

AUDUBON AREA COMMUNITY SERVICES, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018 and 2017

AUDUBON AREA COMMUNITY SERVICES, INC.

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June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Area Community Services, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 25 through 50 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 51 through 53, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Audubon Area Community Services, Inc.'s internal control over financial reporting and compliance.

Alphadon & Company CPAs PSC

Owensboro, Kentucky
March 15, 2019

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,493,466	\$ 4,063,626
Contracts and grants receivable	4,949,750	3,700,003
Accounts receivable	2,360,142	134,598
Promises to give	1,605	4,379
Due from related organizations	167,794	157,436
Investments	3,571,255	2,758,688
Prepaid expenses	243,372	200,301
TOTAL CURRENT ASSETS	<u>15,787,384</u>	<u>11,019,031</u>
PROPERTY AND EQUIPMENT		
Land	1,177,668	1,099,111
Land improvements	523,440	523,440
Buildings	18,164,890	18,164,890
Buildings improvements	1,678,347	1,518,797
Furniture and furnishings	146,304	126,857
Equipment	3,570,102	3,401,952
Vehicles	8,625,050	8,246,472
Construction in progress	3,832,371	-
	<u>37,718,172</u>	<u>33,081,519</u>
Less accumulated depreciation	<u>(16,414,977)</u>	<u>(15,326,284)</u>
NET PROPERTY AND EQUIPMENT	<u>21,303,195</u>	<u>17,755,235</u>
OTHER ASSETS		
Interest receivable - related	319,099	272,151
Promises to give	813	10,222
TOTAL OTHER ASSETS	<u>319,912</u>	<u>282,372</u>
TOTAL ASSETS	<u><u>\$ 37,410,491</u></u>	<u><u>\$ 29,056,639</u></u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 2,295,649	\$ 1,169,896
Accrued payroll	1,432,492	1,127,401
Deferred revenue	93,655	280
Due to related organizations	146,335	123,420
Payroll withholdings	368,407	311,365
Accrued compensated absences	570,028	558,775
Accrued interest	7,833	13,993
Accrued workers' compensation surplus liability	18,740	89,687
Accrued self-insurance claims	263,780	111,174
Current portion of capital lease obligations	287,500	275,000
Current portion of long-term debt	160,957	174,029
	<u>5,645,376</u>	<u>3,955,020</u>
TOTAL CURRENT LIABILITIES		
	<u>5,645,376</u>	<u>3,955,020</u>
LONG-TERM LIABILITIES		
Capital lease obligations, less current maturities	2,122,209	2,418,959
Long-term debt, net of current portion	1,546,799	1,702,913
	<u>3,669,008</u>	<u>4,121,872</u>
TOTAL LONG-TERM LIABILITIES		
	<u>3,669,008</u>	<u>4,121,872</u>
TOTAL LIABILITIES	<u>9,314,384</u>	<u>8,076,892</u>
	<u>9,314,384</u>	<u>8,076,892</u>
NET ASSETS		
Unrestricted	28,096,107	20,979,747
	<u>28,096,107</u>	<u>20,979,747</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,410,491</u>	<u>\$ 29,056,639</u>
	<u>\$ 37,410,491</u>	<u>\$ 29,056,639</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Activities
Year ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Contracts and grants	\$ 45,199,904	\$ 35,842,777
Contributions (in-kind)	4,487,150	4,974,643
Local sources	3,004,852	1,057,543
Program income	2,330,992	1,722,290
Unrealized gain (loss) from investments	(540,341)	36,282
Fundraising	23,406	28,811
Gain on sale of capital assets	108,330	7,781
Gain on sale of investments	690,807	140,709
Investment income	83,972	115,394
Interest income	166,093	136,533
	<u>55,555,165</u>	<u>44,062,763</u>
TOTAL REVENUES AND SUPPORT		
EXPENSES		
Program Services:		
Early childhood	23,823,973	24,335,904
Social support	3,961,047	4,150,960
Transportation	14,954,524	9,743,925
Employment	1,611,554	1,564,676
Housing	779,921	813,685
Community Services	892,743	811,262
	<u>46,023,762</u>	<u>41,420,412</u>
Total program services		
	46,023,762	41,420,412
Supporting Services:		
Management and general	2,405,468	2,275,392
Fundraising	9,575	-
	<u>2,415,043</u>	<u>2,275,392</u>
Total supporting services		
	2,415,043	2,275,392
TOTAL EXPENSES	<u>48,438,805</u>	<u>43,695,804</u>
CHANGE IN NET ASSETS	7,116,360	366,959
NET ASSETS AT BEGINNING OF YEAR	<u>20,979,747</u>	<u>20,612,788</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,096,107</u>	<u>\$ 20,979,747</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statement of Functional Expenses
Year ended June 30, 2018

