

AUDUBON AREA COMMUNITY SERVICES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2024 AND 2023

AUDUBON AREA COMMUNITY SERVICES, INC.
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June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Audit Committee of
Audubon Area Community Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Audubon Area Community Services, Inc. as of June 30, 2024 and 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Audubon Area Community Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Area Community Services, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Audubon Area Community Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Area Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental statements of revenues and expenses (pages 38-62), schedule of expenditures of federal awards and the notes to the schedule of expenditures of federal awards (pages 63-66), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 statements of revenues and expenses, schedule of expenditures of federal awards, and notes to the schedule of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2025, on our consideration of Audubon Area Community Services, 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 Audubon Area Community Services, 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 Audubon Area Community Services, Inc.'s internal control over financial reporting and compliance.



Owensboro, Kentucky
March 7, 2025

AUDUBON AREA COMMUNITY SERVICES, INC.
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,056,063	\$ 10,539,911
Restricted cash	294,138	-
Contracts and grants receivable	3,914,012	4,402,908
Accounts receivable	180,057	255,593
Due from related organizations	131,877	73,976
Investments	5,651,910	5,153,966
Investment in real estate venture	4,593,803	5,134,076
Prepaid expenses	164,954	335,142
	<u>26,986,814</u>	<u>25,895,572</u>
TOTAL CURRENT ASSETS		
	<u>26,986,814</u>	<u>25,895,572</u>
PROPERTY AND EQUIPMENT		
Land	2,090,904	1,408,904
Land improvements	1,776,719	1,753,722
Buildings	27,614,532	23,669,532
Buildings improvements	14,179,820	11,887,803
Furniture and furnishings	371,773	360,572
Equipment	6,237,146	5,914,564
Vehicles	11,261,748	11,050,867
Construction in progress	368,584	2,115,699
	<u>63,901,226</u>	<u>58,161,663</u>
Less accumulated depreciation	<u>(26,707,438)</u>	<u>(23,846,023)</u>
	<u>37,193,788</u>	<u>34,315,640</u>
NET PROPERTY AND EQUIPMENT		
	<u>37,193,788</u>	<u>34,315,640</u>
OTHER ASSETS		
Right-of-use lease assets	118,766	98,446
Interest receivable - related	146,487	125,862
	<u>265,253</u>	<u>224,308</u>
TOTAL OTHER ASSETS		
	<u>265,253</u>	<u>224,308</u>
TOTAL ASSETS	<u>\$ 64,445,855</u>	<u>\$ 60,435,520</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 2,151,466	\$ 2,142,760
Accrued payroll	1,184,670	987,541
Refundable advances	2,186,462	713,764
Payroll withholdings	671,433	621,439
Accrued compensated absences	593,716	519,913
Accrued interest	3,943	5,249
Accrued workers' compensation surplus liability	90,877	98,016
Accrued self-insurance claims	107,252	247,129
Current portion of long-term debt	554,464	516,957
	<u>7,544,283</u>	<u>5,852,768</u>
TOTAL CURRENT LIABILITIES		
	<u>7,544,283</u>	<u>5,852,768</u>
LONG-TERM LIABILITIES		
Lease liability	118,766	98,446
Long-term debt, net of current portion	745,230	1,209,163
	<u>863,996</u>	<u>1,307,609</u>
TOTAL LONG-TERM LIABILITIES		
	<u>863,996</u>	<u>1,307,609</u>
TOTAL LIABILITIES		
	<u>8,408,279</u>	<u>7,160,377</u>
NET ASSETS		
Without donor restrictions	56,037,576	53,275,143
	<u>56,037,576</u>	<u>53,275,143</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 64,445,855</u>	<u>\$ 60,435,520</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Consolidated Statements of Activities
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Grant revenue	\$ 36,225,236	\$ 38,243,262
Transportation contract revenue	19,361,610	19,278,427
In-Kind Contributions	13,037,666	12,533,455
Local sources	1,358,036	2,352,161
Program income	2,439,305	2,222,343
Bad debt recovery	-	1,090,500
Fundraising	-	68
Loss on sale of capital assets	(8,518)	-
Net investment income	836,975	524,347
Share of losses in equity method investment	(273,613)	(129,910)
Impairment of equity method investment	(266,660)	-
	<u>72,710,037</u>	<u>76,114,653</u>
TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
EXPENSES		
Program Services:		
Early childhood	36,613,811	36,112,974
Transportation	21,657,642	19,208,976
Employment	2,185,413	1,858,965
Housing	1,024,542	678,966
Community Services	5,258,068	5,786,639
	<u>66,739,476</u>	<u>63,646,520</u>
Total program services		
Supporting Services:		
Management and general	3,208,128	2,857,989
	<u>3,208,128</u>	<u>2,857,989</u>
Total supporting services		
TOTAL EXPENSES	<u>69,947,604</u>	<u>66,504,509</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,762,433	9,610,144
NET ASSETS AT BEGINNING OF YEAR	<u>53,275,143</u>	<u>43,664,999</u>
NET ASSETS AT END OF YEAR	<u>\$ 56,037,576</u>	<u>\$ 53,275,143</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2024

	Program Services						Supporting Services			
	Early Childhood	Transportation	Employment	Housing	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 14,685,812	\$ 3,740,321	\$ 1,106,095	\$ 324,092	\$ 1,215,918	\$ 21,072,238	\$ 1,178,817	\$ -	\$ 1,178,817	\$ 22,251,055
Payroll taxes	1,074,904	276,136	81,844	24,118	88,586	1,545,588	84,560	-	84,560	1,630,148
Employee benefits	5,124,748	1,205,618	288,078	104,359	418,251	7,141,054	400,463	-	400,463	7,541,517
Accounting and auditing	-	-	-	4,077	-	4,077	135,462	-	135,462	139,539
Travel	85,166	30,080	75,180	31,674	65,649	287,749	21,980	-	21,980	309,729
Training	129,344	20,267	18,950	13,296	34,215	216,072	38,159	-	38,159	254,231
Occupancy	1,549,888	91,166	79,760	84,639	57,766	1,863,219	60,652	-	60,652	1,923,871
Office expense	260,540	205,526	47,309	78,573	36,389	628,337	141,093	-	141,093	769,430
Direct assistance	43,058	-	47,179	-	2,696,810	2,787,047	-	-	-	2,787,047
Participant support costs	102,808	-	127,268	-	-	230,076	-	-	-	230,076
Materials and supplies	4,729,575	975,228	23,702	87,404	481,467	6,297,376	56,417	-	56,417	6,353,793
Contracts and consultants	6,229,701	13,695,001	1,531	110,341	84,226	20,120,800	754,241	-	754,241	20,875,041
Insurance	342,441	185,992	157	20,602	14,265	563,457	57,720	-	57,720	621,177
Repairs and maintenance	167,087	71,328	-	46,046	985	285,446	73,537	-	73,537	358,983
Stipends	-	-	261,605	-	-	261,605	-	-	-	261,605
Telephone	167,735	169,620	18,179	27,857	61,147	444,538	39,464	-	39,464	484,002
Postage	5,782	2,260	2,856	188	727	11,813	1,557	-	1,557	13,370
Advertising	1,351	-	-	115	-	1,466	12,447	-	12,447	13,913
Donations	7,301	-	-	-	-	7,301	6,601	-	6,601	13,902
Interest	61,504	-	-	1,445	-	62,949	4,270	-	4,270	67,219
Depreciation	1,845,066	989,099	5,720	65,716	1,667	2,907,268	140,688	-	140,688	3,047,956
	<u>\$ 36,613,811</u>	<u>\$ 21,657,642</u>	<u>\$ 2,185,413</u>	<u>\$ 1,024,542</u>	<u>\$ 5,258,068</u>	<u>\$ 66,739,476</u>	<u>\$ 3,208,128</u>	<u>\$ -</u>	<u>\$ 3,208,128</u>	<u>\$ 69,947,604</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2023

	Program Services						Supporting Services			
	Early Childhood	Transportation	Employment	Housing	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 13,568,792	\$ 3,226,493	\$ 971,871	\$ 320,584	\$ 1,149,254	\$ 19,236,994	\$ 1,079,876	\$ -	\$ 1,079,876	\$ 20,316,870
Payroll taxes	998,925	238,658	72,601	24,063	84,500	1,418,747	77,464	-	77,464	1,496,211
Employee benefits	4,376,634	938,001	225,122	105,012	368,013	6,012,782	402,408	-	402,408	6,415,190
Accounting and auditing	-	-	-	-	-	-	116,323	-	116,323	116,323
Travel	163,915	19,789	64,851	10,524	51,310	310,389	22,061	-	22,061	332,450
Training	108,834	17,415	867	10,116	32,418	169,650	30,697	-	30,697	200,347
Occupancy	1,672,466	84,915	87,875	28,190	89,603	1,963,049	47,439	-	47,439	2,010,488
Office expense	279,589	316,166	27,369	9,736	110,242	743,102	133,673	-	133,673	876,775
Direct assistance	40,724	-	28,422	-	2,803,908	2,873,054	-	-	-	2,873,054
Participant support costs	100,635	-	107,824	-	-	208,459	-	-	-	208,459
Materials and supplies	4,772,389	1,014,174	40,522	69,975	499,725	6,396,785	46,920	-	46,920	6,443,705
Contracts and consultants	7,453,653	11,966,632	1,277	53,870	111,597	19,587,029	587,850	-	587,850	20,174,879
Insurance	305,241	178,314	432	6,006	24,721	514,714	71,137	-	71,137	585,851
Repairs and maintenance	305,936	42,493	-	15,918	21,253	385,600	36,474	-	36,474	422,074
Stipends	-	-	203,139	-	-	203,139	-	-	-	203,139
Telephone	170,846	157,073	19,104	24,840	50,985	422,848	31,656	-	31,656	454,504
Postage	10,154	2,420	3,634	67	754	17,029	5,056	-	5,056	22,085
Advertising	23,676	-	307	65	187	24,235	7,669	-	7,669	31,904
Donations	16,518	-	-	-	386,502	403,020	-	-	-	403,020
Interest	54,764	-	-	-	-	54,764	27,214	-	27,214	81,978
Depreciation	1,689,283	1,006,433	3,748	-	1,667	2,701,131	134,072	-	134,072	2,835,203
	<u>\$ 36,112,974</u>	<u>\$ 19,208,976</u>	<u>\$ 1,858,965</u>	<u>\$ 678,966</u>	<u>\$ 5,786,639</u>	<u>\$ 63,646,520</u>	<u>\$ 2,857,989</u>	<u>\$ -</u>	<u>\$ 2,857,989</u>	<u>\$ 66,504,509</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets without donor restrictions	\$ 2,762,433	\$ 9,610,144
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	3,047,956	2,835,203
Unrealized gain on investments	(323,015)	(149,768)
Losses on investment in real estate venture	273,613	129,910
Impairment of equity method investment	266,660	-
Gain on sale of investments	(47,935)	(34,475)
Loss from sale of capital assets	8,518	-
Donated capital from acquisitions	(4,627,000)	(3,727,807)
Bad debt recovery	-	(1,090,500)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contracts and grants receivable	488,896	1,091,268
Accounts receivable	75,536	178,044
Due from related organizations	(57,901)	25,276
Prepaid expenses	170,188	(90,940)
Interest receivable-related	(20,625)	425,054
Increase (decrease) in:		
Accounts payable	8,706	(1,923,393)
Accrued payroll and withholdings	247,123	(746,206)
Refundable advances	1,472,698	(46,003)
Accrued compensated absences	73,803	(91,874)
Accrued interest	(1,306)	(1,290)
Accrued workers' compensation and surplus liability	(7,139)	(5,893)
Accrued self-insurance claims	(139,877)	191,449
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,671,332</u>	<u>6,578,199</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution to Learning Villa, Ltd.	-	(1,534,179)
Purchase of property and equipment	(1,316,625)	(5,048,961)
Proceeds from sale of capital assets	13,003	-
Proceeds from sale of investments	485,711	460,470
Proceeds from Imagination Library investments	-	323,617
Purchase of partnership interests	(4,000)	(2,000)
Purchases of investments	(612,705)	(580,028)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,434,616)</u>	<u>(6,381,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note receivable repayment	-	1,090,500
Repayments of long-term borrowings	(426,426)	(508,417)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(426,426)</u>	<u>582,083</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,810,290	779,201
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	<u>10,539,911</u>	<u>9,760,710</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 12,350,201</u></u>	<u><u>\$ 10,539,911</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u><u>\$ 68,526</u></u>	<u><u>\$ 83,268</u></u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Audubon Area Community Services, Inc. (Organization) is a private, non-profit agency chartered October 15, 1973 upon the submission of Articles of Incorporation to the office of the Kentucky Secretary of State. The Organization formally commenced operations on March 1, 1975 as successor to, and the consolidation of two parent agencies operating from April and August, 1966 in Henderson and Owensboro, respectively. Audubon Area Community Services, Inc. is a Community Action Agency created under the Economic Opportunity Act of 1964 (Public Law 88-452) and authorized under the Kentucky Revised Statutes (K.R.S.) 273.410 et seq, as revised under amendments by the 1982 General Assembly, entitled "Community Action Agencies."

