COMMUNITY RESOURCES, INC. AND SUBSIDIARIES

PARKERSBURG, WEST VIRGINIA

AUDIT REPORT

DECEMBER 31, 2019

ZENO, POCKL, LILLY AND COPELAND, A.C.
Certified Public Accountants & Advisors

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES

PARKERSBURG, WEST VIRGINIA

AUDIT REPORT

DECEMBER 31, 2019

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
DECEMBER 31, 2019

ZENO, POCKL, LILLY AND COPELAND, A.C.
Certified Public Accountants & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Resources, Inc. and Subsidiaries
Parkersburg, West Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Resources, Inc. (a nonprofit organization) and its Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States 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 from 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

980 National Road • Wheeling, WV 26003 • p. 304-233-5030 • f. 304-233-3062
511 North 4th Street, Steubenville, OH 43952

zplcaccounting.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Resources, Inc. and Subsidiaries as of December 31, 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

Other Information

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of Community Resources, Inc. and Subsidiaries' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Resources, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Zeno, Pockl, Lilly & Copeland, A.C.

Wheeling, West Virginia
July 14, 2020

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	$ 968,669
Restricted cash	552,036
Total	1,520,705
Grants receivable	343,602
Other receivables	75,011
Inventory	23,871
Prepaid expense	24,819
HOME Program housing inventory	239,230
Fixed assets, net of accumulated depreciation	337,867
TOTAL ASSETS	$ 2,565,105

LIABILITIES

Accounts payable	$ 151,977
Accrued payroll, benefits, and taxes	105,774
Deferred revenue	31,217
Total liabilities	288,968

NET ASSETS

Without donor restrictions	1,461,000
With donor restrictions	815,137
Total net assets	2,276,137
TOTAL LIABILITIES AND NET ASSETS	$ 2,565,105

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

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants, contracts and related revenue	$ 2,477,936	$ 113,338	$ 2,591,274
Program income, contributions, and donations	13,836	151,545	165,381
Child care revenue and subsidies	356,692	-	356,692
Mermaid revenues	174,342		174,342
Other income and revenues	9,937	-	9,937
Interest income	6,336	-	6,336
Net assets released from purpose restrictions	264,128	(264,128)	-
Total support and revenues	3,303,207	755	3,303,962
EXPENSES			
Program and corporate services	2,979,693	-	2,979,693
Management and general	379,645	-	379,645
Total expenses	3,359,338	-	3,359,338
Change in net assets	(56,131)	755	(55,376)
NET ASSETS, BEGINNING OF YEAR	1,517,131	814,382	2,331,513
NET ASSETS, END OF YEAR	$ 1,461,000	$ 815,137	$ 2,276,137

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

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Description	CSBG Program Services	Weatherization Program Services	Housing Program Services	Other Program and Corporate Services	Total Program and Corporate Services	Management and General	Total Expenses
Salaries	$ 361,863	$ 430,062	$ 8,357	$ 508,121	$ 1,308,403	$ 190,133	$ 1,498,536
Employee benefits and payroll taxes	90,315	134,550	964	68,816	294,645	48,158	342,803
Rent and utilities	62,118	23,737	48	48,548	134,451	17,431	151,882
Insurance	6,296	16,951	400	11,552	35,199	3,604	38,803
Office and other supplies	28,295	9,131	1	78,726	116,153	6,854	123,007
Consulting and professional services	5,576	432	231	4,564	10,803	49,593	60,396
Telephone and internet	20,067	1,792	-	4,561	26,420	2,350	28,770
Travel and vehicle fuel	18,161	46,847	-	3,518	68,526	969	69,495
Miscellaneous expenses	6,684	1,854	2,100	10,302	20,940	5,656	26,596
Vehicle lease expenses	-	18,908	-	-	18,908	-	18,908
Vehicle repair and maintenance	329	3,728	-	-	4,057	-	4,057
Equipment expenses	2,176	50,284	-	1,176	53,636	3,499	57,135
Weatherization materials	-	325,650	-	-	325,650	-	325,650
Client and participant costs	202,065	23,248	4,647	329,951	559,911	243	560,154
Cost of housing sold and related housing costs	-	-	1,991	-	1,991	-	1,991
Business and occupation taxes	-	-	-	-	-	1,502	1,502
Depreciation expense	-	-	-	-	-	49,653	49,653
Totals	$ 803,945	$ 1,087,174	$ 18,739	$ 1,069,835	$ 2,979,693	$ 379,645	$ 3,359,338

