



WESTERN MAINE COMMUNITY ACTION, INC.

Financial Statements

Years Ended August 31, 2019 and 2018

Independent Auditor's Report

To the Board of Directors of
Western Maine Community Action, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Western Maine Community Action, Inc. (a Maine nonprofit corporation), which comprise the statements of financial position as of August 31, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Maine Community Action, Inc. as of August 31, 2019 and 2018, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of Western Maine Community Action, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Maine Community Action, Inc.'s 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 Western Maine Community Action, Inc.'s internal control over financial reporting and compliance.

Gibson DeClair, LLC

Augusta, Maine
February 6, 2020

WESTERN MAINE COMMUNITY ACTION, INC.
Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 427,232	263,795
Accounts receivable	66,567	22,988
Grants receivable	447,728	504,909
Inventory	28,745	30,635
Prepaid expenses	9,196	14,473
Current portion of notes receivable, net	80,255	73,693
Total current assets	1,059,723	910,493
Property and equipment:		
Equipment	115,948	82,470
Less accumulated depreciation	(82,687)	(78,437)
Net property and equipment	33,261	4,033
Non-current assets:		
Long-term notes receivable, net of current portion and allowance	500,776	410,904
Total non-current assets	500,776	410,904
Total assets	\$ 1,593,760	1,325,430
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 93,748	123,153
Accrued payroll and payroll liabilities	118,860	42,029
Accrued compensated absences	79,114	62,888
Escrow payable	-	4,995
Due to funding sources	52,080	33,158
Deferred revenues	289,874	225,085
Total current liabilities	633,676	491,308
Non-current liabilities:		
Line of credit	-	75,000
Long-term deferred revenue	50,000	-
Long-term deferred forgivable loans	372,649	273,956
Total non-current liabilities	422,649	348,956
Total liabilities	1,056,325	840,264
Net assets:		
Net assets without donor restrictions	537,435	485,166
Net assets with donor restrictions	-	-
Total net assets	537,435	485,166
Total liabilities and net assets	\$ 1,593,760	1,325,430

See accompanying notes to financial statements.

WESTERN MAINE COMMUNITY ACTION, INC.
Statements of Activities
Years Ended August 31, 2019 and 2018

	2019	2018
WITHOUT DONOR RESTRICTIONS:		
Operating activities:		
Support and revenue:		
Federal grant revenues	\$ 6,474,810	6,260,591
State grant revenues	199,806	178,133
Other grants and contributions	358,641	419,245
Program income/fees	-	1,758
In-kind contributions	31,961	79,213
Prior year revenue adjustments	-	(33,158)
All other revenue	132,316	118,750
Total support and revenue	7,197,534	7,024,532
Expenses:		
Program services:		
Employment and training	1,184,139	829,673
Community/housing and energy	1,887,150	1,475,194
Nutrition/Public Health services	3,327,139	3,945,576
Other	384,119	385,057
Total program service expenses	6,782,547	6,635,500
Supporting services:		
Management & general	354,207	334,562
Fundraising	8,511	49,988
Total supporting services expenses	362,718	384,550
Total expenses	7,145,265	7,020,050
Change in net assets	52,269	4,482
Net assets, beginning of year	485,166	480,684
Net assets, end of year	\$ 537,435	485,166

See accompanying notes to financial statements.

WESTERN MAINE COMMUNITY ACTION, INC.
Statement of Functional Expenses
Year Ended August 31, 2019

						Supporting Services		
	Employment and Training	Community/ Housing & Energy	Nutrition/Public Health Services	Other	Total program services	Management and general	Fundraising	Total
Salaries	\$ 449,349	403,849	417,363	176,420	1,446,981	200,747	-	1,647,728
Payroll taxes and benefits	118,675	116,412	121,299	47,366	403,752	48,826	-	452,578
Depreciation	-	1,596	-	2,654	4,250	-	-	4,250
Direct client assistance	466,082	1,090,607	2,605,728	55,101	4,217,518	-	-	4,217,518
Direct client assistance in-kind	-	152,266	6,805	2,531	161,602	-	7,615	169,217
Subrecipients	-	-	26,891	-	26,891	-	-	26,891
Contractual and consultant services	-	-	2,698	34,302	37,000	11,461	-	48,461
Equipment maintenance & rent	33,321	32,555	29,290	13,274	108,440	21,878	239	130,557
Insurance	3,968	4,406	3,303	941	12,618	14,814	15	27,447
Materials, supplies and postage	9,453	15,538	9,137	12,432	46,560	16,582	517	63,659
Occupancy	63,673	32,899	62,319	11,836	170,727	10,168	-	180,895
Telephone	10,296	8,637	11,741	2,058	32,732	3,742	-	36,474
Travel	18,167	8,536	8,796	4,483	39,982	3,379	25	43,386
Other	11,155	19,849	21,769	20,721	73,494	22,610	100	96,204
Total expenses	\$ 1,184,139	1,887,150	3,327,139	384,119	6,782,547	354,207	8,511	7,145,265

See accompanying notes to financial statements.