The Organization serves the primary 7 county Green River Area District (Daviess, Hancock, Henderson, McLean, Ohio, Union & Webster counties), but also serves Barren Rivers, Cumberland, Pennyryle, Purchase, Lincoln Trail, and Salt River areas with over \$40 million in funding annually and more than 600 employees.

The Organization's mission statement is as follows: "Helping people in poverty and beyond to reach self-sufficiency by changing lives through providing services, advocacy, and patterning to strength communities throughout Kentucky."

The Organization's largest programs are Audubon Area Head Start and Green River Intra-County Transit Systems (GRITS).

The Audubon Area Head Start program has a 16 county service delivery area, serving over 2,500 children from low-income families and children with disabilities through five programs.

GRITS has been providing non-emergency transportation for over 30 years. Services are available to anyone in the general public for any purpose.

Basis of Accounting

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

Basis of Consolidation

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the Organization. The consolidated financial statements include the net assets and operations of a 100% wholly-owned subsidiary Audubon Independence/Horizon, Inc. All significant intra-organizational accounts and transactions have been eliminated.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	20 - 30 years
Buildings	20 - 30 years
Building improvements	20 - 30 years
Furniture and furnishings	5 - 10 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

Property and equipment acquired by the Organization are considered to be owned by Audubon Area Community Services, Inc. However, Federal and State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal and State agencies have a reversionary interest in those assets purchased with funds which cost \$5,000 and \$500 or more, respectively, and have an estimated useful life of at least two years. Depreciation expense was \$3,047,956 and \$2,835,203 for the years ended June 30, 2024 and 2023, respectively.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash held at a financial institution, temporary cash investments and debt-related investments held with a broker, contracts and grants receivable, accounts receivable, and loans and interest receivable.

The Organization maintains its cash with multiple financial institutions, however, amounts in excess of federal deposit insurance coverage is collateralized by securities held by the related financial institution. At June 30, 2024, the Organization's bank balances totaled \$12,410,037; of that amount, \$691,897 was covered by federal depository insurance and \$11,676,700 was covered by collateral held by a local financial institution and the remaining balance of \$41,440 was uninsured. At June 30, 2023, the Organization's bank balances totaled \$10,946,450; of that amount, \$250,000 was covered by federal depository insurance and \$10,696,450 was covered by collateral held by a local financial institution.

The Organization maintains an investment account with one investment broker. The Organization's investments include temporary cash investments and debt-related investments. These investments are primarily held in exchange traded funds, closed end funds, and mutual funds. Therefore, these investments are highly diversified and any potential credit risk is dispersed across different borrowers within different industries and geographic areas. As of June 30, 2024 and 2023, the Organization had no significant

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk (continued)

concentration of credit risk related to temporary cash investments and debt-related investments held with an investment broker.

Concentrations of credit risk with respect to contracts and grants receivable are limited due to the balance being comprised of amounts due from governmental agencies under contractual terms. As of June 30, 2024 and 2023, the Organization had no significant concentration of credit risk related to contracts and grants receivable.

Concentrations of credit risk with respect to accounts receivables primarily includes outstanding developer fees from multiple sources. As of June 30, 2024 and 2023, the Organization had no significant concentration of credit risk related to accounts receivable.

The Organization is subject to significant credit risk with respect to its loans and interest receivable based on the nature of the borrowers (low-income housing development partnerships) and the large amounts outstanding from individual borrowers. As of June 30, 2024 and 2023, Management has determined loans and interest receivable of \$10,830,876 and \$10,548,059, respectively, were significant concentrations of credit risk and as such have included allowances to offset these receivables.

Accounts Receivable

Accounts receivable are stated at net realizable value. Accounts receivable are considered to be fully collectible and, accordingly, no allowance for credit losses is considered necessary. In making that determination, management evaluated the financial condition of borrowers, the estimated value of the any underlying collateral and current economic conditions. Based on management's assessment of the credit history and current, the Organization, believes realization of losses, if any, will be immaterial. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Account balances with invoices dated over 90 days old are considered past due.

Loans and Interest Receivable

Loans and interest receivable are carried at unpaid principal balance, less on allowance for credit losses. The allowance for credit losses is recorded when management expects potential collection issues. In making that determination, management evaluated the financial condition of borrowers, the estimated value of the any underlying collateral and current economic conditions. See Notes E and F for recorded allowances for loans and related interest receivables. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Receivables from Grantor Agencies

Receivables from grant agencies are stated at net realizable value. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year-end. Receivables from grantor agencies are considered to be fully collectible and, accordingly, no allowance for credit losses is considered necessary. In making that determination, management evaluated the financial condition of borrowers, the estimated value of the any underlying collateral and current economic conditions. Account balances with invoices dated over 90 days old are considered past due.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Refundable Advances

Monies received from federal and state grants that are in excess of allowable expenses or received before other revenue recognition have been satisfied are recorded as refundable advances and will be returned to the grantor upon their request, unless allowable expenses are incurred which satisfies the grantor compliance requirements or the revenue recognition criteria has been satisfied.

Compensated Absences

Compensated absences are absences for which employees will be paid for vacation. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Organization and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Organization and its employees are accounted for in the period in which such services are rendered or such events take place.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are designated for use (or the fiscal year when use is first permitted), matching requirements, in which the Organization must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the Organization on a reimbursement basis.

Revenue from Contracts with Customers

Transportation Services

The Green River Intra-county Transit System (GRITS) provides non-emergency transportation (NEMT). Revenues from contracts with customers related to transportation services are shown on the statement of activities under transportation contract revenue and program income. Transportation contract revenue includes Medicaid revenue and brokered transportation. Program income includes transportation fares. See Note Q.

Medicaid Revenue

Medicaid eligible customers without vehicles are provided transportation to approved Medicaid appointments without cost. For Medicaid revenue, the Organization receives reimbursements from Kentucky Medicaid for transportation services as defined in 907 KAR3:066. The Organization recognizes revenue on a monthly basis when it has satisfied its performance obligations.

Brokered Transportation

The Organization primarily contracts with the Kentucky Transportation Cabinet for its Department of Corrections Pilot Program. For brokered transportation, payments are determined in accordance with the underlying contractual agreement. The Organization recognizes revenue on a monthly basis when it has satisfied its performance obligations.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers (continued)

Transportation Services (continued)

Transportation Fares

Para-transit services are provided and a fee-per-mile service is available to the general public. Paid fare is \$1.10 per mile with a \$4.00 minimum (\$1.50 per mile outside of Region 3 service area). For transportation fares, the performance obligations of providing transportation services are simultaneously received and consumed by the customers; therefore, the revenue is recognized at the point in time the service is provided.

Child Care Services

The Organization provides child care services. For child care services, eligible families receive a subsidy from the Kentucky Cabinet for Health and Family Services and are responsible for a co-pay, which is based on income. The performance obligation of delivering child care services are simultaneously received and consumed by the recipients. The subsidy and co-pays for child care services are recognized at a point in time and are included in program income.

Investments and Net Investment Income

Marketable Securities

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Net investment return includes dividend, interest and realized and unrealized gains and losses, net of investment fees.

Investment in Real Estate Ventures

The Organization has several wholly-owned subsidiaries, which have interests in limited partnerships. A majority of these related entities only have minor interests in limited partnerships, as such the impact to the financial statements is not significant and is not reflected in the financial statements. However, in the event these investments are significant to the financial statements and the Organization exercises significant influence over operating and financial policies of the limited partnerships, the equity method of accounting is used to recognize the activities of these entities. As of June 30, 2024 and 2023, the Organization's 99.95% investment in the Learning Villa, Ltd is accounted for by the equity method. See Note D.

Equity method investments are also assessed for impairment. Impairment indicators that are considered include, but are not limited to, (a) a significant deterioration in the earnings performance, credit rating, asset quality or business prospects of the investee, (b) a significant adverse change in the regulatory, economic or technological environment of the investee, (c) a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates (d) a bona fide offer to purchase, an offer by the investee to sell or a completed auction process for the same or similar investment for an amount less than the carrying amount of that investment, and (d) factors that raise significant concerns about the investee's ability to continue as a going concern, such as negative cash flows from operations, working capital deficiencies or noncompliance with statutory capital requirements or debt covenants. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in earnings. The share of earnings (or losses) is shown as a separate line item on the Statement of Activities.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Restricted Cash

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents and restricted cash consisted of the following at June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 12,056,063	\$ 10,539,911
Restricted cash	294,138	-
	<u>\$ 12,350,201</u>	<u>\$ 10,539,911</u>

Cash is restricted for the following purposes at June 30, 2024 and 2023:

	2024	2023
Real estate taxes and insurance premiums	\$ 38,492	\$ -
Building improvements, new equipment, etc.	224,083	-
Security deposits	31,563	-
	<u>\$ 294,138</u>	<u>\$ -</u>

Under established regulations for low-income housing projects, certain funds have been restricted to future use for real estate taxes, insurance premiums, building improvements, new equipment, and similar items, and security deposits.

In-Kind Contributions

The Organization receives a substantial amount of goods and services donated by the public which provides a means for matching funds on grants and contracts. The goods and services donated are in accordance with contract and grant provisions. Those that do not meet the criteria for recognition under FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made* are not recorded.

The Organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialists depending on the type of asset.

All in-kind contributions received by the Organization for the years ended June 30, 2024 and 2023 were considered without donor restrictions and were able to be used by the Organization as determined by the board of directors and management.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis and program use; and supplies and telephone costs, which are allocated based on actual usage, and insurance expense, which is based on vehicles or property owned or used by the program.