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

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (55,376)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:	
Depreciation	49,653
Bad Debt Expense	4,349
Changes in assets and liabilities:	
Grants receivable	(44,580)
Other receivables	(14,809)
Inventory	(6,509)
Prepaid expenses	(16,364)
Accounts payable	76,739
Accrued payroll, taxes, and other accrued expenses	34,353
Deferred revenue	10,656
Net cash provided by operating activities	38,112
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(107,174)
Net cash used in investing activities	(107,174)
Decrease in cash	(69,062)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	1,589,767
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	$ 1,520,705

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

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - Community Resources, Inc. is a nonprofit community action agency that provides services to low-income individuals and families in an 11-county area within the State of West Virginia. The Organization's headquarters is located in Parkersburg, West Virginia. The Organization is funded primarily through grants and other agreements with the federal and state government.

In the consolidated statement of functional expenses, the Organization's programs are grouped as CSBG Program services, Weatherization, Housing, and Other program and corporate services, depending on the purpose of the grant or project.

On February 18, 2014, CRI Enterprises, Inc. ("CRIE") was incorporated in the State of West Virginia for the purpose of holding an ownership interest in a senior housing project with a housing development company. On June 18, 2014, all of the outstanding shares of CRIE were transferred to Community Resources, Inc. making CRIE a wholly owned subsidiary of Community Resources, Inc. CRIE also operates MerMaid Cleaning Services.

On October 27, 2016, CRI Development Inc., ("CRID") was incorporated in the State of West Virginia for the purpose of, or purposes of, transacting any or all lawful business for which corporations may be incorporated under the corporation laws of the State of West Virginia. The purpose of this corporation as of December 31, 2019, is for tax-credits related to the development of a housing complex in the City of Parkersburg, West Virginia. There has been no activity in CRI Development, Inc. in the current fiscal year. CRI Development, Inc. is a wholly owned subsidiary of Community Resources, Inc.

BASIS OF CONSOLIDATION - The consolidated financial statements include the assets, liabilities, revenues, and expenses of Community Resources, Inc. and its wholly owned subsidiaries, CRIE and CRI Development, Inc. (collectively referred to as the "Organization"). As noted previously, there was no activity in CRID in the fiscal year 2019. Significant inter-entity accounts and transactions have been eliminated upon consolidation.

BASIS OF PRESENTATION - The financial statements of Community Resources, Inc. and Subsidiaries have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The more significant of these policies and practices are summarized below.

ACCOUNTING 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 disclosures of contingent 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.

CASH AND CASH EQUIVALENTS - For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, as well as any highly liquid investments with an initial maturity of 3 months or less. Restricted cash consists primarily of cash in banks related to the proceeds from sales of homes with certain purpose restrictions as well as other funds with donor purpose or time restrictions not met by fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE - Accounts receivable is stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through bad debt expenses. There was $4,349 bad debt expense in the year 2019. Management believes that balances due as of December 31, 2019, are all collectible as of the financial statement date; therefore, no provision for bad debt has been established in the year-end financial statements.

PROPERTY AND EQUIPMENT - Property, plant, and equipment purchased are stated at cost. Donated assets are recorded at their estimated fair market values at the date of contribution. The Organization has established a policy of capitalizing all assets with a cost of $5,000 or more. Maintenance, repairs, and minor improvements are charged to operating expense as incurred. Major improvements are capitalized.

