

COMMUNITY SERVICES LEAGUE
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

COMMUNITY SERVICES LEAGUE

December 31, 2018 and 2017

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EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Services League
Independence, Missouri

We have audited the accompanying financial statements of Community Services League, (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services League as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management

and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Community Services League's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Services League's internal control over financial reporting and compliance.

Emerich + Company, P.C.

Kansas City, Missouri
June 27, 2019

**COMMUNITY SERVICES LEAGUE
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2018	2017
Assets:		
Cash and cash equivalents	\$ 672,574	\$ 619,527
Cash and cash equivalents, restricted for Capital Campaign	-	14,804
Cash and cash equivalents, restricted for Centennial and Hwy 24 Campaign	-	952,518
Total Cash	<u>672,574</u>	<u>1,586,849</u>
Investments, unrestricted	13,188	13,316
Investments, restricted	57,457	16,169
Inventory	40,763	33,746
Contracts and accounts receivable	249,282	342,189
Unconditional promise to give - current	115,000	-
Prepaid expenses	33,895	49,745
Total Current Assets	<u>1,182,159</u>	<u>2,042,014</u>
Unconditional promise to give - noncurrent	100,000	-
Land	486,475	475,177
Buildings and improvements	3,818,873	2,902,524
Computers and software	105,008	105,008
Vehicles	50,002	50,002
Office furniture and equipment	180,503	133,646
Total Fixed Assets	<u>4,640,861</u>	<u>3,666,357</u>
Less accumulated depreciation	(1,008,956)	(806,863)
Net Fixed Assets	<u>3,631,905</u>	<u>2,859,494</u>
Total Noncurrent Assets	<u>3,731,905</u>	<u>2,859,494</u>
Total Assets	<u><u>\$ 4,914,064</u></u>	<u><u>\$ 4,901,508</u></u>
Liabilities:		
Accounts payable	\$ 67,178	\$ 68,465
Accrued expenses	68,878	65,936
Mortgage loan payable - current maturities	86,652	52,454
Total Current Liabilities	<u>222,708</u>	<u>186,855</u>
Mortgage loan payable	932,498	1,307,676
Total Long-Term Liabilities	<u>932,498</u>	<u>1,307,676</u>
Total Liabilities	<u>1,155,206</u>	<u>1,494,531</u>
Net Assets:		
Net assets without donor restrictions	3,301,126	2,141,760
Net assets with donor restrictions	457,732	1,265,217
Total Net Assets	<u>3,758,858</u>	<u>3,406,977</u>
Total Liabilities and Net Assets	<u><u>\$ 4,914,064</u></u>	<u><u>\$ 4,901,508</u></u>

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support:			
Contributions:			
Direct assistance programs	\$ 610,670	\$ -	\$ 610,670
Other contributions	436,063	-	436,063
In-kind, including donated space of \$12,600	1,028,920	-	1,028,920
Grants	542,578	606,048	1,148,626
United Way	58,765	-	58,765
Government contracts, including in-kind of \$476,688	1,795,149	267,111	2,062,260
Total Support	<u>4,472,145</u>	<u>873,159</u>	<u>5,345,304</u>
Revenue:			
Special events	346,020	-	346,020
Rent income	16,200	-	16,200
Recycling	28,707	-	28,707
BlendWell Café sales	24,825	-	24,825
Other income	7,070	-	7,070
Interest and dividend income	3,432	-	3,432
Total Revenue	<u>426,254</u>	<u>-</u>	<u>426,254</u>
Total Support and Revenue	<u>4,898,399</u>	<u>873,159</u>	<u>5,771,558</u>
Net Assets Released From Restrictions			
Program expenditures	747,003	(747,003)	-
	<u>747,003</u>	<u>(747,003)</u>	<u>-</u>
Total Support, Revenue, and Net Assets Released From Restrictions	<u>5,645,402</u>	<u>126,156</u>	<u>5,771,558</u>
Operating Expenses:			
Program services:			
Income support	2,203,153	-	2,203,153
Housing counseling	1,273,018	-	1,273,018
Employment services	538,659	-	538,659
Financial coaching	213,773	-	213,773
BlendWell Café	222,253	-	222,253
Total Program Services	<u>4,450,856</u>	<u>-</u>	<u>4,450,856</u>
Supporting services:			
Management and general	398,468	-	398,468
Fundraising	565,347	-	565,347
Total Supporting Services	<u>963,815</u>	<u>-</u>	<u>963,815</u>
Total Operating Expenses	<u>5,414,671</u>	<u>-</u>	<u>5,414,671</u>
Change in Net Assets from Operations	230,731	126,156	356,887
Other Changes in Net Assets:			
Investment loss	(5,006)	-	(5,006)
Net Assets Released From Restrictions			
Capital campaign - 24 Highway building	933,641	(933,641)	-
Change in Net Assets for Year	1,159,366	(807,485)	351,881
Net Assets, Beginning of Year	<u>2,141,760</u>	<u>1,265,217</u>	<u>3,406,977</u>
Net Assets, End of Year	<u>\$ 3,301,126</u>	<u>\$ 457,732</u>	<u>\$ 3,758,858</u>