Programs and Support Services

The agency maintains expenses for programs and support services as follows:

Early Childhood Services

Head Start and Early Head Start programs promote school readiness for at-risk children from birth to five years of age by providing child and family centered services that promote healthy development of children through health, education and family services.

USDA provides food service program for eligible children and adults.

Transportation Services

The Green River Intra-county Transit System (GRITS) provides clean, safe and reliable public transportation at little or no cost to anyone in the seven-county areas (Daviess, McLean, Henderson, Union, Webster, Hancock and Ohio). Medicaid eligible clients without a vehicle in their home are provided transportation to Medicaid approved appointments at cost. GRITS provides para-transit services for wheelchair bound clients. The general public may also ride with GRITS on a fee per mile basis regardless of income level, age or disability in the Green River area.

Employment Services

The Kentucky Works program provides career assessment, job skills training, job development and placement, and one year of career support after employment to recipients of public assistance in 34 counties in Kentucky.

Senior Companion Program provides the opportunity for senior citizens fifty-five years of age or older or provide services for frail elderly people at their home in an effort to prevent or delay institutionalization. Income-eligible participants receive a small stipend and other benefits for their service.

Retired and Senior Volunteer program (RSVP) involves volunteers serving areas of senior services, children's services, health, safety disaster preparedness and other community needs. To be eligible, a person must be fifty-five years of age or older and willing to serve on a regular basis. RSVP members receive federally mandated benefits.

Foster Grandparents program provides the opportunity for senior citizens fifty-five years of age or older to give guidance and one-to-one assistance for children and youth with special needs. Income-eligible participants receive a small stipend and other benefits for their service.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and Support Services (continued)

Housing Services

The Weatherization program provides assistance and improvements to eligible homeowners and renters in order to achieve a more energy efficient and safer home.

Community Services

The Kynect program provides outreach, education, and enrollment assistance to individuals, families, and small businesses, enabling them to make informed decisions when selecting and enrolling in health insurance plans on the Kentucky Health Benefit Exchange.

LIHEAP provides financial and other assistance to low-income households through two components, subsidy and crisis.

The Community Service Block Grant (CSBG) provides a variety of services to alleviate the causes and conditions of poverty, including food, shelter or developmental assistance (education, job training).

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves and employment ads. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2024 and 2023 was \$13,913 and \$31,904, respectively.

Tax Status

Audubon Area Community Services, Inc. has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3) and as a public charity qualified for charitable contributions under Internal Revenue Code Section 170. The Organization did not pay any interest or penalties as a result of its tax position. The tax years 2021 through 2023 remain subject to examination by the Internal Revenue Service.

Adoption of FASB ASC 842, Leases

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The adoption of ASC 842 did not have a material impact on the Organization's activities and or cash flows.

Adoption of ASU 2016-13 Financial Instruments

Effective July 1, 2023, the Organization adopted ASU 2016-13 *Financial Instruments*. *Financial Instruments* ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. The FASB has subsequently issued additional ASUs amending certain aspects of ASU 2016-13. The adoption of ASU 2016-13 did not have a material impact on the Organization's activities and or cash flows.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE B – CONTRACTS AND GRANTS RECEIVABLE

Contracts and Grants Receivable

Contracts and grants receivable consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
U.S. Department of Health and Human Services	\$ 1,113,316	\$ 1,518,403
Kentucky Transportation Cabinet	1,716,391	1,739,991
Kentucky Cabinet for Health and Family Services	685,982	726,234
Community Action Kentucky	112,213	91,858
Corporation for National and Community Service	40,665	28,680
Other	<u>245,445</u>	<u>297,742</u>
	<u><u>\$ 3,914,012</u></u>	<u><u>\$ 4,402,908</u></u>

Contract Assets

Contract assets related to transportation contracts receivable consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Transportation contracts receivable:		
Beginning of year	\$ 1,683,295	\$ 1,639,089
End of year	1,646,060	1,683,295

NOTE C - INVESTMENTS

Investments at June 30, 2024 and 2023 consist of the following:

Marketable Securities

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange Traded & Closed End Funds	\$ 2,368,766	\$ 2,780,730	\$ 2,079,901	\$ 2,287,874
Mutual funds	<u>2,739,641</u>	<u>2,871,180</u>	<u>2,857,291</u>	<u>2,866,092</u>
	<u><u>\$ 5,108,407</u></u>	<u><u>\$ 5,651,910</u></u>	<u><u>\$ 4,937,192</u></u>	<u><u>\$ 5,153,966</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE C – INVESTMENTS (continued)

The following schedule summarizes net investment income for the years ended June 30, 2024 and 2023:

	2024	2023
Investment income	\$ 466,025	\$ 340,104
Unrealized gain on investments	323,015	149,768
Gain on sale of investments	47,935	34,475
	<u>836,975</u>	<u>524,347</u>
Net investment income	<u>\$ 836,975</u>	<u>\$ 524,347</u>

NOTE D – INVESTMENT IN REAL ESTATE VENTURE

In December 2022, the Organization, through a wholly-owned subsidiary, acquired a 99.9% interest in The Learning Villa, Limited (partnership) for a purchase price of \$2,000. Prior to December 2022, the Organization held a 0.05% interest in the partnership. The purchase aggregates their total interest to 99.95%, with the remaining 0.05% interest held by a general partner. The Organization accounts for the investment using the equity method, although the Organization does not have control, it has the ability to exercise significant influence since it materially participates in the management of activities per the partnership agreement.

The investment in real estate venture consists of the following:

	2024	2023
Cash paid for initial purchase price	\$ 2,000	\$ 2,000
Contribution (in-kind) - implied capital contribution	3,727,807	3,727,807
Capital contribution	1,534,179	1,534,179
Accumulated losses	(403,523)	(129,910)
Accumulated impairment losses	(266,660)	-
	<u>\$ 4,593,803</u>	<u>\$ 5,134,076</u>
Investment in real estate venture	<u>\$ 4,593,803</u>	<u>\$ 5,134,076</u>

The change investment in real estate venture consists of the following:

	2024	2023
Beginning balance	\$ 5,134,076	\$ -
Acquisition	-	5,263,986
Share of losses	(273,613)	-
Impairment	(266,660)	(129,910)
	<u>\$ 4,593,803</u>	<u>\$ 5,134,076</u>
Ending balance	<u>\$ 4,593,803</u>	<u>\$ 5,134,076</u>

The following is a summary of selected financial information from the audited and unaudited financial statements of the underlying partnership in which the Organization has an investment interest.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE D – INVESTMENT IN REAL ESTATE VENTURE (continued)

The partnership's records are kept on a calendar year. The table below reflects the most recently available information based on the Organization's fiscal year:

<u>Learning Villa, Ltd.</u>	(Unaudited) 6/30/2024	(Unaudited) 6/30/2023
Total assets	<u>\$ 4,918,523</u>	<u>\$ 5,171,953</u>
Total liabilities	\$ 60,215	\$ 39,902
Total equity	<u>4,858,308</u>	<u>5,132,051</u>
Total liabilities and equity	<u>\$ 4,918,523</u>	<u>\$ 5,171,953</u>
Total operating losses	<u>\$ (273,750)</u>	<u>\$ (243,858)</u>
Organization's share	<u>\$ (273,613)</u>	<u>\$ (129,910)</u>

The Organization's share of earnings were allocated using the terms of the partnership agreement. For the period of July 1, 2022 through November 30, 2022, 0.05% of net earnings were allocated to the Organization. For the periods of December 1, 2022 through June 30, 2023 and July 1, 2023 through June 30, 2024, 99.95% of net earnings were allocated to the Organization. The dollar amount of allocated net earnings for their respective periods are shown in the table below.

NOTE E – RELATED LOAN AND INTEREST RECEIVABLES

The Organization has served as the developer on low-income housing projects and is entitled to a developer's fee. As part of the development agreements, the Organization was required to loan this money back to the limited partnerships. These loans are to be repaid as cash flows permit. Due to the uncertainty that the Organization will receive these payments, these loans are offset with allowance accounts for the same amount.

The loans receivable as of June 30, 2024 and 2023 consist of:

	<u>2024</u>	<u>2023</u>
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	\$ 2,358,671	\$ 2,358,671
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	1,192,783	1,192,783
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	3,548,567	3,548,567

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE E – RELATED LOAN AND ACCRUED INTEREST RECEIVABLES (continued)

	<u>2024</u>	<u>2023</u>
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	\$ 1,275,595	\$ 1,275,595
Loan receivable, President's Place, LLLP, 8% interest rate; principal and interest due February 1, 2045, secured by real property.	93,526	93,526
Loan receivable, President's Place, LLLP, 8% interest rate; principal and interest due February 1, 2045, secured by real property.	<u>599,880</u>	<u>599,880</u>
	<u>9,069,022</u>	<u>9,069,022</u>
Less allowance for credit losses	<u>(9,069,022)</u>	<u>(9,069,022)</u>
Total related loan receivables	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes accrued interest receivables associated with the related loans receivable and are reported net in other assets on the statement of financial position. Accrued interest receivables as of June 30, 2024 and 2023 consist of:

	<u>2024</u>	<u>2023</u>
Audubon Lincolnshire Apartments	\$ 680,515	\$ 572,017
Audubon Lincolnshire North Apartments, LLLP	1,081,339	907,020
President's Place, LLLP	<u>146,487</u>	<u>125,862</u>
Total related interest receivables	1,908,341	1,604,899
Less allowance for credit losses	<u>(1,761,854)</u>	<u>(1,479,037)</u>
Total related interest receivables	<u>\$ 146,487</u>	<u>\$ 125,862</u>

Simple interest on the loans is recognized over the term of the loan. Interest income from the related loans amounted to \$55,624 and \$55,473 for the years ended June 30, 2024 and 2023, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE F – ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses during the years ended June 30, 2024 and 2023 were as follows:

	2024		
	Loans Receivable	Accrued Interest Receivable	Total
Balance, beginning of year	\$ (9,069,022)	\$ (1,479,037)	\$ (10,548,059)
Bad debt expense	-	(282,817)	(282,817)
Write-offs	-	-	-
Recoveries	-	-	-
Balance, end of year	<u>\$ (9,069,022)</u>	<u>\$ (1,761,854)</u>	<u>\$ (10,830,876)</u>
	2023		
	Loans Receivable	Accrued Interest Receivable	Total
Balance, beginning of year	\$ (10,159,522)	\$ (1,204,148)	\$ (11,363,670)
Bad debt expense	-	(274,889)	(274,889)
Write-offs	-	-	-
Recoveries	1,090,500	-	1,090,500
Balance, end of year	<u>\$ (9,069,022)</u>	<u>\$ (1,479,037)</u>	<u>\$ (10,548,059)</u>

All loans receivable and related interest receivables are from entities classified as low-income housing projects and payments are repaid as cash flows permit. Management has determined that substantially all outstanding receivables are unlikely to be repaid. For the years ended June 30, 2024 and 2023 there have been no changes in accounting policies or changes in methodology for its estimate.

During 2023, the Organization collected the outstanding balance due from the Learning Villa, Ltd. of \$1,090,500. The Organization reduced its allowance for credit losses and recognized a bad debt recovery of \$1,090,500 for the year ended June 30, 2023.