Depreciation and amortization of property, plant, and equipment are calculated using the straight-line method over the estimated useful lives of the assets – 5 to 7 years for vehicles and equipment.

The property, plant, and equipment acquired with grant funds are owned by the Organization while they are used in the programs for which they were purchased, or in other future authorized programs. The funding sources, however, have a reversionary interest in the equipment purchased with grant funds; therefore, their disposition, as well as the ownership of any sale proceeds therefrom, are subject to funding source regulations. A funding source restriction is considered to be satisfied when the asset is placed in service. Therefore, the net carrying value of property and equipment acquired with grant funds is included in net assets without donor restrictions.

INVENTORY - Inventory is recognized as an asset and is expensed as it is used. Inventory is valued at cost using the first-in, first-out method which as of December 31, 2019, approximates fair value.

REVENUE RECOGNITION - Revenue is recognized in the accompanying consolidated financial statements as follows:

Grants and Contracts - A significant portion of the Organization's revenue is derived from cost-reimbursable grants/contracts with federal and state government agencies which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant or contract provisions. Any excess of funds received over expenses incurred is recognized as deferred revenue until requirements for support recognition are met. Grant monies expended in excess of the amounts received are reported as grants receivable on the consolidated statement of financial position. The grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of a grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor.

Fee for Service - Revenue earned in fee-for-service type arrangements, including day-care and MerMaid cleaning services, is recognized when the service is provided. Amounts earned under fee-for-service contracts are considered funds without donor restriction available for the Organization's use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Income - Revenue generated as program income is generally recognized as it is received. Donations from clients and the general public are used to support the programs and mission of the Organization.

Contributions - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, donor restricted net assets are reclassified as without donor restricted net assets and reported on the consolidated statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received may be classified as without donor restricted contributions. Gifts of long-lived assets received without stipulation regarding how long the asset must be used or other donor restriction are recorded as unrestricted support.

Interest Income - Interest income is recognized in the accounting period when it is earned. The Organization maintains funds received from various sources in interest-bearing checking accounts; the portion of interest earned on grant funds is applied to the funding sources in accordance with grant requirements; the interest earned on other funds is transferred to the corporate accounts and is used to support the programs of Community Resources, Inc. and Subsidiaries. Interest earned in restricted cash accounts is accounted for as funds with donor restriction, as the principal in the accounts earning interest is subject to donor restrictions.

INCOME TAXES - Community Resources, Inc. is a nonprofit corporation and has qualified for tax exemption under Section 501(c)(3) of the Internal Revenue Code. Community Resources, Inc. is exempt from income taxes derived from its nonprofit activity. Accordingly, no provision has been recorded for income taxes in the accompanying financial statements.

Community Resources, Inc. has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on Community Resources, Inc.'s financial condition or results of operations. Accordingly, Community Resources, Inc. has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2019. As of December 31, 2019, tax years ending on or after December 31, 2016, remain subject to examination.

CRI Enterprises, Inc. and CRI Development, Inc., the wholly owned subsidiaries of Community Resources, Inc., are taxable entities subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

CRI Enterprises, Inc. is not subject to income tax examinations for years prior to 2016.

CRI Development, Inc. is not subject to income tax examinations for years prior to 2016, as 2016 was its date of incorporation. No activity has occurred in the corporation through December 31, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS - Advertising costs for the year ended December 31, 2019, is charged to operations when incurred. Advertising costs for the year ended December 31, 2019, were $171.

CONTRIBUTED SERVICES AND SPACE - In accordance with applicable financial accounting standards, only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased, if not provided by donation, are recorded. Volunteer services not meeting the criteria are reported for grant award nonfederal match requirements when applicable, but have not been recognized in these financial statements. Donated space is valued at the estimated fair rental value.