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support:			
Contributions:			
Direct assistance programs	\$ 824,235	\$ -	\$ 824,235
Other contributions	363,337	-	363,337
In-kind, including donated space of \$12,600	857,427	-	857,427
Grants	681,373	41,659	723,032
United Way	58,805	108,000	166,805
Government contracts, including in-kind of \$528,986	1,587,220	63,296	1,650,516
Total Support	<u>4,372,397</u>	<u>212,955</u>	<u>4,585,352</u>
Revenue:			
Special events	325,022	-	325,022
Rent income	14,080	-	14,080
Recycling	27,573	-	27,573
Other income	1,303	-	1,303
Interest and dividend income	3,582	-	3,582
Total Revenue	<u>371,560</u>	<u>-</u>	<u>371,560</u>
Total Support and Revenue	<u>4,743,957</u>	<u>212,955</u>	<u>4,956,912</u>
Net Assets Released From Restrictions			
Program expenditures	172,225	(172,225)	-
	<u>172,225</u>	<u>(172,225)</u>	<u>-</u>
Total Support, Revenue, and Net Assets Released From Restrictions	<u>4,916,182</u>	<u>40,730</u>	<u>4,956,912</u>
Operating Expenses:			
Program services:			
Income support	2,005,967	-	2,005,967
Housing counseling	1,286,196	-	1,286,196
Employment services	470,105	-	470,105
Financial coaching	132,551	-	132,551
Total Program Services	<u>3,894,819</u>	<u>-</u>	<u>3,894,819</u>
Supporting services:			
Management and general	212,987	-	212,987
Fundraising	585,100	-	585,100
Total Supporting Services	<u>798,087</u>	<u>-</u>	<u>798,087</u>
Total Operating Expenses	<u>4,692,906</u>	<u>-</u>	<u>4,692,906</u>
Change in Net Assets from Operations	223,276	40,730	264,006
Other Changes in Net Assets:			
Investment gain	2,300	-	2,300
Capital campaign - 24 Highway building	-	551,844	551,844
Net Assets Released From Restrictions			
Capital campaign - 24 Highway building	83,269	(83,269)	-
Change in Net Assets for Year	308,845	509,305	818,150
Net Assets, Beginning of Year	<u>1,832,915</u>	<u>755,912</u>	<u>2,588,827</u>
Net Assets, End of Year	<u>\$ 2,141,760</u>	<u>\$ 1,265,217</u>	<u>\$ 3,406,977</u>