NOTE G – PARTNERSHIP INVESTMENTS

The Organization has wholly-owned subsidiaries that are general partners in low income housing project partnerships. In general, these subsidiaries have the ability to exercise significant influence by participating in the management of partnership activities.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE G – PARTNERSHIP INVESTMENTS (continued)

The Organization's wholly-owned subsidiaries and the historical percentage ownership interest of the related partnership are listed as the following:

Wholly-owned Subsidiary	Ownership Interest		Partnership
	2024	2023	
Audubon Learning Villa, LLC	99.95%	99.95%	The Learning Villa, Ltd
Audubon Independence/Horizon, Inc.	100%	0.100%	Independence Heights, Ltd
Audubon Independence/Horizon, Inc.	100%	0.100%	Horizon Place, Ltd
Audubon ORR, LLC	0.005%	0.005%	Owensboro Regional Recovery, Ltd
Audubon Presidents Place, Inc.	0.050%	0.050%	Presidents Place, LLLP
Audubon Beaver Dam Village, Inc.	0.100%	0.100%	Beaver Dam Village, LLLP
Audubon Area Mya Manor, Inc.	0.100%	0.100%	Mya Manor, LLLP
Lincolnshire Development, LLC	0.010%	0.010%	Audubon Lincolnshire Apartments, LLLP
Lincolnshire North Development, LLC	0.010%	0.010%	Audubon Lincolnshire North Apartments, LLLP

During 2024, the Organization's wholly-owned subsidiary Audubon Independence/Horizon, Inc. acquired all the remaining interests in the Independence Heights, Ltd and Horizon Place, Ltd partnerships. These partnerships have been consolidated into the Organization's financial statements. See Note V. The Learning Villa, Ltd is reflected on the Organization's financial statements as an equity method investment See Note D. The financial statement impact of the other partnerships is not material to the financial statements.

NOTE H – LONG-TERM DEBT

Long-term debt at June 30 consisted of the following:

	2024	2023
Building revenue bonds; interest payable monthly, floating rate based on initial fixed rate (4.73% at June 30, 2024 and 2023), principal payable annually in the amount of \$160,000 due January 1, 2029; collateralized by real estate.	\$ 800,000	\$ 960,000
Promissory note originally for \$1,793,856 maturing on Sept 1, 2025 with an interest rate of 2.37% paid monthly on unpaid principal; collateralized by substantially all business assets.	468,565	833,560
Promissory note maturing on September 18, 2024 with a fixed rate of 7%. 179 payments of \$186 are due starting October 18, 2009, a final balloon payment is due September 18, 2024; collateralized by real estate.	20,725	-
Promissory note maturing on September 18, 2039 with a variable interest rate (7.99% initial rate time of refinance on September 18, 2024). 180 monthly payments of \$664 are due starting October 18, 2024, a final balloon payment is due September 18, 2039; collateralized by real estate.	69,806	-
Subtotal	1,359,096	1,793,560
Less current portion	(554,464)	(516,957)
Less unamortized debt issuance costs	(59,402)	(67,440)
Long-term debt, net of current portion	\$ 745,230	\$ 1,209,163

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE H – LONG-TERM DEBT (continued)

The Organization reported interest expense of \$67,219 and \$81,978 for the years ended June 30, 2024 and 2023, respectively. The Organization reported amortization of debt issuance costs of \$8,038 in 2024 and 2023 for these loans as interest expense.

Maturities of the long-term debt over the remaining term are approximately as follows:

Year ending June 30,	<u>Amount</u>
2025	\$ 554,464
2026	254,826
2027	160,000
2028	160,000
2029	<u>229,806</u>
Thereafter	<u>\$ 1,359,096</u>

The Organization's outstanding debt, includes financial covenants, which include 1.) the Organization must maintain total liabilities to unrestricted assets not in excess of 2 to 1 2.) a debt service coverage ratio of at least 1.2 to 1 at each fiscal year end and 3.) the Organization must also maintain liquid assets of at least \$1,500,000 at each fiscal year end. As of the date of this report, the Organization was in compliance with all financial covenants.

NOTE I – LINE OF CREDIT

As of June 30, 2024, the Organization has a \$1,000,000 line of credit with a maturity of February 25, 2025. Bank advances on the credit line are payable on demand with an interest rate of 1.75% over SOFR. As of June 30, 2024, the interest rate was 7.31%. The credit line is secured by substantially all business assets. As of June 30, 2024, the unused portion of the line of credit was \$1,000,000.

As of June 30, 2023, the Organization has a \$1,000,000 line of credit with a maturity of February 25, 2024. Bank advances on the credit line are payable on demand with an interest rate of 1.75% over SOFR. As of June 30, 2023, the interest rate was 6.75%. The credit line is secured by substantially all business assets. As of June 30, 2023, the unused portion of the line of credit was \$1,000,000.

NOTE J – SELF-INSURANCE PROGRAM

At December 31, 2023, the Organization's self-insured health plan ended. The Organization will pay any costs associated with the self-insured health plan through June 30, 2025 for any claims that existed at December 31, 2023. The Organization has set aside a reserve to fund any potential commitments. The total accrued liability for self-insurance costs was \$107,252 as of June 30, 2024.

At June 30, 2023, the Organization had a self-insured health plan for its eligible employees and their eligible dependents. The Organization had stop-loss insurance in order to limit its exposure. It provided for the reimbursement to the Organization for claims per insured exceeding \$75,000 with an aggregate excess loss amount, which was \$2,148,241 as of June 30, 2023. The Organization maintained a self-insurance fund to pay actual claims. Self-insurance costs were accrued based on claims reported as of June 30. The total accrued liability for self-insurance costs was \$247,129 as of June 30, 2023.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
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NOTE K – REFUNDABLE ADVANCES

Refundable advances at June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
United Healthcare Catalyst Program	\$ 338,486	\$ 250,000
The American Rescue Plan Act Sustainability Payments	1,723,944	463,545
Other	<u>124,032</u>	<u>219</u>
	<u><u>\$ 2,186,462</u></u>	<u><u>\$ 713,764</u></u>

NOTE L – BOARD-DESIGNATED OPERATING RESERVES

The Organization defines Board-Designated Operating Reserves as the portion of unrestricted net assets that the Board has designated for use in unusual or unforeseen financial emergencies. The general purpose of the Operating Reserve Fund is to help insure the long-term stability of the organization and position it to respond to varying economic conditions and changes affecting the organization's financial position and the ability to carry out its mission. The amount of accumulated unrestricted net assets is increased or decreased as the result of annual operating surpluses or deficits. The organization pursues financial stability by budgeting for and then achieving reasonable, modest surpluses year after year in order to meet their operating reserves objectives.

The long-term goal of the Board is to attain and maintain an Operating Reserve Fund balance that represents approximately 25% of the annual operating expenses or about three months of select operating expenses on average. Annually, the Board will designate an amount of available unrestricted net assets for the Operating Reserve Fund. The Board also designates net assets without donor restrictions for the Organization's insurance reserve. As of June 30, 2024 and 2023, the board designations were as follows:

	<u>2024</u>	<u>2023</u>
Board designated-operating reserve	\$ 2,451,983	\$ 2,463,557
Board designated-insurance reserve	<u>250,000</u>	<u>250,000</u>
Total board-designated net assets without donor restrictions	<u><u>\$ 2,701,983</u></u>	<u><u>\$ 2,713,557</u></u>

The Board granted further approval to the Organization's management to withdraw up to \$612,996 and \$615,889 in 2024 and 2023, respectively, from this fund as needed with the provision that the funds are borrowed for a term of ninety days or less. Any amounts and/or terms outside of this policy's stipulations would require approval from either the Board or the Executive Committee. At June 30, 2024 and 2023, there were no withdrawals.

NOTE M – RELATED PARTY TRANSACTIONS

The Organization is related to several entities through ownership/partnership relationships, or through control from sharing the same board members as the Organization. The Organization provides management services to several of these related parties. The Organization received \$208,037 and \$198,502 in management fees from related parties for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, amounts due from related organizations were \$131,877 and \$73,976, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
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NOTE N – IN-KIND CONTRIBUTIONS

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value of the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by entities or individuals possessing those skills, and would typically need to be purchased if not donated. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

In-kind contributions were used in the Organization during 2024 and 2023 as follows:

<u>June 30, 2024</u>	Early Childhood	Transportation	Housing	Community Services	Total
Space	\$ 1,146,951	\$ -	\$ -	\$ 49,233	\$ 1,196,184
Educational services	2,853,960	-	-	-	2,853,960
Transportation	3,382,644	-	-	-	3,382,644
Investment in real estate venture	-	-	4,926,371	-	4,926,371
Food	-	-	-	337,035	337,035
Other	216,393	-	-	125,079	341,472
Total	<u>\$ 7,599,948</u>	<u>\$ -</u>	<u>\$ 4,926,371</u>	<u>\$ 511,347</u>	<u>\$ 13,037,666</u>
<u>June 30, 2023</u>	Early Childhood	Transportation	Housing	Community Services	Total
Space	\$ 1,250,354	\$ -	\$ -	\$ 36,676	\$ 1,287,030
Educational services	2,506,872	-	-	-	2,506,872
Transportation	4,369,436	-	-	-	4,369,436
Investment in real estate venture	-	-	3,727,807	-	3,727,807
Food	-	-	-	339,154	339,154
Other	257,899	-	-	45,257	303,156
Total	<u>\$ 8,384,561</u>	<u>\$ -</u>	<u>\$ 3,727,807</u>	<u>\$ 421,087</u>	<u>\$ 12,533,455</u>

Space

The Organization receives donated space for the operation of its Head Start and Early Head Start programs. Donated space includes the following categories: indoor space, outdoor space, and utilities. Donated indoor space comprises a majority of all donated space. Donated indoor space is recorded in the financial statements as revenue and expense using an estimate of the square footage occupied times the rates from certified appraisals. For the years ended June 30, 2024 and 2023, the estimated value per square foot for donated indoor space ranged from \$2.40 to \$8.40 per square foot. These values were determined based upon certified appraisals. The Organization has a policy to update appraisals every three years.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE N – IN-KIND CONTRIBUTIONS (continued)

Educational Services

The Organization receives donated educational services for the operation of its Head Start and Early Head Start programs. Donated educational services includes the following categories: At Risk, Speech, Developmental Delay, and Severe Disability. Each spring, the Kentucky Board of Education establishes per-child rates for the Kentucky Preschool Program for the upcoming school year based on the budget approved by the legislature. Donated educational services are recorded in the financial statements as revenue and expense using the per child cost for the related service. For the year ended June 30, 2024, the estimated per child cost for At Risk, Speech, Developmental Delay, and Severe Disability services were \$3,937, \$3,937, \$3,937, and \$7,481, respectively. For the year ended June 30, 2023, the estimated per child cost for At Risk, Speech, Developmental Delay, and Severe Disability services were \$4,395, \$4,395, \$4,395, and \$8,349, respectively.

Transportation

The Organization receives donated transportation for the operation of its Head Start and Early Head Start programs. Donated transportation includes transportation donated by school systems for the Organization's Head Start and Early Head Start program participants. Donated transportation is recorded in the financial statements as revenue and expense using an estimate of the per child cost for the related transportation service. For the years ended June 30, 2024 and 2023, the estimated value per program participant was \$4,324, respectively. During 2023, management updated its estimate for donated transportation. The 2023 estimate calculates the per child cost by assuming 1,150 estimated miles driven for the school year multiplied by a mileage rate, plus driver, attendant costs, and indirect labor costs to arrive at an average cost per child.