FUNCTIONAL ALLOCATION OF EXPENSES - Expenses are recorded in accordance with the accrual basis of accounting. The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Expenses that can be identified to a specific program or administrative objective are charged directly to that program or to management and general according to their natural expenditure classification. Accordingly, certain costs that are not specific to a program or administrative objective have been allocated between program and corporate services and management and general based on reasonable allocation methodologies. Allocation methodologies used include full-time equivalents ("FTE"). Any allocated costs above budget or allowable amounts are paid through corporate funds.

Administrative costs are also tracked for financial reporting purposes. These costs are also shown by their natural classification on the consolidated statement of functional expenses for the year ended December 31, 2019.

NET ASSET CLASSIFICATION - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class, if the donor limited their use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor, or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use. When assets are placed in service in the same period the funds are received, the contribution may be recorded as without donor restrictions since the restriction was met.

Note 7 to the consolidated financial statements provides a detail on balances in each class of net assets as of December 31, 2019.

<u>CLASSIFICATION OF TRANSACTIONS</u> - All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities, unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

<u>SUBSEQUENT EVENTS</u> - Management has assessed events or transactions that may occur subsequent to December 31, 2019, through July 14, 2020, which is the date the financial statements were available to be issued and the report date, for potential recognition and disclosure in the consolidated financial statements.

Subsequent to year end, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, additional costs of emergency preparedness, disease control and containment, potential shortages of personnel, or loss of revenue due to reductions in certain revenue streams. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of July 14, 2020.

In April 2020, Community Resources, Inc. and CRI Enterprises, Inc. both received loan proceeds in the amount of $295,578 and $23,400, respectively, under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. In June 2020, conditions related to the forgiveness criteria for these loans were amended from the original CARES Act provisions. Borrowers now have the option to extend the 8-week use period to a 24-week period for payroll cost to retain and rehire employees. In addition, the 75 percent required to be used on payroll expenses was reduced to 60 percent of the total loan amount. The cap for forgivable non-payroll expenses has increased from 25 percent to 40 percent. As long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels, the loan may be forgiven. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries/FTE's during the 24-week period. Management believes the proceeds will all be spent for eligible purposes and the loan will be forgiven.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

The Organization implemented FASB ASU NO. 2017-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting in the current year.

The Organization also implemented ASU NO. 2018-08 – *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of the standard resulted in no significant changes in the way the Organization recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

NOTE 3 - LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year from the statement of financial position date because of donor-imposed restrictions.

Cash and cash equivalents	$ 1,520,705
Grants and other receivables	418,613
	1,939,318
Less donor restricted cash balances	(552,036)
Less grant funds received in advance	(31,217)
Total	$ 1,356,065

The Organization is supported primarily by government grants and contracts, which are funded on a cost reimbursement or fee for service basis. Under these grants, reimbursement is requested from the funding source once expenses are incurred or services are provided. The Organization maintains financial assets on hand to meet the normal operating expenses.

NOTE 4 - HOME PROGRAM

The Organization has been certified as a Community Housing Development Organization by the West Virginia Housing Development Fund (the "WVHDF") under the state HOME Investment Partnerships Program (the "HOME Program"). The Organization has entered into multiple HOME Program agreements with the WVHDF that provide funds to the Organization in the form of deferred payment loans to be used for the construction of homes. The loans are secured by a deed of trust and a lien on the constructed homes. Loans only have to be repaid if the Organization fails to provide affordable housing to low-income families in accordance with the HOME Program regulations. There were no loan balances due as of December 31, 2019.

NOTE 4 - HOME PROGRAM (CONTINUED)

Upon completion of constructed homes, the Organization must sell the homes to qualified low-income buyers. The buyers borrow a portion of the home purchase price from a third-party lender, and the Organization or WVHDF makes a loan for the remaining portion. Under the provisions of the Organization's or WVHDF's loan to the homeowner, if the new homeowner maintains the unit as his or her residence for a predetermined period of time (5 to 15 years), none of the loan proceeds will be required to be paid back to the Organization or WVHDF. However, if the home is sold prior to the end of that predetermined period of time, the Organization or WVHDF will receive, from the sales proceeds, a prorated portion of the original loan amount. WVHDF holds a second deed of trust, which grants a security interest in the residences sold. The Organization's loans are accounted for as program subsidy expenses by the Organization at the time the loans are made.