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services						Supporting Services			Total Expenses
	Income Support	Housing Counseling	Employment Services	Financial Coaching	BlendWell Café	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 155,109	\$ 352,601	\$ 361,802	\$143,882	\$ 41,219	\$ 1,054,613	\$ 207,490	\$ 271,984	\$ 479,474	\$ 1,534,087
Payroll taxes	11,834	28,401	28,401	11,834	3,615	84,085	16,567	21,301	37,868	121,953
Employee benefits and expense	19,633	50,811	52,996	14,789	1,428	139,657	37,047	31,837	68,884	208,541
Total personnel costs	186,576	431,813	443,199	170,505	46,262	1,278,355	261,104	325,122	586,226	1,864,581
Cost of goods sold	-	-	-	-	12,478	12,478	-	-	-	12,478
Direct assistance	470,480	746,364	619	-	-	1,217,463	-	-	-	1,217,463
In-kind assistance	1,505,609	-	-	-	-	1,505,609	-	-	-	1,505,609
Special events expense	-	-	-	-	1,071	1,071	-	129,984	129,984	131,055
Development expense	-	-	-	-	989	989	-	39,110	39,110	40,099
Occupancy	10,122	24,293	24,293	10,122	25,366	94,196	14,171	18,219	32,390	126,586
Technology support	9,704	23,289	23,289	9,704	9,890	75,876	13,585	17,467	31,052	106,928
Mortgage interest	3,674	8,820	8,820	3,675	7,914	32,903	5,145	6,615	11,760	44,663
Office expense	6,598	13,504	13,504	5,627	18,588	57,821	21,812	10,128	31,940	89,761
Professional fees	-	-	-	3,750	1,500	5,250	68,105	-	68,105	73,355
Total before depreciation	2,192,763	1,248,083	513,724	203,383	124,058	4,282,011	383,922	546,645	930,567	5,212,578
Depreciation	10,390	24,935	24,935	10,390	98,195	168,845	14,546	18,702	33,248	202,093
Total Expenses	\$ 2,203,153	\$ 1,273,018	\$ 538,659	\$ 213,773	\$ 222,253	\$ 4,450,856	\$ 398,468	\$ 565,347	\$ 963,815	\$ 5,414,671

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services					Supporting Services			Total
	Income Support	Housing Counseling	Employment Services	Financial Coaching	Total	Management and General	Fundraising	Total	Expenses
Salaries and wages	\$ 139,360	\$ 251,456	\$ 299,447	\$ 87,100	\$ 777,363	\$ 129,000	\$ 224,645	\$ 353,645	\$ 1,131,008
Payroll taxes	10,772	19,436	23,145	6,732	60,085	9,971	17,363	27,334	87,419
Employee benefits and expense	12,734	28,506	31,773	6,566	79,579	12,856	25,747	38,603	118,182
Total personnel costs	162,866	299,398	354,365	100,398	917,027	151,827	267,755	419,582	1,336,609
Direct assistance	412,236	880,728	1,216	-	1,294,180	-	-	-	1,294,180
In-kind assistance	1,373,852	-	-	-	1,373,852	-	-	-	1,373,852
Special events expense	-	-	-	-	-	-	125,182	125,182	125,182
Development expense	-	-	-	-	-	-	52,334	52,334	52,334
Occupancy	15,763	26,875	32,004	9,309	83,951	13,787	23,127	36,914	120,865
Technology support	10,791	19,470	23,187	6,744	60,192	9,989	17,394	27,383	87,575
Mortgage interest	6,932	12,508	14,895	4,332	38,667	6,417	11,174	17,591	56,258
Office expense	9,803	22,454	14,949	3,191	50,397	6,005	7,527	13,532	63,929
Professional fees	-	-	-	-	-	12,248	58,485	70,733	70,733
Total before depreciation	1,992,243	1,261,433	440,616	123,974	3,818,266	200,273	562,978	763,251	4,581,517
Depreciation	13,724	24,763	29,489	8,577	76,553	12,714	22,122	34,836	111,389
Total Expenses	\$ 2,005,967	\$ 1,286,196	\$ 470,105	\$ 132,551	\$ 3,894,819	\$ 212,987	\$ 585,100	\$ 798,087	\$ 4,692,906

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 351,881	\$ 818,150
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	202,093	111,389
Unrealized investment (gains) losses	5,006	(3,435)
Collections on capital campaign - 24 Highway building	(729,830)	(551,844)
(Increase) decrease in contracts and accounts receivable	(122,093)	(126,385)
(Increase) decrease in prepaid expense	15,850	(15,527)
(Increase) decrease in inventory	(7,017)	3,258
Increase (decrease) in accounts payable	(1,287)	(19,816)
Increase (decrease) in accrued expenses	2,942	31,648
Increase (decrease) in unearned income	-	(17,472)
	<u>(282,455)</u>	<u>229,966</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Net (purchases) of investments	(46,166)	(4,347)
Net (purchases) of land, property, and equipment	(974,504)	(73,987)
	<u>(1,020,670)</u>	<u>(78,334)</u>
Net cash used by investing activities		
Cash flows from financing activities:		
Collections on capital campaign - 24 Highway building	729,830	551,844
Net (payments) on mortgage payable	(340,980)	(168,153)
	<u>388,850</u>	<u>383,691</u>
Net cash provided by financing activities		
Increase/(Decrease) in Cash	(914,275)	535,323
Cash and Cash Equivalents, Beginning of Year	<u>1,586,849</u>	<u>1,051,526</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 672,574</u></u>	<u><u>\$1,586,849</u></u>
Supplemental disclosure:		
Interest paid during the year	<u><u>\$ 44,663</u></u>	<u><u>\$ 56,258</u></u>