Investments in Real Estate Ventures

Independence Heights and Horizon Place Partnerships Acquisitions

In April 2008, the Organization organized a wholly-owned subsidiary (Audubon Independence/Horizon, Inc.) and obtained interests in two limited partnerships (Independence Heights, Ltd & Horizon Place, Ltd). The purpose of the partnerships were for the construction of low-income housing projects, which qualified for the low income housing tax credits as provided in Section 42 of the Internal Revenue Code of 1986, as amended. In addition, the Partnerships would be operated in accordance with any applicable HUD, Section 8 or other federal regulations. Under the terms of the partnership agreements, after the end of the 15-year tax credit compliance period, the Organization had the right of first refusal to purchase the property and purchase the remaining limited partner's interest. During 2024, the Organization through its wholly-owned subsidiary exercised its right to purchase all the remaining interest in both partnerships. At the time of purchase, the Organization paid \$4,000 for the remaining interests in both partnerships. The agreed upon purchase price for both entities was substantially below book value. Management recorded \$4,926,371 (\$2,091,893 for Independence Heights, Ltd and \$2,834,478 for Horizon Place, Ltd) as an implied in-kind capital contribution to account for the difference between the purchase price and remaining limited partners' basis.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE N – IN-KIND CONTRIBUTIONS (continued)

Learning Villa Partnership Interest Acquisition

In December 2007, the Organization organized a wholly-owned subsidiary (Audubon Learning Villa, LLC) and obtained an interest in a limited partnership (The Learning Villa, Ltd). The purpose of the partnership was for the construction of a low-income housing project, which qualified for the low income housing tax credit as provided in Section 42 of the Internal Revenue Code of 1986, as amended. In addition, the Partnership would be operated in accordance with any applicable HUD, Section 8 or other federal regulations. Under the terms of the partnership agreement, after the end of the 15-year tax credit compliance period, the Organization had the right of first refusal to purchase the property and purchase the remaining limited partner's interest. During 2023, the Organization, through its wholly-owned subsidiary exercised its right to purchase the limited partner's interest (See Note D). At the time of purchase, the Organization paid \$2,000 for the agreed upon purchase price for the remaining limited partner's interest, which was substantially below book value. Management recorded \$3,727,807 as an implied in-kind capital contribution to account for the difference between the purchase price and the remaining limited partner's basis.

Volunteer Hours

Volunteers have donated over 155,761 hours and 142,419 hours to the Organization's services for the years ended June 30, 2024 and 2023, respectively. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition under Generally Accepted Accounting Principles.

NOTE O - RETIREMENT BENEFITS

Multi-Employer Pension Plan

The Organization participates in the County Employee Retirement System (CERS) which is a cost-sharing multi-employer defined benefit pension plan and is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). The following presents certain information regarding the plan.

The risks of participating in multiemployer defined benefit pension plans differ from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Organization chooses to stop participating in the plan, it may be required to pay a withdrawal liability to the plan. At this time, the Organization has no plans to withdraw from the plan.

All full-time employees of the Audubon Area Community Services, Inc. are covered by the CERS (Non-Hazardous) plan. KRS 78.510 through 78.852 of the Commonwealth of Kentucky assigns the authority to establish and amend the benefit provision of the plan. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

Participants have a vested right to retirement benefits at age 65 with at least 4 years of service or at any age with at least 27 years of service, if they do not withdraw deposits. A member may receive a reduced standard annuity at age 55 with 5 or more years of service or any age below 55 with 25 or more years of service. Benefits under CERS will vary based on final compensation, years of service and other factors as fully described in the plan documents.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE O - RETIREMENT BENEFITS (continued)

Multi-Employer Pension Plan (continued)

Non-hazardous duty employees were required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their annual creditable compensation, which is withheld by the Organization. The Organization was required to contribute at an actuarially determined rate of 23.34% and 23.40% for the years ended June 30, 2024 and 2023 of participating non-hazardous duty employees' annual creditable compensation. Normal compensation and past service contribution rates are determined in accordance with KRS 61.565 (3) on the basis of an annual valuation.

The Organization contributed \$4,333,558 and \$3,845,487 for the years ending June 30, 2024 and 2023, respectively. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of 2024 and 2023 contributions.

All required contributions were paid at year-end or within thirty (30) days thereafter.

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2023 and 2022 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	<u>2023</u>	<u>2022</u>
Total Pension Liability	\$ 15,089,106	\$ 15,192,599
Plan Fiduciary Net Position	<u>8,672,597</u>	<u>7,963,586</u>
Net Pension Liability	<u>\$ 6,416,509</u>	<u>\$ 7,229,013</u>
Plan Fiduciary Net Position as a Percentage of Total Liability	57.48%	52.42%

The percentage of the Organization's contribution to total employers' contribution is 0.618059% and 0.620185% and the Organization's portion of the net pension liability is \$39,657,808 and \$44,833,257 for June 30, 2023 and 2022, respectively.

The Organization is not required to accrue its proportionate share of the unfunded liability shown above.

The Plan's Employer Identification Number is 61-1431278.

The Organization is providing less than 5% of the total contributions to the plan.

Form 5500 is not required for this plan.

Multi-Employer Postretirement Benefits Other than Pension Plans (OPEB)

The Organization has elected to participate in the Kentucky Retirement Systems Insurance Fund (KRS Insurance Fund), which is administered by the Board of Trustees of the Kentucky Retirement System. This is a multi-employer public post-retirement system established to provide hospital and medical insurance for members receiving benefits from CERS and other state-backed retirement systems. The KRS Insurance

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE O - RETIREMENT BENEFITS (continued)

Multi-Employer Postretirement Benefits Other than Pension Plans (OPEB) (continued)

Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The dollar amount is subject to adjustment annually based on the retiree COLA and the Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth of Kentucky so demands.

Some spouses and dependents also qualify for the same proportion of coverage. The amount of contributions paid by the KRS Insurance Fund is based on a member's years of service. Effective January 1, 2013, the self-funding of healthcare benefits for most KRS Medicare eligible retirees ceased and these services were contracted through a fully-insured Medicare Advantage Plan with Humana Insurance Company.

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of June 30, 2024 and 2023, the year-end of the plan, was 0% and 3.39% of participating members' compensations. The contribution requirement of the Organization to the KRS Insurance Fund for the years ended June 30, 2024 and 2023 was \$0 and \$557,103, respectively. There have been no significant changes that affect comparability of 2024 and 2023 contributions.

All required contributions were paid at year-end or within thirty (30) days thereafter.

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2023 and 2022 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	<u>2023</u>	<u>2022</u>
Total OPEB Liability	\$ 3,260,308	\$ 5,053,498
Plan Fiduciary Net Position	<u>3,398,375</u>	<u>3,079,984</u>
Net OPEB Liability (Asset)	<u>\$ (138,067)</u>	<u>\$ 1,973,514</u>
Plan Fiduciary Net Position as a Percentage of Total Liability	104.23%	60.95%

The percentage of the Organization's contribution to total employers' contribution is 0.618028% and 0.620181% and the Organization's portion of the net OPEB liability (asset) is (\$853,291) and \$12,239,356 for June 30, 2023 and 2022, respectively.

NOTE P – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE P – FAIR VALUE MEASUREMENTS (continued)

There are three general valuation techniques that may be used to measure fair value, as described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities itemized below were measured at fair value during the year ended using the market approach.

		<u>Fair Value Measurements at Reporting Date Using:</u>		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring Fair Value Measurements:</u>	<u>6/30/2024</u>			
Exchange Traded & Closed End Funds	\$ 2,780,730	\$ 2,780,730	\$ -	\$ -
Mutual funds	<u>2,871,180</u>	<u>2,871,180</u>	<u>-</u>	<u>-</u>
Total recurring fair value measurements	<u>\$ 5,651,910</u>	<u>\$ 5,651,910</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Non-Recurring Fair Value Measurements:</u>				
Investment in real estate venture	<u>\$ 4,593,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,593,803</u>
Total non-recurring fair value measurements	<u>\$ 4,593,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,593,803</u>

Fair value measurements using significant unobservable inputs (Level 3):

Opening balance - June 30, 2023	\$ 5,134,076
Share of losses in equity method investment	(273,613)
Impairment charge	<u>(266,660)</u>
Closing balance - June 30, 2024	<u>\$ 4,593,803</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE P – FAIR VALUE MEASUREMENTS (continued)

		Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring Fair Value Measurements:</u>	<u>6/30/2023</u>			
Exchange Traded & Closed End Funds	\$ 2,287,874	\$ 2,287,874	\$ -	\$ -
Mutual funds	<u>2,866,092</u>	<u>2,866,092</u>	<u>-</u>	<u>-</u>
Total recurring fair value measurements	<u>\$ 5,153,966</u>	<u>\$ 5,153,966</u>	<u>\$ -</u>	<u>\$ -</u>

All assets have been valued using a market approach, except for Level 3 assets. The significant unobservable inputs used in the fair value measurement of the Organization's investment in real estate venture are market prices and other relevant information involving identical or comparable assets related to the underlying land and building held by the related partnership. An appraisal using the sales comparison approach was used to determine the value of the investment in real estate venture. Significant increases (decreases) in any of those inputs could result in significantly lower (higher) fair value measurement.

NOTE Q – CONCENTRATIONS

Head Start and Green River Intra-count Transit Grant Programs (GRITS)

The Organization's major source of funds is revenue from grants received directly or indirectly from federal sources as well as from the State of Kentucky. The Organization's two largest programs are the Head Start Program which is funded by the U.S. Department of Health and Human Services and the Green River Intra-county Transit System (GRITS) funded by the Kentucky Transportation Cabinet.

During the year ended June 30, 2024, federal and state grant and contract revenues related to the Head Start and the GRITS programs amounted to \$28,571,906 and \$19,510,346 or 39.3% and 26.8% of the Organization's total revenues and support without donor restrictions, respectively.