Since the full loan is immediately expensed, no receivable or allowance for uncollectible loans is recorded. If any amounts are subsequently collected from these loans, they would be accounted for as additions to net assets with donor restrictions at that time. The loans receivable, through the pre-determined period as of December 31, 2019, is $266,300 and expires from 2020-2027. The loans are not recorded as assets of the Organization, as management believes that collection is doubtful since it is expected that the borrowers will retain the homes through the respective compliance periods.

Upon sale of the homes to qualified buyers, revenue is recognized for the full amount of the WVHDF loan relieved. Cash proceeds received by the Organization from initial home sales are recorded as additions to net assets with donor restrictions. According to the terms of the HOME Program, the Organization must use the sales proceeds from a house constructed using the original program funds to construct another house that must be sold to a qualified buyer under the loan program described above. The sale of this second house satisfies the with donor restriction, and the sales proceeds become without donor restricted revenue to the Organization.

HOME Program housing inventory represents partially or fully completed houses that will be sold to qualified buyers under the program. Initial houses are constructed using original program funds from WVHDF. Second houses are constructed using sales proceeds from initial houses. Housing inventory is recorded at cost and is comprised of the following at December 31, 2019:

Housing inventory – initial houses	$ -
Housing inventory – second houses	206,308
Land	32,922
Total	$ 239,230

NOTE 5 - PROPERTY AND EQUIPMENT

As described in Note 1 to the consolidated financial statements, the Organization owns vehicles and equipment which are recorded on the consolidated statement of financial position as of December 31, 2019. Depreciation expense for the year ended December 31, 2019, was $49,653.

Land	$ 1,350
Buildings	89,309
Vehicles	307,884
Equipment	58,008
Total vehicles and equipment	456,551
Accumulated depreciation	(118,684)
Net property and equipment	$ 337,867

NOTE 6 - GRANTS RECEIVABLE AND DEFERRED REVENUE

The current grants receivable and deferred revenue balances represent grant expenses being incurred in advance of grant funds being received (grants receivable) or grant funds received in advance of expenditures being incurred (deferred revenue). Balances as of December 31, 2019, in grants receivable and deferred revenue are made up of the following:

Total Grants Receivable:

Weatherization (DOE) (4119)	$ 88,888
Temporary Assistance for Needy Families (3019)	578
Low-Income Home Energy Assistance Program (3915)	12,279
Low-Income Home Energy Assistance Program (4219)	173,317
Emergency Repair & Replace Program (ERRP) (4601)	5,447
No Heat Emergency Program (4600)	11,733
Community Services Block Grant (2019)	15,904
Community Services Block Grant Discretionary – Mindful (1534)	10,000
Child and Adult Care Food Program (CACFP) (7100)	2,862
Child and Adult Care Food Program (CACFP) (5500)	22,594
Total	$ 343,602

Total Deferred Revenue:

Emergency Food and Shelter (5036)	$ 25,025
No Heat Emergency (4600 – 2018)	2,208
Child and Adult Care Food Program (5500- 2019)	3,984
Total	$ 31,217

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions consist of inventory, HOME Program proceeds discussed in Note 4, and other cash donations with restrictions by donors that have not yet been met. Net assets with donor restriction are comprised of the following as of December 31, 2019:

Inventory – Weatherization Program	$ 23,871
HOME Program proceeds	391,849
Inventory – Housing Program	239,230
Other cash donations with restrictions not yet met	160,187
Total	$ 815,137

All of the above restrictions are related to purpose restrictions.