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community Services League (Organization) is a non-profit organization established in 1916 by former First Lady Bess Wallace Truman and other women, and provides basic human needs (food, clothing, and shelter), comprehensive employment counseling and training, housing services, and financial coaching to clients in Eastern Jackson County. Community Services League's mission is to assist communities in reaching their potential by providing immediate relief to people in need, assessing their situations, and providing solutions that lead to economic stability.

Basis of Accounting

The Organization maintains an accrual basis accounting system in which revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to any donor-imposed restrictions. The board has designated, from net assets without donor restrictions, net assets of \$57,457.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions with donor restrictions that are received and expended in the same period are classified as without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ.

Fixed Assets

Equipment and furniture are recorded at cost and depreciated over the estimated useful life of the assets. The Organization has a \$5,000 capitalization policy. Depreciation is computed using straight-line method over the estimated useful life ranging from five to 40 years. Donations of property and equipment are recorded as contributions at their estimated fair value.

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Income Tax Status and Positions

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has qualified for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

As a tax-exempt organization the Organization is required to file a Form 990, *Return for Organization Exempt from Income Tax*, each year with the Internal Revenue Service which assesses its continuing status as a tax-exempt organization. Three years are open to audit by the IRS. No interest or penalties for tax are recorded in the financial statements.

Contracts and Accounts Receivable

Receivables are carried at their estimated collectible amounts. These amounts are all considered collectible since the majority of the balance is from governmental contracts and are contractually due within one year. Accordingly, no allowance for doubtful accounts has been recorded in the statements.

Pledges Receivable

Unconditional promises to give, if any, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows.

At December 31, 2018, unconditional promises to give were \$215,000. No discount has been recorded as management has deemed it to be immaterial. There were no unconditional promises to give as of December 31, 2017.

Functional Allocation of Expenses

The costs of providing the various services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the services benefited. The direct allocation method treats all costs as direct costs except general administration and general expenses. All allowable costs are charged directly to programs, grants, activity, etc. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated. All other allowable general and administrative costs (cost that cannot be identified to a specific program) are allocated to programs and supporting services using a method that results in an equitable distribution.

Inventory

Inventories are valued at estimated average cost, not in excess of market, and consist of food items for distribution.

Subsequent Events

Subsequent events have been evaluated through June 27, 2019, which is the date the financial statements were available to be issued.

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fundraising

For the years ended December 31, 2018 and 2017, Community Services League spent \$565,347 and \$585,100 on fundraising related expenses, respectively. With these amounts the Organization was able to raise \$5,771,558 in 2018 and \$4,956,912 in 2017. A total of approximately 10% and 11% of revenues were spent on fundraising activities in 2018 and 2017, respectively.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for Profit Entities (*Topic 958*) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2: AVAILABILITY AND LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures because of contractual restrictions or internal board designations. Amounts not available include investments that are restricted by board designation for the general purpose of meeting future needs of the Organization. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through a board resolution.

Financial assets at year-end:	<u>2018</u>
Cash and cash equivalents	\$ 672,574
Contracts and accounts receivable	249,282
Unconditional promises to give, current	115,000
Investments, unrestricted	13,188
Investments, restricted by board	<u>57,457</u>
Total financial assets	1,107,501
Less amounts not available for general expenditures:	
Net assets with donor restrictions	457,732
Investments, restricted by board (see Note 10)	<u>57,457</u>
	<u>515,189</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 592,312</u>

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3: DONATED SPACE

The Organization operates in seven locations donated by outside organizations. In-kind donated rent is included as in-kind contributions and direct assistance expenses each year. The leases are on a month to month basis.