During the year ended June 30, 2023, federal and state grant and contract revenues related to the Head Start and the GRITS programs amounted to \$29,634,717 and \$20,539,370 or 38.9% and 27.0% of the Organization's total revenues and support without donor restrictions, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
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NOTE R – DISAGGREGATED REVENUES AND SUPPORT

A summary of disaggregated revenue and support information follows:

For the year ended June 30, 2024						
	Federal and State Grants	Contract Revenue	In-Kind Contributions	Local Sources	Program Income	Total
Head Start	\$ 28,571,906	\$ -	\$ 7,599,588	\$ 182,181	\$ 2,064,056	\$ 38,417,731
Transportation	207,411	19,361,610	-	15,043	375,249	19,959,313
Community services	4,899,416	-	444,394	120,487	-	5,464,297
Housing	338,772	-	4,926,371	626,216	-	5,891,359
Employment	2,207,731	-	67,313	76,034	-	2,351,078
Other	-	-	-	338,075	-	338,075
Total	\$ 36,225,236	\$ 19,361,610	\$ 13,037,666	\$ 1,358,036	\$ 2,439,305	\$ 72,421,853

For the year ended June 30, 2023						
	Federal and State Grants	Contract Revenue	In-Kind Contributions	Local Sources	Program Income	Total
Head Start	\$ 29,634,717	\$ -	\$ 8,384,561	\$ 1,543,373	\$ 1,876,609	\$ 41,439,260
Transportation	1,260,943	19,278,427	-	13,848	345,734	20,898,952
Community services	5,190,612	-	339,154	48,821	-	5,578,587
Housing	332,240	-	3,727,807	388,058	-	4,448,105
Employment	1,824,750	-	81,933	74,983	-	1,981,666
Other	-	-	-	283,078	-	283,078
Total	\$ 38,243,262	\$ 19,278,427	\$ 12,533,455	\$ 2,352,161	\$ 2,222,343	\$ 74,629,648

Revenues from customer contracts were included in the following line items:

<u>Contract Revenue:</u>	<u>2024</u>	<u>2023</u>
Medicaid revenue	\$ 18,759,489	\$ 18,677,433
Brokered transportation	602,121	600,994
	<u>\$ 19,361,610</u>	<u>\$ 19,278,427</u>
<u>Program Income:</u>	<u>2024</u>	<u>2023</u>
Transportation fares	\$ 375,249	\$ 345,735
Child care services	2,064,056	1,876,608
	<u>\$ 2,439,305</u>	<u>\$ 2,222,343</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE S – COMMITMENTS AND CONTINGENCIES

Grant Programs

The Organization participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2024 and 2023 may be impaired. In the opinion of Management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Indirect Administrative Cost

A contingent liability may exist when the Division of Cost Allocation assigns a final indirect cost rate less than the actual rate used by the Organization. As of June 30, 2024, the Organization had received its final indirect cost rates for two most recent fiscal years (2023 and 2022). For 2023 and 2022 the provisional rates used to determine indirect costs were less than the final rates. As such, no contingent liability exists for any prior period.

NOTE T – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization continues to carry commercial insurance for general liability, workers' compensation and all other risks of loss, including errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Additionally, management is not aware of any circumstances that would require the Organization to accrue or disclose a contingency or commitment for any pending or threatened litigation, claims, or assessments or unasserted claims to adhere with U.S. GAAP.

NOTE U – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2024</u>	<u>2023</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 12,350,201	\$ 10,539,911
Contracts and grants receivable	3,914,012	4,402,908
Accounts receivable	180,057	255,593
Due from related organizations	131,877	73,976
Investments	5,651,910	5,153,966
Investment in real estate venture	4,593,803	5,134,076
Interest receivable - related	<u>146,487</u>	<u>125,862</u>
Total financial assets, at year end	<u><u>\$ 26,968,347</u></u>	<u><u>\$ 25,686,292</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE U – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Total financial assets, at year end	\$ 26,968,347	\$ 25,686,292
Less those unavailable for general expenditure within one year, due to		
Contractual or donor-imposed restrictions:		
Restricted cash	(294,138)	-
Investment in real estate venture	(4,593,803)	(5,134,076)
Interest receivable - related	(146,487)	(125,862)
Board designations:		
Board designated-operating reserve	(2,451,983)	(2,463,557)
Board designated-insurance reserve	<u>(250,000)</u>	<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,231,936</u>	<u>\$ 17,712,797</u>

The Organization is substantially supported by its grants from the U.S. Department of Health and Human Services and grants from other sources. There have been no significant changes to the Organization's funding agreements. Financial assets are generally readily available for general expenditures within one year. In the event of unanticipated liquidity needs, the Organization could use cash reserves, the Board-Designated Operating Reserve Fund or use its existing line of credit. See Note L regarding board designated operating reserve and insurance reserves.

The availability of restricted cash is limited to use specified in established regulations for low-income housing projects, certain funds have been restricted to future use for real estate taxes, insurance premiums, building improvements, new equipment, and similar items, and security deposits.

The availability of the investment in real estate venture is limited by the contractual obligations of the underlying partnership agreement.

Certain limits exist related to the Organization's outstanding debt, which include financial covenants, these include that the Organization must maintain total liabilities to unrestricted assets not in excess of 2 to 1 and a debt service coverage ratio of at least 1.2 to 1 at each fiscal year end. The Organization must also maintain liquid assets of at least \$1,500,000 at each fiscal year end.

NOTE V – BUSINESS COMBINATIONS

Independence Heights Partnership Acquisition

On December 31, 2023, the Organization purchased the remaining ownership interest of Independence Heights, Ltd by acquiring 99.9% interest of the Ohio Equity Fund for Housing Limited Partnership XVII. The Organization plans to continue the acquired entity's original purpose of providing housing for low-income individuals and families.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE V – BUSINESS COMBINATIONS (continued)

Independence Heights Partnership Acquisition (continued)

The following summarizes the consideration paid for Independence Heights and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Cash	\$ 2,000
	<u>2,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 194,370
Other	8,355
Land and building	1,925,000
Financial liabilities	<u>(35,832)</u>
Total identifiable net assets	2,091,893
Inherent contribution received	<u>2,089,893</u>
	<u>\$ 2,000</u>

On the statement of activities, the inherent contribution received is recorded as the excess of fair value of net assets acquired over consideration paid in acquisition of Independence Heights and increases net assets without donor restrictions.

Horizon Place Partnership Acquisition

On December 31, 2023, the Organization purchased the remaining ownership interest of Horizon Place, Ltd by acquiring 99.9% interest of the Ohio Equity Fund for Housing Limited Partnership XVIII. The Organization plans to continue the acquired entity's original purpose of providing housing for low-income individuals and families. The following summarizes the consideration paid for Horizon Place (included in "In-Kind Contribution") and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Consideration:	
Cash	\$ 2,000
	<u>2,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 212,123
Other	13,162
Land and building	2,700,000
Financial liabilities	<u>(90,807)</u>
Total identifiable net assets	2,834,478
Inherent contribution received	<u>2,832,478</u>
	<u>\$ 2,000</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE V – BUSINESS COMBINATIONS (continued)

Horizon Place Partnership Acquisition (continued)

On the statement of activities, the inherent contribution received is recorded as the excess of fair value of net assets acquired over consideration paid in acquisition of Horizon Place (included in “In-Kind Contribution”) and increases net assets without donor restrictions.

NOTE W – SUBSEQUENT EVENTS

Business Combination – Owensboro Regional Recovery, Ltd.

Effective July 31, 2024, Audubon ORR, LLC, a wholly-owned subsidiary of the Organization, acquired all remaining interest in Owensboro Regional Recovery, Ltd, a local for-profit Recovery Kentucky men’s substance abuse facility with 38 apartments. The Organization intends to continue the acquiree’s mission of helping individual’s with substance abuse. Consideration of \$6,000 and \$400,000 were paid to the two withdrawing partners, respectively.

The following summarizes the consideration paid for partnership interests and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Consideration:	
Cash	<u>\$ 406,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Financial assets	\$ 369,895
Land and building	3,930,000
Financial liabilities	<u>(1,181,136)</u>
Total identifiable net assets	3,118,759
Inherent contribution received	<u>2,712,759</u>
	<u>\$ 406,000</u>

Business Combination – The Learning Villa, Ltd.

On January 1, 2025, the Organization received a donation of 0.05% interest in The Learning Villa, Ltd, a partnership in which the Organization previously held a 99.95% ownership interest as of June 30, 2024. As a result of this donation, the Organization’s ownership interest in The Learning Villa, Ltd increased to 100%. The donation does not have a material impact on the financial statements other than classification. Prior to this donation, the Organization accounted for its investment in The Learning Villa, Ltd using the equity method, shown as \$4,593,803 on the June 30, 2024 statement of financial position. In subsequent periods, The Learning Villa, Ltd’s assets and liabilities will be consolidated into the assets and liabilities of the Organization instead of being reported as an equity method investment. The most recent appraisal of the Learning Villa, Ltd values the total fair market value of the partnership as \$4,596,100. The Organization will record an estimated in-kind contribution of \$2,297 to reflect the donation of the 0.05% interest.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

NOTE W – SUBSEQUENT EVENTS

GRITS Fleet Purchases

Subsequent to June 30, 2024, the Organization purchased buses and vans in the amount of \$1,052,210 for its GRITS program. These purchases were funded through grant funding.

The Organization did not have any other subsequent events through March 7, 2025, which is the date the financial statements were available to be issued, for events requiring recording or disclosure on the financial statements for the year ended June 30, 2024.

SUPPLEMENTARY INFORMATION

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730-05
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2022 through November 30, 2023

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 23,596,885	\$ 23,591,030	\$ 5,855
Local sources	21,500	34,042	(12,542)
Grantee's contribution	5,450,532	5,739,410	(288,878)
TOTAL REVENUE	<u>29,068,917</u>	<u>29,364,482</u>	<u>(295,565)</u>
EXPENSES			
Administration for Children and Families Share: Head Start Full-Year/ Part-Day (CAN G044122) Direct Costs			
Personnel	8,017,275	8,096,618	(79,343)
Fringe benefits	3,128,038	3,058,813	69,225
Travel	9,300	9,525	(225)
Occupancy	62,420	55,699	6,721
Program supplies	643,087	519,427	123,660
Other	4,763,604	4,135,561	628,043
Total Direct Costs	16,623,724	15,875,642	748,082
Indirect Costs	1,122,314	1,122,314	-
Total	<u>17,746,038</u>	<u>16,997,956</u>	<u>748,082</u>
Early Head Start (CAN G044125) Direct Costs			
Personnel	3,609,170	3,609,170	-
Fringe benefits	1,377,667	1,446,892	(69,225)
Travel	-	4,164	(4,164)
Occupancy	24,270	25,764	(1,494)
Program supplies	8,222	178,133	(169,911)
Other	54,092	557,379	(503,287)
Total Direct Costs	5,073,421	5,821,503	(748,082)
Indirect Costs	521,358	521,358	-
Total	<u>5,594,779</u>	<u>6,342,861</u>	<u>(748,082)</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730-05
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2022 through November 30, 2023

	Approved Budget	Actual	COB Balance Current Year
EXPENSES (continued)			
Head Start T & TA - CDA (CAN G044120 and G044121)			
Direct Costs			
Travel	\$ 176,175	\$ 104,339	\$ 71,836
Supplies	22,043	47,375	(25,332)
Other	57,850	104,354	(46,504)
Total Direct Costs	256,068	256,068	-
Total Expenses - Administration for Children and Families	23,596,885	23,596,885	-
Grantee's Share Head Start Full-Year/Part-Day and Early Head Start Grantee	5,450,532	5,739,410	(288,878)
TOTAL EXPENSES	29,047,417	29,336,295	(288,878)
REVENUE OVER (UNDER) EXPENSES	\$ 21,500	\$ 28,186	\$ (6,686)

AUDUBON AREA COMMUNITY SERVICES, INC.
EARLY HEAD START
CONTRACT NUMBER 04HP000356
STATEMENT OF REVENUE AND EXPENSES
For the period September 1, 2022 through August 31, 2023

REVENUE

Contract or grant	\$ 1,731,905
Program income	213,523
Grantee's contribution	<u>122,144</u>

TOTAL REVENUE	<u><u>2,067,572</u></u>
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EXPENSES

Administration for	
Children and Families Share:	
Early Head Start (CAN G049128)	
Direct Costs	
Personnel	762,800
Fringe benefits	284,279
Travel	513
Occupancy	2,525
Program supplies	19,417
Other	<u>516,312</u>