NOTE 8 - OPERATING LEASES

The Organization leases facilities under operating leases with various terms. As of December 31, 2019, there are two lease terms that extend past December 31, 2019. The lease at 510 31st Street, Parkersburg, West Virginia was extended until December 31, 2023, with a base rent of $1,400 per month. The lease at 1037/1039 Market Street, Parkersburg, West Virginia was extended until December 31, 2023, with a base rent of $3,250 per month. A few of the multi-year leases also convert to a month-to-month lease upon expiration in 2019. Total rent, including costs related to these operating leases and other occupancy expenses charged to operations during the year ended December 31, 2019, amounted to $94,168. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Minimum future payments under these operating leases as of December 31, 2019, for each of the next 5 years and in the aggregate are:

Year Ended	Amount
2020	$55,800
2021	55,800
2022	55,800
2023	55,800

NOTE 9 - CONCENTRATIONS

The Organization provided various services to low-income individuals with funds provided by federal, state, and local grants and contracts. The Organization bills the various funding sources in accordance with contractual agreements without requiring collateral or any other security, with the exception of the HOME Program. Grants and other receivables have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up, as the amount is not considered material. In addition, the Organization receives funding from WVHDF to construct houses for the purpose of providing low-income housing to qualified buyers. The agreements provide that, to the extent the Organization fails to use the funds as stated in the agreements, the Organization will be required to refund the amounts received. Management believes it has complied with all stipulations of its various grants and agreements, and the risk of a refund to WVHDF is insignificant. Accordingly, no provision has been made in the accompanying consolidated financial statements for refunds.

NOTE 9 - CONCENTRATIONS (CONTINUED)

The Organization's cash is held in accounts where balances exceed the $250,000 federal insurance limit. Balances in these accounts sometimes exceed the federal deposit limits; however, management believes the financial institutions to be creditworthy and believes credit risk associated with these deposits is minimal. As of December 31, 2019, approximately $250,611 in bank deposits with one financial institution exceeded FDIC coverage of $250,000.

NOTE 10 - CONTINGENT LIABILITIES

The Organization's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Resources, the U.S. Department of Energy, the U.S. Department of Agriculture, and the West Virginia Housing Development Fund. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed by grantor agencies, cannot be determined at this time. Management believes these amounts, if any, would not be significant to the consolidated financial statements.

NOTE 11 - PENSION PLAN

Community Resources, Inc. offers a qualified defined contribution plan to eligible employees under Section 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate. All employee contributions are 100 percent vested.

For the year ending December 31, 2019, the Organization made no contributions to the plan.

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant or Program Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
PASS-THROUGH:			
WEST VIRGINIA ALLIANCE FOR SUSTAINABLE FAMILIES			
Volunteer Income Tax Assistance Program Matching Grant	21.009	N/A	$ 1,405
TOTAL U.S. DEPARTMENT OF TREASURY			1,405
U.S. DEPARTMENT OF ENERGY			
PASS-THROUGH:			
WEST VIRGINIA GOVERNOR'S OFFICE OF ECONOMIC OPPORTUNITY			
Weatherization Assistance for Low-Income Persons	81.042	DOEWX1904	322,978
Weatherization Assistance for Low-Income Persons	81.042	DOEWX1804	75,979
Weatherization Assistance for Low-Income Persons - T&TA	81.042	N/A	9,123
Subtotal - Weatherization Assistance for Low-Income Persons 81.042			408,080
TOTAL U.S. DEPARTMENT OF ENERGY			408,080
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS-THROUGH:			
WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Temporary Assistance for Needy Families	93.558	G200599	578
Temporary Assistance for Needy Families	93.558	G190509	16,291
Subtotal - TANF Cluster 93.558			16,869
PASS-THROUGH:			
WEST VIRGINIA GOVERNOR'S OFFICE OF ECONOMIC OPPORTUNITY			
Low-Income Home Energy Assistance Program - Weatherization - T&TA	93.568	N/A	11,663
Low-Income Home Energy Assistance Program - Weatherization	93.568	DHHRWX 1804	670,960
Emergency Repair & Replace Program (ERRP)	93.568	20NHEP-F05	5,447
No Heat Emergency Program	93.568	19NHEP-F05	175,000
Subtotal - Low-Income Home Energy Assistance 93.568			863,070
Community Services Block Grant	93.569	18CSBG-F05	60,290
Community Services Block Grant	93.569	19CSBG-F05	672,813
Community Services Block Grant Discretionary - Innovation	93.569	18CSBG-D06	6,365
Community Services Block Grant Discretionary - Mindful	93.569	18CSBG-D13	28,760
Community Services Block Grant Discretionary T&TA	93.569	19CSBG-DT05	10,000
Community Services Block Grant Discretionary T&TA	93.569	18CSBG-DT05	5,820
Subtotal - Community Services Block Grant 93.569			784,048
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,663,987