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all checking and savings accounts, including those for the capital campaign, at area commercial banks. The balances, on occasion, exceed the FDIC insurance limits. Management's estimate is the possibility of loss is remote.

NOTE 5: CONTRIBUTED SERVICES

The Organization receives a substantial amount of services donated by individual volunteers performing a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. During the years ended December 31, 2018 and 2017, approximately 27,100 hours were contributed by volunteers each year and are valued at the rate established by the Independent Sector of \$20.25 per hour for a value of \$549,180 for each of the years. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under GAAP.

NOTE 6: IN-KIND CONTRIBUTIONS

In-kind contributions are recorded as revenues at the time of distribution to the clients of the Organization. The items distributed consist principally of food, clothing and household items. An equal amount is recorded as expense at the time revenue is recorded so there is no effect on net assets. For the year ended 2018, in-kind revenue and expense as shown in the Statement of Activities was \$1,505,608, which includes donated space of \$12,600 and governmental commodities of \$476,688. For the year ended 2017, in-kind revenue and expense as shown in the Statement of Activities was \$1,386,413, which includes donated space of \$12,600 and governmental commodities of \$528,986.

NOTE 7: MORTGAGE LOAN PAYABLE

On January 27, 2017, the Organization received a modification of its original loan for \$1,624,550 obtained on June 15, 2015 to finance the renovation of the central office and to purchase another building in 2015. Interest was 3.95% until July 2018 when it increased to 4.25%. Monthly payments of principal and interest are \$7,221 with a final balloon payment due December 2020. Future maturities are as follows:

2019	\$ 86,652
2020	<u>932,498</u>
Total	<u>\$ 1,019,150</u>

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Building improvements	\$ -	\$ 933,641
Program services	242,732	331,576
Time restricted	<u>215,000</u>	<u>-</u>
	<u>\$ 457,732</u>	<u>\$ 1,265,217</u>

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9: INVESTMENTS

The Organization has transferred assets to the Truman Heartland Community Foundation and Eastland Community Foundation which, in turn, maintains various funds on behalf of the Organization and has agreed to make future distributions to the Organization consistent with its mission. These funds are shown at fair value and are considered available-for-sale.

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Emergency Assistance Funds	\$ 4,217	\$ 3,589
Non-Endowment Funds	3,129	3,373
Eastland Community Foundation	5,842	6,354
	<u>\$ 13,188</u>	<u>\$ 13,316</u>
Board Restricted:		
Endowment Fund	\$ 14,814	\$ 16,169
Scholar's Endowment Fund	24,235	-
Scholar's Fund	18,408	-
	<u>\$ 57,457</u>	<u>\$ 16,169</u>

NOTE 10: BOARD DESIGNATED TERM AND ENDOWMENT FUNDS

Community Services League has three board designated endowment funds including the THCF Endowment Fund, the Scholar's Endowment Fund, and the Scholar's Fund. The balances are held at Truman Heartland Community Foundation (THCF). The board has designated net assets equal to the market value of these funds to be held for investment purposes.

Investment Return Objectives, Risk Parameters and Strategies

The long-term objective of the Endowment Funds is to preserve capital, earn competitive total returns within the risk tolerances established by the Foundation, and preserve purchasing power by striving for long-term returns which either match or exceed the annual grant distribution requirement, fees and inflation. THCF maintains a well-diversified portfolio to provide competitive investment performance results. The investment portfolio consists of three diversified investment pools: the THCF Money Market, the Fixed Income Pool, and the Equity Pool. Each pool may reflect a variety of investment management strategies. THCF seeks to obtain competitive total returns over the long-term within established risk tolerances. This is accomplished through a strategic allocation of fund assets among stocks, bonds, and short-term investments.

Spending Policy

The intention of the Board of Directors of the Organization is to not draw upon the corpus of the Endowment Funds. Annually, upon authorization of the Board of Directors, distributions of income from the Funds may be made to further the mission and work of the Organization.