Total Direct Costs	1,585,846
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Indirect Costs	<u>106,785</u>
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Total	<u><u>1,692,631</u></u>
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Early Head Start T & TA (CAN G049121)

Direct Costs	
Personnel	12,680
Fringe benefits	4,684
Travel	8,815
Supplies	4,317
Other	<u>5,866</u>

Total Direct Costs	<u>36,362</u>
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Indirect Costs	<u>1,775</u>
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Total	<u><u>38,137</u></u>
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Total Expenses - Administration for Children and Families	1,730,768
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Grantee's Share:	
Early Head Start	
Grantee	<u>122,144</u>

TOTAL EXPENSES	<u><u>1,852,912</u></u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 214,660</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04CH011269
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES
For the period November 1, 2022 through October 31, 2023

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
REVENUE			
Contract or grant	\$ 625,202	\$ 580,316	\$ 44,886
Grantee's contribution	<u>-</u>	<u>188,143</u>	<u>(188,143)</u>
TOTAL REVENUE	<u>625,202</u>	<u>768,459</u>	<u>(143,257)</u>
EXPENSES			
Western Kentucky University:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Direct Costs			
Personnel	148,394	169,093	(20,699)
Fringe benefits	79,999	72,724	7,275
Occupancy	834	855	(21)
Program supplies	25,000	16,542	8,458
Other	<u>345,728</u>	<u>293,093</u>	<u>52,635</u>
Total Direct Costs	599,955	552,307	47,648
Indirect Cost	<u>21,456</u>	<u>23,731</u>	<u>(2,275)</u>
Total	<u>621,411</u>	<u>576,039</u>	<u>45,372</u>
Head Start CDA Training (Program			
Account 20) Direct Costs			
Travel	2,100	1,266	834
Supplies	970	339	631
Other	<u>721</u>	<u>2,186</u>	<u>(1,465)</u>
Total	<u>3,791</u>	<u>3,791</u>	<u>(0)</u>
Total Expenses - Western			
Kentucky University	<u>625,202</u>	<u>579,830</u>	<u>45,372</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04CH011269
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES
For the period November 1, 2022 through October 31, 2023

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
EXPENSES (continued)			
Delegate Agency's Share:			
(Program Account 22)			
Delegate Agency	\$ -	\$ 188,143	\$ (188,143)
TOTAL EXPENSES	<u>625,202</u>	<u>767,973</u>	<u>(142,771)</u>
REVENUE OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ 486</u>	<u>\$ (486)</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DISASTER ASSISTANCE
CONTRACT NUMBER 04ND000032-01-02
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2023 through December 31, 2023

REVENUE

Contract or grant	\$ <u>779,082</u>
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EXPENSES

Repairs and maintenance	<u>779,082</u>
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REVENUE OVER (UNDER) EXPENSES

	\$ <u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - CRRSA
CONTRACT NUMBER 04HE000640-01 C6
STATEMENT OF REVENUE AND EXPENSES
For the period April 1, 2023 through March 31, 2024

REVENUE

Contract or grant	\$	161,653
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EXPENSES

Direct Costs		
Program supplies	52	
Other		161,653

Total Direct Costs		161,705
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Indirect Cost		(52)
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Total		161,653
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TOTAL EXPENSES		161,653
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
CHILD AND ADULT CARE FOOD PROGRAM
CONTRACT NUMBER 11381
STATEMENT OF REVENUE AND EXPENSES
For the period October 1, 2022 through September 30, 2023

REVENUE

USDA - Special food service program	\$ <u>889,969</u>
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EXPENSES

Food	<u>921,784</u>
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REVENUE OVER (UNDER) EXPENSES	\$ <u><u>(31,815)</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
COMMUNITY SERVICES BLOCK GRANT
CONTRACT NUMBER 736-2200001796
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 699,622
In-kind	446,005

TOTAL REVENUE	<u>1,145,627</u>
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EXPENSES

Salaries	291,089
Fringes	128,510
Travel	19,233
Space costs	24,934
Office supplies	3,110
Direct assistance	139,050
Telephone	21,611
Other	31,622
Indirect costs	<u>40,463</u>

Total expense - Kentucky Cabinet for Health & Family Services	699,622
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Non-federal in-kind	<u>446,005</u>
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TOTAL EXPENSES	<u>1,145,627</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
FAMILY PRESERVATION PROGRAM
CONTRACT NUMBER 736-2200002279
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Kentucky Cabinet for Health and Family Services	\$ <u>1,233,944</u>
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EXPENSES

Salaries	609,229
Fringes	263,854
Travel	63,530
Space costs	1,051
Office supplies	9,156
Direct assistance	90,020
Telephone	21,417
Other	91,508
Indirect costs	<u>84,178</u>

TOTAL EXPENSES	<u><u>1,233,944</u></u>
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REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
KENTUCKY WORKS
CONTRACT NUMBER 736-2200001788
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 1,061,639
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EXPENSES

Salaries	592,131
Fringes	228,361
Travel	55,511
Space costs	2,112
Wage subsidy	47,179
Supplies	19,140
Other	35,352
Indirect	81,854

TOTAL EXPENSES	1,061,639
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
SNAP E&T
CONTRACT NUMBER 736-2200001788
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 163,270
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EXPENSES

Salaries	102,857
Fringes	42,386
Travel	2,496
Supplies	1,036
Other	360
Indirect	14,135

TOTAL EXPENSES	163,270
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2200003098
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Community Action Kentucky	\$	2,437,121
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EXPENSES

Salaries		90,704
Fringes		11,034
Direct assistance		2,305,390
Other		17,405
Indirect costs		12,588

TOTAL EXPENSES		2,437,121
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2200003098 - COVID-19 LIHWAP
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Community Action Kentucky	\$ <u>87,604</u>
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EXPENSES

Salaries	3,284
Fringes	264
Direct assistance	83,602
Indirect costs	<u>454</u>

TOTAL EXPENSES	<u>87,604</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
LIHEAP WEATHERIZATION PROGRAM
CONTRACT NUMBER LHWX-001
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Community Action Kentucky	\$ <u>213,114</u>
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EXPENSES

Administration	1,906
WX materials & labor	19,049
WX support	166,134
H&S materials & labor	13,958
Liability insurance	2,904
T&TA	<u>9,163</u>

TOTAL EXPENSES	<u>213,114</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM
CONTRACT NUMBER 725-2200000035
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Grant revenue	\$	332,226
In-kind		98,526

TOTAL REVENUE		<u>430,752</u>
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EXPENSES

Salaries		270,571
Fringes		32,978
Travel		6,292
Other		<u>22,385</u>

Total expenses - grant		332,226
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Non-federal in-kind expense		<u>98,526</u>
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TOTAL EXPENSES		<u>430,752</u>
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REVENUE OVER (UNDER) EXPENSES	\$	<u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
GREEN RIVER INTRA-COUNTY TRANSIT SYSTEM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Kentucky Transportation Cabinet	\$ 19,510,345
Program income	388,591
Local sources	<u>1,700</u>

TOTAL REVENUE	<u>19,900,637</u>
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EXPENSES

Salaries	3,740,321
Fringes	1,481,753
Travel	30,080
Space costs	32,100
Office supplies	101,086
Fuel	746,704
Parts & maintenance	262,731
Vehicles & equipment	4,381
Contractual & consulting	14,117,080
Vehicle insurance	135,711
Telephone	169,620
Other	97,522
Indirect	<u>515,677</u>

TOTAL EXPENSES	<u>21,434,767</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ (1,534,130)</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
WINTERCARE PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Grant revenue	\$ <u>8,407</u>
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EXPENSES

Direct assistance	<u>8,407</u>
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REVENUE OVER (UNDER) EXPENSES

\$ <u><u>-</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
WEATHERIZATION PROGRAM
CONTRACT NUMBER DOE WX-001
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Community Action Kentucky	\$ <u>105,118</u>
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EXPENSES

Administration	22,860
WX materials & labor	8,106
WX support	51,054
H&S materials & labor	1,063
Liability insurance	1,162
Training	<u>20,874</u>

TOTAL EXPENSES	<u>105,118</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
SENIOR COMPANION PROGRAM
CONTRACT NUMBER 21SCCKY003
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Grant revenue	\$ 326,356
Local sources	29,672
In-kind	<u>17,116</u>

TOTAL REVENUE	<u><u>373,145</u></u>
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EXPENSES

Federal:	
Salaries	55,637
Fringe benefits	24,745
Occupancy	6,100
Volunteer travel	27,144
Volunteer stipends	152,159
Other expenses	52,779
Indirect costs	<u>7,792</u>

Total expenses - grant	<u><u>326,356</u></u>
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Non-federal:	
Volunteer travel	3,067
Other expenses	14,948
In-kind - services and other	<u>17,116</u>

Total expenses - non-federal	<u><u>35,131</u></u>
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TOTAL EXPENSES	<u><u>361,487</u></u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 11,658</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
FOSTER GRANDPARENT PROGRAM
CONTRACT NUMBER 21SFCKY004
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Grant revenue	\$ 209,882
Local sources	21,802
In-kind	<u>18,206</u>

TOTAL REVENUE	<u>249,890</u>
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EXPENSES

Federal:	
Salaries	39,310
Fringe benefits	25,504
Volunteer travel	6,960
Volunteer stipends	107,446
Other expenses	24,919
Indirect costs	<u>5,743</u>

Total expenses - grant	<u>209,882</u>
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Non-federal:	
Volunteer travel	8,148
Other expenses	2,596
In-kind - services and other	<u>18,206</u>

Total expenses - non-federal	<u>28,951</u>
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TOTAL EXPENSES	<u>238,832</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 11,057</u></u>
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**AUDUBON AREA COMMUNITY SERVICES, INC.
 RETIRED AND SENIOR VOLUNTEER PROGRAM
 CONTRACT NUMBER 21SRCKY005
 STATEMENT OF REVENUE AND EXPENSES
 For the period April 1, 2023 through March 31, 2024**

REVENUE

Grant revenue	\$ 117,085
Local sources	19,875
In-kind	<u>33,049</u>

TOTAL REVENUE	<u>170,008</u>
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EXPENSES

Federal:	
Salaries	45,363
Fringe benefits	16,113
Volunteer travel	20,430
Other expenses	28,726
Indirect costs	<u>6,453</u>

Total expenses - grant	<u>117,085</u>
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Non-federal:	
Volunteer travel	14,504
Other expenses	6,539
In-kind - services and other	<u>33,049</u>

Total expenses - non-federal	<u>54,091</u>
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TOTAL EXPENSES	<u>171,176</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ (1,167)</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
ENERGY CARES PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2023 through December 31, 2023

REVENUE

Atmos Energy	\$	4,639
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TOTAL REVENUE		4,639
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EXPENSES

Materials and supplies		8,909
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Contract labor		12,210
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Overhead expense		8,704
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TOTAL EXPENSES		29,823
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REVENUE OVER (UNDER) EXPENSES	\$	(25,184)
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AUDUBON AREA COMMUNITY SERVICES, INC.
KYNECTOR PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE	
Grant revenue	\$ <u>436,126</u>
TOTAL REVENUE	<u>436,126</u>
EXPENSES	
Salaries	221,612
Fringes	103,175
Travel	14,928
Space costs	8,403
Other	57,357
Indirect costs	<u>30,651</u>
TOTAL EXPENSES	<u>436,126</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
VISTA PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2023 through June 30, 2024