WESTERN MAINE COMMUNITY ACTION, INC.
Statement of Functional Expenses
Year Ended August 31, 2018

	Program Services					Supporting Services		
	Employment and Training	Community/ Housing & Energy	Nutrition/Public Health Services	Other	Total program services	Management and general	Fundraising	Total
Salaries	\$ 347,770	344,641	488,356	164,846	1,345,613	198,685	-	1,544,298
Payroll taxes and benefits	91,110	104,717	136,748	44,516	377,091	46,760	-	423,851
Depreciation	-	-	-	3,641	3,641	-	-	3,641
Direct client assistance	235,451	907,534	2,739,451	72,331	3,954,767	-	-	3,954,767
Direct client assistance in-kind	-	-	-	-	-	-	49,081	49,081
Subrecipients	-	-	402,181	-	402,181	-	-	402,181
Contractual and consultant services	757	1,104	9,144	39,858	50,863	6,713	-	57,576
Equipment maintenance & rent	39,688	32,444	32,765	14,210	119,107	27,816	-	146,923
Insurance	4,341	2,436	4,066	795	11,638	13,647	21	25,306
Materials, supplies and postage	7,103	11,127	11,846	5,637	35,713	7,340	271	43,324
Occupancy	57,359	30,099	73,202	11,673	172,333	12,278	-	184,611
Telephone	28,779	8,275	12,555	2,336	51,945	3,855	315	56,115
Travel	10,338	7,576	9,965	4,504	32,383	2,721	-	35,104
Other	6,977	25,241	25,297	20,710	78,225	14,747	300	93,272
Total expenses	\$ 829,673	1,475,194	3,945,576	385,057	6,635,500	334,562	49,988	7,020,050

See accompanying notes to financial statements.

WESTERN MAINE COMMUNITY ACTION, INC.
Statements of Cash Flows
Year Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 52,269	4,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,250	3,641
(Increase) decrease in:		
Accounts receivable	(43,579)	(8,552)
Grants receivable	57,181	82,824
Inventory	1,890	(9,150)
Prepaid expenses	5,277	27,617
Increase (decrease) in:		
Accounts payable	(29,405)	27,666
Accrued payroll and payroll taxes	76,831	(93,119)
Accrued compensated absences	16,226	(10,642)
Escrow payable	(4,995)	-
Due to State of Maine	18,922	33,158
Deferred revenues	39,789	(37,602)
Deferred forgivable loans	98,693	51,407
Net cash provided by operating activities	293,349	71,730
Cash flows from investing activities:		
Purchase of equipment	(33,478)	-
New loans made, net of repayments	(96,434)	(28,588)
Net cash used in investing activities	(129,912)	(28,588)
Cash flows from financing activities:		
Net borrowings (repayment) on debt	-	(34,602)
Net cash used in financing activities	-	(34,602)
Increase cash and cash equivalents	163,437	8,540
Cash and cash equivalents, beginning of year	263,795	255,255
Cash and cash equivalents, end of year	\$ 427,232	263,795
Supplemental cash flow disclosures:		
Noncash conversion of debt from line of credit to grant	\$ 75,000	-
Cash paid during the year for interest	3,148	1,302
Cash paid during the year for taxes	-	-

See accompanying notes to financial statements.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Western Maine Community Action, Inc. (WMCA) is a Maine nonprofit corporation organized to provide a focal point for anti-poverty and other social service efforts throughout the communities of the Western Maine area. Types of services include employment training, housing, health, nutrition and food security, and family programs. The accounting practices of the Corporation are designed primarily to demonstrate stewardship of the funds entrusted to it, compliance with prescribed contract conditions and other special requirements. Western Maine Community Action, Inc.'s support comes primarily from governmental contracts.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Corporation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions would be met by actions of WMCA or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor would stipulate the funds be maintained in perpetuity. For the years ending August 31, 2019 and 2018, the Corporation had no net assets with donor restrictions.