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant or Program Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
PASS-THROUGH: UNITED WAY			
Emergency Food and Shelter National Board Program	97.024	35:8968-00;8976-00;8990-00;9042-00;9044-00;9066-00	31,231
Emergency Food and Shelter National Board Program	97.024	36:8968-00;8976-00;8990-00;9042-00;9044-00;9066-00	16,547
Subtotal - Emergency Food and Shelter National Board Program 97.024			47,778
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			47,778
U.S. DEPARTMENT OF AGRICULTURE			
PASS-THROUGH: WEST VIRGINIA DEPARTMENT OF EDUCATION			
Child and Adult Care Food Program	10.558	62013	317,164
TOTAL U.S. DEPARTMENT OF AGRICULTURE			317,164
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,438,414

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

a. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Resources, Inc. and Subsidiaries under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Community Resources, Inc. and Subsidiaries, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Community Resources Inc. and Subsidiaries. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, presentation of the consolidated financial statements.

b. The schedule was prepared on the accrual basis of accounting.

NOTE 2 - DE MINIMIS INDIRECT COST RATE

Community Resources, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - FUNDS PASSED THROUGH TO SUBRECIPIENTS

Community Resources, Inc. had no subrecipients for the year ended December 31, 2019. However, expenses of approximately $317,164 in CACFP provider costs were incurred.

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

The report on the financial statements of Community Resources, Inc. and Subsidiaries as of and for the year ended December 31, 2019, is unmodified. The opinion is dated July 14, 2020.

Internal control over financial reporting:

Material weakness(es) identified?	____Yes	_X_ No
Significant deficiency(ies) identified?	____Yes	_X_ None Reported
Noncompliance material to financial statements noted?	____Yes	_X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____Yes	_X_ No
Significant deficiency(ies) identified?	_X_ Yes	____No

Type of auditor's report issued on compliance for major programs:

An unmodified opinion has been issued on the compliance for major programs of Community Resources, Inc. and Subsidiaries as of and for the year ended December 31, 2019. The opinion is dated July 14, 2020.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	____Yes	_X_ No

SECTION I - SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

Identification of major programs:

CFDA Number	Name of Federal Program
	U.S. Department of Health and Human Services
93.569	Community Services Block Grant

The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

Community Resources, Inc. and Subsidiaries qualified as a low-risk auditee for the year ended December 31, 2019.

SECTION II - FINANCIAL STATEMENT FINDINGS

We noted no findings related to the financial statements which are required to be reported in accordance with GAGAS.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiency: Community Services Block Grant (CSBG) Eligibility Controls – CFDA 93.569

Finding 2019-001:

Condition: Internal controls over the CSBG income eligibility determination process do not appear adequate to ensure that only participants eligible under the CSBG guidelines will be served. Controls also failed to detect errors in certain income eligibility calculations and documentation.

Criteria: Internal controls, such as a review of participant files for proper income documentation and support, as well as calculations for income eligibility, should be in place to ensure that adequate supporting documentation is maintained in participant files to support CSBG income eligibility criteria.