REVENUE

Grant revenue	\$	<u>5,000</u>
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TOTAL REVENUE		<u>5,000</u>
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EXPENSES

Contractual & consulting		<u>5,000</u>
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TOTAL EXPENSES		<u>5,000</u>
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REVENUE OVER (UNDER) EXPENSES	\$	<u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through Kentucky Department of Education:				
Child and Adult Care Food Program	10.558	11381	\$ - \$	180,114
Child and Adult Care Food Program	10.558	11381	-	656,761
Total 10.558			-	836,875
SNAP Cluster:				
Passed through Kentucky Cabinet for Health and Family Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	736-2200001788	-	163,270
Total SNAP Cluster			-	163,270
Total U.S. Department of Agriculture			-	1,000,145
<u>U.S. Department of Health and Human Services</u>				
Head Start Cluster:				
Direct:				
Head Start	93.600	04CH012398-01	-	13,269,719
Head Start	93.600	04CH010730-05	-	11,382,427
Head Start	93.600	04HP000356-05	-	1,715,848
Head Start	93.600	04HP000356-04	-	310,089
Head Start - CRRSA	93.600	04HE000640-01	-	161,652
Passed through Western Kentucky University:				
Head Start	93.600	04CH011269-001; 525168-69	-	407,808
Head Start	93.600	04CH011269-001; 525166/67-23-01	-	261,855
Total 93.600			-	27,509,398
Direct:				
Head Start - Disaster Assistance	93.356	04ND000032-01	-	64,865
Total Head Start Cluster			-	27,574,263

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Passed through Kentucky Cabinet for Health and Family Services: Community Services Block Grant	93.569	736-2300001796	\$ -	\$ 699,622
Passed through Kentucky Cabinet for Health and Family Services: Temporary Assistance for Needy Families (TANF) State Programs	93.558	736-2200001788	-	1,059,639
Temporary Assistance for Needy Families (TANF) State Programs	93.558	736-2200002279	-	15,746
Total 93.558			-	1,075,385
Passed through Kentucky Cabinet for Health and Family Services: Title IV-E Prevention Program	93.472	736-2200002279	-	496,916
Passed through Kentucky Cabinet for Health and Family Services: MaryLee Allen Promoting Safe and Stable Families Program	93.556	736-2200002279	-	78,243
Passed through Kentucky Housing Corporation: Low-Income Home Energy Assistance Program	93.568	LHWX-001; LH24-0598-02	-	213,114
Passed through Community Action Kentucky: Low-Income Home Energy Assistance Program	93.568	736-2200003098 1; LIHEAP-001	-	2,437,121
Low-Income Home Energy Assistance Program - COVID/ARPA	93.568	736-2200003098 1; LIHEAP-001	-	87,604
Total 93.568			-	2,737,839
Total U.S. Department of Health and Human Services			-	32,662,268
<u>U.S. Department of Labor</u>				
Passed through the Kentucky Department for Aging and Independent Living: Senior Community Service Employment Program	17.235	725-2200000035	-	332,226
Total U.S. Department of Labor			-	332,226

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Transportation</u>				
Passed through Kentucky Transportation Cabinet:				
Formula Grants for Rural Areas and Tribal Transit Program - CARES/ARPA	20.509	KY-2021-011-00; C11121114	\$ -	\$ 192,115
Formula Grants for Rural Areas and Tribal Transit Program	20.509	KY-2021-033-02; R113321635	-	15,296
Total U.S. Department of Transportation			-	207,411
<u>U.S. Department of Energy</u>				
Passed through Kentucky Housing Corporation:				
Weatherization Assistance for Low-Income Persons	81.042	DOEWX-001; WX24-0598-02	-	105,118
Weatherization Assistance for Low-Income Persons	81.042	BIL23-0598-02	-	10,815
Total U.S. Department of Energy			-	115,933
<u>Corporation for National and Community Service</u>				
Foster Grandparent/Senior Companion Cluster:				
Direct:				
AmeriCorps Seniors Foster Grandparent Program (FGP)	94.011	21SFCKY004	-	209,882
AmeriCorps Seniors Senior Companion Program (SCP)	94.016	21SCCKY003	-	326,356
Total Foster Grandparent/Senior Companion Cluster			-	536,238
Direct:				
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002	21SRCKY005	-	81,458
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002	24SRCKY005	-	32,899
Total 94.002			-	114,357
Direct:				
AmeriCorps Volunteers In Service to America	94.013	17VSSKY003	-	5,000
Total Corporation for National and Community Service			-	655,595
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 34,973,578

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Audubon Area Community Services, Inc. under programs of the federal government for the year ended June 30, 2024. 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 Audubon Area Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Audubon Area Community Services, Inc.

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 as to reimbursement.

NOTE C – OTHER FEDERAL AWARDS

Audubon Area Community Services, Inc. did not receive any noncash insurance or have any loan or loan guarantees outstanding at the end of the year.

NOTE D – INDIRECT COST RATE

Audubon Area Community Services, Inc., has a negotiated indirect rate and therefore does not use the 10% de minimis indirect cost rate. The indirect rate is approved by the U.S. Department of Health and Human Services (DHHS). As of June 30, 2024, Audubon Area Community Services, Inc. was using an approved provisional rate of 14.5%.



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

To the Board of Directors and Audit Committee of
Audubon Area Community Services, Inc.

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 Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Audubon Area Community Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Audubon Area Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Audubon Area Community Services, Inc.'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon Area Community Services, Inc.'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 financial statements. 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.

Altaden & Company CPAs PSC

Owensboro, Kentucky
March 7, 2025



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

To the Board of Directors and Audit Committee of
Audubon Area Community Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Audubon Area Community Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Audubon Area Community Services, Inc.'s major federal programs for the year ended June 30, 2024. Audubon Area Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Audubon Area Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Audubon Area Community Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Audubon Area Community Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Audubon Area Community Services, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Audubon Area Community Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Audubon Area Community Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Audubon Area Community Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Audubon Area Community Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Audubon Area Community Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Audubon Area Community Services, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Audubon Area Community Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Altaden & Company CPAS PSC

Owensboro, Kentucky
March 7, 2025

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Audubon Area Community Services, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements which would be required to be reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Audubon Area Community Services, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Audubon Area Community Services, Inc. expresses an unmodified opinion on all federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as a major programs were:
 - 93.356; 93.600 Head Start Cluster
 - 93.568 Low-Income Home Energy Assistance
 - 93.558 Temporary Assistance for Needy Families (TANF) State Programs
8. The threshold for distinguishing Types A and B programs was \$1,049,207.
9. The Organization was determined to not be a low-risk auditee.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Other Matter

2024-001

Schedule of Expenditures of Federal Awards (SEFA) Not Accurately Reported

Condition: Federal expenditures were over reported on the SEFA due to state expenditures being classified as federal expenditures, specifically related to its funding agreement with the Commonwealth of Kentucky Contract PON2 736-2200002279.

Criteria: The SEFA should only include federal expenditures as required by the Uniform Guidance.

Cause: The Organization has a funding agreement with the Commonwealth of Kentucky (Contract PON2 736-2200002279), under this funding agreement, the Organization was expected to receive 85% from federal sources and 15% from state sources. As such, the Organization allocated the total expenditures incurred under the contract in accordance with the funding agreement.

Effect: The SEFA over reported federal expenditures by \$581,771.

Recommendation: We recommend management review their policies and procedures over SEFA preparation to ensure sufficient internal controls are implemented. In circumstances where there is any uncertainty regarding the source of the funds (for example, funding agreements with multiple sources), the Organization should contact the related agency and confirm the sources of the funding to verify the amounts reported on the SEFA are accurately presented.

Views of Responsible Officials and Planned Corrective Action: As part of its processes and procedures to prepare the SEFA, management will contact the funding source to verify the source of the funds to ensure the accuracy of reported federal expenditures. Additionally, for the specific funding agreement, management will reach out to the related funding source to communicate the discrepancy.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Other Matter

2024-002

Head Start Cluster: Assistance Listing No. #93.356 & 93.600 – Federal Financial Report (FFR) SF-425 Errors

Condition: During our audit, we reviewed a sample of 12 Head Start's FFRs. Audit procedures identified the following issues with our sample:

- Contract #04CH012398-01 Semi-Annual FFR: The reported Total Recipient Share line l. was under-reported by \$388,772.
- Contract #04CH010730-05 Semi-Annual FFR: The reported Federal Expenditures line e. was under-reported by \$1,358,053.
- Contract #04HP000356-04 Final FFR:
 - Total Federal Share of Program Income line l. was over-reported by \$49,403.
 - Program Income Expended in Accordance with Additional Alternative line n. was over-reported by \$156,299.
 - Unexpended Program Income line o. was under-reported by \$106,896.

Criteria: FFRs should be completed accurately and reconciled to supporting documentation by both the preparer and reviewer.

Cause: FFR line items were not agreed to supporting documentation.

Effect: Filed reports were not accurate. There were no repercussions from the funding source to our knowledge.

Recommendation: Personnel responsible for preparing and reviewing the FFRs should perform thorough reviews to ensure all line items reconcile to supporting documentation.

Views of Responsible Officials and Planned Corrective Actions: We will take the auditor's recommendation under advisement.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2024

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Significant Deficiency

2023-001 **Schedule of Expenditures of Federal Awards (SEFA) Not Accurately Reported**

Condition: Federal expenditures were over reported on the SEFA due to state expenditures being classified as federal expenditures, specifically related to its funding agreement with the Commonwealth of Kentucky Contract PON2 736-2200002279.

Recommendation: We recommend management review their policies and procedures over SEFA preparation to ensure sufficient internal controls are implemented. In circumstances where there is any uncertainty regarding the source of the funds (for example, funding agreements with multiple sources), the Organization should contact to the related agency and confirm the sources of the funding to verify the amounts reported on the SEFA are accurately presented.

Current Status: Repeat finding.

CORRECTIVE ACTION PLAN

March 7, 2025

Department of Health and Human Services

Audubon Area Community Services, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm:

Alexander & Company, CPAs PSC
2707 Breckenridge St., Suite 1
Owensboro, Kentucky 42303

Audit period:

June 30, 2024

The findings from the June 30, 2024 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

OTHER MATTER

2024-001 Schedule of Expenditures of Federal Awards (SEFA) Not Accurately Reported

Recommendation: We recommend management review their policies and procedures over SEFA preparation to ensure sufficient internal controls are implemented. In circumstances where there is any uncertainty regarding the source of the funds (for example, funding agreements with multiple sources), the Organization should contact to the related agency and confirm the sources of the funding to verify the amounts reported on the SEFA are accurately presented.

Action Taken: We obtained information from the related funding source for the preparation of the FY 2024 SEFA. There was some confusion regarding the information presented in the report regarding the state and federal amounts. This matter has been clarified for future reporting periods.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

OTHER MATTER

2024-002 Head Start Cluster: Assistance Listing No. #93.356 & 93.600 – Federal Financial Report (FFR) SF-425 Errors

Recommendation: Personnel responsible for preparing and reviewing the FFRs should perform thorough reviews to ensure all line items reconcile to supporting documentation.

Action Taken: Personnel responsible for preparing and reviewing FFRs will be instructed to ensure all line items reconcile to supporting documentation.



If the Department of Health and Human Services has questions regarding this plan, please call Byron Mayes, CFO at (270) 686-1635.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Byron Mayes".

Audubon Area Community Services, Inc.