Endowment net asset composition by type of fund as of December 31:

	<u>2018</u>	<u>2017</u>
Endowment net assets:		
Unrestricted, board designated	\$ <u>57,457</u>	\$ <u>16,169</u>

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 10: BOARD DESIGNATED TERM AND ENDOWMENT FUNDS (Continued)

At December 31, 2018 and 2017, the totals consist of the following investment funds, stated at market value, including investment income and net realized and unrealized gains and losses less administrative fees:

	<u>2018</u>	<u>2017</u>
Money Market Pool	\$ 18,408	\$ -
Fixed Income Pool	13,667	5,626
Equity Pool	<u>25,382</u>	<u>10,543</u>
	<u>\$ 57,457</u>	<u>\$ 16,169</u>

The change in value of these assets is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 1,671	\$ 595
Unrealized gains (losses)	(4,004)	1,357
Realized gains	<u>-</u>	<u>-</u>
	<u>\$ (2,333)</u>	<u>\$ 1,952</u>

The change in the Endowment Fund is as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 16,169	\$ 14,370
Investment income	1,671	595
Net appreciation	(4,004)	1,357
Withdrawals	(10,104)	-
Deposits	54,470	-
Administrative fee	<u>(745)</u>	<u>(153)</u>
Ending balance	<u>\$ 57,457</u>	<u>\$ 16,169</u>

NOTE 11: FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, pertaining to the valuation of certain assets and liabilities for the years ended December 31, 2018 and 2017. These provisions define fair value, establish a consistent framework for measuring fair value and expand the related disclosure requirements. They establish a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to fair value measurement. The hierarchy prioritizes the inputs into three broad levels as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The values shown in Note 10 are those reported by the Foundations. These are considered Level 2, based on the criteria above, since the values reported are determined by the underlying investments of the funds which are publicly traded securities or short-term interest bearing cash accounts.

**COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 12: RETIREMENT PLAN

Community Services League sponsors a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) with limited eligibility. Employees who are reasonably expected to receive at least \$500 in compensation for the calendar year and employees who have received at least \$500 in compensation during any one calendar year are eligible. The amount by which the employee agrees to reduce his or her compensation will be contributed by the employer to the employee's SIMPLE IRA. Community Services League will match the contribution in an amount equal to 3% of the employee's salary reduction contribution. For the year ended December 31, 2018 and 2017, employer's matching contributions were \$25,251 and \$17,708, respectively.

NOTE 13: SUBSEQUENT EVENTS

In April 2019, Community Services League assumed Next Step KC and its assets, which include loan loss accounts, a referral partner network, and the name, logo and likeness of Next Step KC. The assets approximate \$40,000.

SUPPLEMENTAL INFORMATION

**COMMUNITY SERVICES LEAGUE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass-through Grantor Program or Cluster Title	Pass-Through Entity or Other Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Continuum of Care Program	Contract #MO0161L7P041605 Contract #MO0161L7P041706 Contract #MO0161L7P041601 Contract #MO0161L7P041702 Contract #MO0256L7P041700	14.267	\$ 124,044 26,499 204,724 66,006 <u>49,882</u>
			471,155
Emergency Solutions Grant Program			
Pass-through from Missouri Housing Development Commission	17-758-E, 18-726-E	14.231	38,764
Community Development Block Grant			
Pass-through from City of Independence, Missouri	ON17741-2017, ON17741-2018	14.218	\$ 10,628
Pass-through from City of Blue Springs, Missouri	BS 2018-181-1A		6,250
Pass-through from Twelve Blocks West, Missouri	CNA-2018		<u>11,279</u>
			28,157
Housing Counseling Assistance Program	HC170821022	14.169	23,288
Section 4 Capacity Building for Community Development and Affordable Housing			
Pass-through from Greater Kansas City Local Initiative Support Corporation	B-16-CB-NY-0001	14.252	<u>25,000</u>
Total U.S. Department of Housing and Urban Development			586,364
<u>U.S. Department of Agriculture</u>			
Emergency Food Assistance Program*			
Pass-through from Harvesters Community Food Network	TEFAP56, TEFAP77, TEFAP78, TEFAP79, TEFAP80, TEFAP781 TEFAP82	10.569	476,688
* Food commodities			
<u>U.S. Department of Labor</u>			
WIOA Adult Program	OSO 17-01, OSO 18-01	17.258	105,363
<u>U.S. Department of Education</u>			
Rehabilitation Services Vocational Rehabilitation Grants to States	VR17FED, VR18FED	84.126	262,554
Pass-through from Missouri Department of Elementary and Secondary Education Vocational Rehabilitation			
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	34-525800-003, 35-525800-003	97.024	<u>66,559</u>
Pass-through from United Way of Greater Kansas City			
Total Federal Expenditures			<u>\$ 1,497,528</u>

The accompanying notes are an integral part of this schedule.