Measure of Operations – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to WMCA's ongoing program services and any interest and dividends earned. Nonoperating activities are limited to resources that generate return from other activities considered to be of a more unusual or nonrecurring nature.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated include salaries and benefits which are allocated based on actual time and effort, and occupancy/space and facilities costs, which are allocated based on actual square footage. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Tax Status - The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509 (a)(1) of the Code. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The Corporation believes it has no uncertain tax positions with the Internal Revenue Service that would require disclosure in the financial statements. The Corporation's federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Corporation considers all checking and sweep accounts to be cash equivalents.

Accounts, Grants, and Notes Receivable - Accounts, grants, and notes receivable consists primarily of revenue from various government grants and contracts, as well as notes to individuals through grant programs. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on note balances outstanding at year-end will be immaterial. The notes receivable allowance for loan losses was estimated at \$24,344 at August 31, 2019 and 2018.

Inventory - Inventory consists of donated coats and Christmas gifts for distribution to clients of the various programs operated and is stated at fair market value at the date of donation.

Property and Equipment - Property and equipment are stated at cost. The Corporation capitalizes all acquisitions of property and equipment with a unit cost of \$5,000 or more. All property and equipment items are depreciated according to the straight-line method ratably over their estimated useful lives, which range from 3-7 years for equipment. Depreciation expense totaled \$4,250 and \$3,641 for each of the years ended August 31, 2019 and 2018, respectively.

Contributions and Support - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In-kind Contributions and Expenses - Space, supplies and other donated items used for program purposes are presented in the financial statements at estimated fair market value and recorded when received. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Additionally, the Corporation receives a significant amount of skilled, contributed time, which does not meet one of the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Deferred Revenue - The Corporation records unexpended grant awards that were received prior to year-end as deferred revenue until related services are performed, at which time they are recognized as revenue.

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

New Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 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 asset 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. WMCA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

AVAILABILITY AND LIQUIDITY

The following represents WMCA's financial assets at August 31, 2019 and 2018:

Financial assets at year-end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 427,232	\$ 263,765
Accounts and grants receivable	514,295	527,897
<u>Total financial assets</u>	<u>941,527</u>	<u>791,662</u>

Financial assets available to meet expenditures over the next 12 months \$ 941,527 \$ 791,662

WMCA's financial assets approximate 50 days of operating expenses at August 31, 2019.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements, Continued

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Corporation currently maintains its cash balances in one financial institution located in Maine. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of August 31, 2019 and 2018, none of the Corporation's cash balances were uninsured.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in actual markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). WMCA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

NOTES RECEIVABLE

Notes receivable is made up of a Revolving Loan Fund Program and an Affordable Housing Program.

Affordable Housing Program - The Affordable Housing Program provides opportunities for home ownership to low and very-low income families. The program teaches home ownership responsibilities and provides partial affordable financing. The Corporation retains a second mortgage on the home and requires no repayment on the note unless the home is sold or refinanced. An allowance for loan losses is also provided for any notes under this program. There were no notes outstanding for this program for the years ended August 31, 2019 and 2018.

Revolving Loan Fund - The Revolving Loan Fund provides low-interest or no-interest forgivable loans to low and very-low income homeowners for home purchases or repairs. Current loans forgiven during the years ended August 31, 2019 and 2018 were \$57,451 and \$41,871, respectively. The amount of new loans entered into during the years ended August 31, 2019 and 2018 were \$156,144 and \$77,897, respectively.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements, Continued

NOTES RECEIVABLE, CONTINUED

An allowance for losses on low-interest non-forgivable loans is calculated by an analysis of outstanding aged receivables and historical collection. The allowance for loan loss has been estimated at \$24,344 as of August 31, 2019 and 2018. The loan committee also can rewrite or defer the loans if they become delinquent before attaching a lien or recourse through the courts.

82 High Street, Inc. - a 501(c)(3) nonprofit corporation which controls a 32-unit housing complex located next to the University of Maine at Farmington. The Corporation holds a secured note receivable for \$125,000 which is second in line behind a Maine State Housing Authority first mortgage of \$292,000. The allowance for loan loss has been estimated at \$0 as of August 31, 2019 and 2018.