Cause: Proper procedures were not established and maintained to ensure that a review of client income documentation and calculations related to the eligibility process were performed on a regular basis. Changes in procedures and certain oversight responsibilities were made during the year that resulted in errors and documentation exceptions not being detected in a timely manner.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Effect: Documentation required to be maintained for each applicant for CSBG services, including copies of documents submitted by the applicants relating to their eligibility for CSBG services, was insufficient or contained errors in several of the client files selected for testing. While this did not result in material questioned costs in the current period, lack of proper controls over eligibility procedures could result in future questioned costs that could be material to the program. Review of income calculations was also not always evident, as errors were noted in several files tested as well. As indicated, we did identify some clients in our review that did not meet established income guidelines and who received CSBG services. The value of those services received as well as our analysis of the impact on the total CSBG program resulted in estimated expenses that would not be material to the CSBG program.

Recommendation: Community Resources, Inc. should design adequate internal controls to ensure that CSBG participant files are being reviewed by an employee, independent of the employee that completed the eligibility determination. The review should specifically ensure that all required documents are maintained with the participant files and that participants are determined to be eligible to receive CSBG assistance. A sign-off in the file should support that the file was independently verified and that the reviewer concurs with the staff person who made the eligibility determination initially and certified to that effect in the file. Any errors would be immediately investigated and resolved to help prevent ineligible clients from being served.

Management Response:

The organization has gone through a high turnover rate in 2019 in the intake staff for CSBG. With the change in CSBG Director in 2020, a quality review process on client intake and files was implemented. The CSBG Program Director assigned staff that would do internal reviews of randomly selected files on a monthly basis for each of the eleven counties served. This will ensure compliance is being met throughout the year. If corrective action is needed, it can be made in a timely manner and additional trainings can be provided to strengthen our control procedures. Management feels the employees currently in place are much more comfortable with intakes and income verifications and, with the review process, these things can be addressed quickly.

ZENO, POCKL, LILLY AND COPELAND, A.C.
Certified Public Accountants & Advisors

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

To the Board of Directors
Community Resources, Inc. and Subsidiaries
Parkersburg, West Virginia

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 Community Resources, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Community Resources, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Resources, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Resources, Inc. and Subsidiaries' 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.

980 National Road • Wheeling, WV 26003 • p. 304-233-5030 • f. 304-233-3062
511 North 4th Street, Steubenville, OH 43952
zplcaccounting.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Resources, Inc. and Subsidiaries' consolidated 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 consolidated 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zeno, Pockl, Lilly & Copeland, A.C.

Wheeling, West Virginia
July 14, 2020

DHHR - Finance

SEP 11 2020

Date Received

ZENO, POCKL, LILLY AND COPELAND, A.C.
Certified Public Accountants & Advisors

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

To the Board of Directors
Community Resources, Inc. and Subsidiaries
Parkersburg, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Community Resources, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Resources, Inc. and Subsidiaries' major federal programs for the year ended December 31, 2019. Community Resources, Inc. and Subsidiaries' 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Resources, Inc. and Subsidiaries' 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 Community Resources, Inc. and Subsidiaries' 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 Community Resources, Inc. and Subsidiaries' compliance.

980 National Road • Wheeling, WV 26003 • p. 304-233-5030 • f. 304-233-3062
511 North 4th Street, Steubenville, OH 43952

zplcaccounting.com

Opinion on Each Major Federal Program

In our opinion, Community Resources, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we considered to be a significant deficiency.

Community Resources, Inc. and Subsidiaries' Response to Findings

Community Resources, Inc. and Subsidiaries' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Resources, Inc. and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Zeno, Pockl, Lilly & Copeland, AC

Wheeling, West Virginia
July 14, 2020

DHHR - Finance

SEP 11 2020

Date Received

COMMUNITY RESOURCES, INC. AND SUBSIDIARIES
STATUS OF PRIOR YEAR AUDIT FINDINGS/COMMENTS
DECEMBER 31, 2019

There were no findings and recommendations in the prior year report requiring the preparation of this schedule.