEN COMMUNITY ACTION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEBRUARY 28, 2017

Section I – Financial Statement Findings

None noted.

Section II – State Financial Assistance Findings and Questioned Costs

None noted.