The following is a schedule of notes receivable at years end:

	<u>2019</u>	<u>2018</u>
Revolving Loan Fund	\$ 480,375	383,941
<u>82 High Street, Inc.</u>	<u>125,000</u>	<u>125,000</u>
Total notes receivable	605,375	508,941
<u>Allowance for loan loss</u>	<u>(24,344)</u>	<u>(24,344)</u>
Receivable recognized at year end	581,031	484,597
<u>Current portion</u>	<u>(80,255)</u>	<u>(73,693)</u>
<u>Long term notes receivable</u>	<u>\$ 500,776</u>	<u>410,904</u>

LINE OF CREDIT

Western Maine Community Action, Inc. had an operating line of credit agreement of \$75,000 with a foundation. Advances were payable in \$15,000 increments and could be paid at any time including interest at a 1% annual rate. The line of credit agreement was set to expire in May 2021, and any balance including interest would have been due in full at that time. In 2019, the foundation that granted the line of credit converted the balance due to a grant to WMCA be expended over the subsequent three fiscal years at \$25,000 per year. At August 31, 2019 and 2018, there was an outstanding balance of \$0 and \$75,000, respectively, on the line of credit.

LEASE COMMITMENTS

The Corporation is obligated under certain operating leases with terms of 1 to 5 years for space and copier equipment used in operations. Total lease expenses were \$157,696 and \$147,134 for the years ended August 31, 2019 and 2018, respectively.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements, Continued

LEASE COMMITMENTS, CONTINUED

The following is a schedule of future minimum rentals under the leases:

<u>Year ended</u>		
8/31/20	\$	8,424
8/31/21		8,424
8/31/22		5,899
8/31/23		142
Total	\$	22,889

CONCENTRATION IN REVENUES

Of the revenues received by the Corporation in fiscal years 2019 and 2018, approximately 93% and 92%, respectively, were from federal and state funded grants and contracts. Changes in reimbursement methods or reductions in available funds could adversely affect operations if alternative funding sources are not readily available.

RELATED PARTY TRANSACTIONS

Western Maine Community Action, Inc. is affiliated with Franklin County Community Action Council Property Trust by three common board members with no authority to negotiate or sign contracts for the Trust. The Trust was originally created to hold assets for Western Maine Community Action, Inc. The Trust currently leases property to Western Maine Community Action, Inc. Lease payments to the trust totaled \$38,400 in years ended August 31, 2019 and 2018. In addition, as of August 31, 2019 and 2018, the Trust owed WMCA \$39,312 and \$7,937, respectively, for improvements made to the property, and during the year ended August 31, 2018, WMCA returned \$10,500 of equity to the Trust.

PENSION PLAN

The Corporation sponsors a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to make elective deferrals to the plan. The Board of Directors makes an annual determination on the amount, if any, of the Corporation's contribution to the plan. Vesting is immediate. The Corporation's contribution to the plan for the years ended August 31, 2019 and 2018 amounted to \$27,014 and \$30,328, respectively.

The Corporation also participates in the Maine Public Employees Retirement System (MPERS) for two grandfathered former employees. Only these grandfathered employees are eligible to make non-elective contributions to the plan. Annual Corporation contributions are made only when the assets of the plan fall below a level determined through an actuarial formula provided by MPERS. The Corporation's contribution to the plan for the years ended August 31, 2019 and 2018 was \$0 and \$24, respectively.

WESTERN MAINE COMMUNITY ACTION, INC.
Notes to Financial Statements, Continued

CONTINGENCIES

Western Maine Community Action, Inc. participates in federal and state grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the grant programs are subject to special audit and adjustment by the grantor agencies. Therefore, to the extent that the Corporation has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In addition, the Corporation falls under Tier 2 of the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP). This is a rulemaking established by the State of Maine. Under Tier 2, the State will conduct a review of the audit of pass-through federal and direct state funds conducted by its independent auditors. No estimate has been made in the financial statements for potential adjustments which may result from the State's review of the year ended August 31, 2019 and 2018. All years through August 31, 2017 have been reviewed by the State and are considered finalized. In November 2018, the Corporation was notified of the results of the review by the State of Maine Department of Health and Human Services of its MAAP audit for the year ended August 31, 2017 that requested repayment of \$33,158. The liability has been recognized in the financial statements for the years ended August 31, 2019 and 2018.

As noted in the Pension Plan note above, WMCA may be liable for annual contributions to MPERS in future years for two former grandfathered employees should the assets of the plan fall below a certain level. Any liability for these potential future contributions is unknown at this time.

SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date but arose after that date. Management has evaluated subsequent events through February 6, 2020, the date the August 31, 2019 financial statements were available for issuance, and no events occurred requiring recognition or disclosure other than what is disclosed elsewhere in the notes to the financial statements.

In November 2019, Western Maine Community Action, Inc.'s Board of Directors voted to merge with another Maine nonprofit community action agency. The planned merger date is July 1, 2020.