**COMMUNITY SERVICES LEAGUE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Community Services League (the Organization) under programs of the federal government for the year ended December, 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Services League.

NOTE B: 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 to reimbursement.

NOTE C: INDIRECT COST RATES

The Organization has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

**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 Services League
Independence, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Services League (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Emerich + Company, P.C.

Kansas City, Missouri
June 27, 2019



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

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 Services League
Independence, Missouri

Report on Compliance for Each Major Federal Program

We have audited Community Services League's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Services League's major federal programs for the year ended December 31, 2018. Community Services League'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 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 Services League's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Services League's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Services League's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Services League 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Community Services League 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 Services League'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 Community Services League's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Emerich + Company, P.C.

Kansas City, Missouri
June 27, 2019

**COMMUNITY SERVICES LEAGUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	unmodified
Internal control over financial reporting:	
Any material weakness(es) identified?	No
Any deficiency(ies) in internal control not considered to be material weaknesses identified?	None reported
Any noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	unmodified
Internal control over compliance:	
Any material weakness(es) identified?	No
Any deficiency(ies) in internal control not considered to be material weaknesses identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:	
CFDA Number:	<u>Name of Federal Program or Cluster</u>
14.267	U.S. Department of Housing and Urban Development Continuum of Care Grant
84.126	U.S. Department of Education Rehabilitation Services Vocational Rehabilitation Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings	None
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**COMMUNITY SERVICES LEAGUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section III – Federal Awards Findings

Finding 2018-001

Criteria: The Single Audit Act and the Uniform Guidance requires a nonfederal entity that expends \$750,000 or more of federal awards in a fiscal year to have a single audit.

Condition: Community Services League did not have a single audit for the years ended December 31, 2017 and December 31, 2016 and their federal awards expenditures were \$750,000 or more in each of those years.

Questioned Costs: \$0

Context: Community Services League erroneously and inadvertently did not include commodities expended in their calculation of federal funds expended for the years ended December 31, 2017 and December 31, 2016. Without the commodities, their federal awards expenditures were below the threshold for a single audit of \$750,000 and they were not aware that a single audit was required.

Effect: Community Services League did not obtain single audits for the years ended December 31, 2017 and December 31, 2016 as required.

Cause: Community Services League was not aware that commodities are required to be included in the calculation of federal expenditures.

Recommendation: Community Services League should ensure that all required elements are included in the calculation of federal expenditures. In addition, single audits should be obtained for the years ended December 31, 2017 and December 31, 2016 if waivers for obtaining single audits are not approved.

Views of responsible official: Agrees with recommendation. See Corrective Action Plan prepared by Community Services League.

**COMMUNITY SERVICES LEAGUE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018**

None.



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404 North Noland Road
Independence, MO 64050
816.254.4100 (P)
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Federal Award Corrective Action Plan Year Ended December 31, 2018

Community Services League is aware that government agencies can provide a waiver that would exempt the organization from having to file a Single Audit for past years. Our course of action is to ask the United States Department of Agriculture (USDA) to provide a waiver for 2016 and 2017. The USDA oversees the Emergency Food Assistance Program (food commodities) and CSL received \$514,298 worth of food commodities in 2016 and \$528,986 in 2017. Having a waiver for one or both of those years would exempt the organization from the requirement of filing a Single Audit with the Office of Management & Budget (OMB).

As of the date of this report, CSL has submitted a question through the USDA's online portal about how we can request a waiver. We expect it to take several weeks to issue a response.

If we are unable to request a waiver from the USDA, we will submit a request through another agency or engage the auditors to go ahead and conduct a Single Audit for 2016 and 2017.

Community Services League will ensure that all required elements are included in the calculation of federal expenditures.

OUR PURPOSE: To make meaningful and lasting change in peoples' lives.