	Program Services							Supporting Services			
	Early Childhood	Social Support	Transportation	Employment	Housing	Community Service	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 9,873,557	\$ 1,071,279	\$ 2,782,011	\$ 980,557	\$ 288,591	\$ 330,759	\$ 15,326,754	\$ 991,179	\$ -	\$ 991,179	\$ 16,317,933
Payroll taxes	718,251	78,156	198,828	71,740	21,691	24,127	1,112,793	71,860	-	71,860	1,184,653
Employee benefits	2,867,600	294,460	790,190	223,026	79,881	113,771	4,368,928	250,819	-	250,819	4,619,747
Accounting and auditing	-	-	-	-	-	-	-	113,450	-	113,450	113,450
Travel	119,006	84,311	24,877	71,543	569	16,903	317,209	28,220	-	28,220	345,429
Training	156,965	10,052	27,968	30,512	500	13,277	239,274	20,040	-	20,040	259,314
Occupancy	1,333,973	74,122	122,071	10,883	24,947	78,973	1,644,969	49,431	-	49,431	1,694,400
Office expense	289,787	41,849	186,549	8,786	11,684	232,099	770,754	139,906	9,575	149,481	920,235
Direct assistance	17,965	1,562,046	-	140,478	-	29,758	1,750,247	-	-	-	1,750,247
Participant support costs	113,884	135,994	4,294	-	-	-	254,172	-	-	-	254,172
Materials and supplies	1,092,332	171,902	893,117	7,817	40,537	6,298	2,212,003	41,602	-	41,602	2,253,605
Contracts and consultants	5,692,770	15,104	8,855,244	49,672	135,840	5,221	14,753,851	305,273	-	305,273	15,059,124
Insurance	181,996	633	153,457	169	6,626	2,044	344,925	53,805	-	53,805	398,730
Repairs and maintenance	344,533	2,280	115,553	525	157,601	6,319	626,811	12,263	-	12,263	639,074
Stipends	-	372,886	-	-	-	900	373,786	-	-	-	373,786
Telephone	100,223	38,919	182,751	14,435	11,398	17,244	364,970	15,759	-	15,759	380,729
Postage	9,295	3,972	4,770	1,411	56	658	20,162	2,569	-	2,569	22,731
Advertising	14,092	-	375	-	-	399	14,866	10,389	-	10,389	25,255
Donations	11,958	-	-	-	-	-	11,958	1,000	-	1,000	12,958
Interest	71,278	-	-	-	-	-	71,278	172,579	-	172,579	243,857
Depreciation	814,508	3,082	612,469	-	-	13,993	1,444,052	125,324	-	125,324	1,569,376
	<u>\$ 23,823,973</u>	<u>\$ 3,961,047</u>	<u>\$ 14,954,524</u>	<u>\$ 1,611,554</u>	<u>\$ 779,921</u>	<u>\$ 892,743</u>	<u>\$ 46,023,762</u>	<u>\$ 2,405,468</u>	<u>\$ 9,575</u>	<u>\$ 2,415,043</u>	<u>\$ 48,438,805</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statement of Functional Expenses
Year ended June 30, 2017

	Program Services							Supporting Services			
	Early Childhood	Social Support	Transportation	Employment	Housing	Community Service	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 9,675,624	\$ 1,106,221	\$ 2,529,556	\$ 951,185	\$ 277,404	\$ 341,044	\$ 14,881,034	\$ 940,797	\$ -	\$ 940,797	\$ 15,821,831
Payroll taxes	686,106	80,111	178,554	67,562	20,206	24,759	1,057,298	66,510	-	66,510	1,123,808
Employee benefits	2,783,345	268,505	704,918	207,402	82,099	105,688	4,151,957	231,315	-	231,315	4,383,272
Accounting and auditing	-	-	-	2,700	5,125	2,333	10,158	113,912	-	113,912	124,070
Travel	178,367	95,088	13,962	53,890	1,603	21,083	363,993	32,746	-	32,746	396,739
Training	122,928	38,246	41,050	1,737	426	100	204,487	17,362	-	17,362	221,849
Occupancy	1,422,095	64,624	114,132	57,449	29,934	85,793	1,774,027	48,249	-	48,249	1,822,276
Office expense	711,416	53,695	198,236	18,673	24,903	119,763	1,126,686	181,961	-	181,961	1,308,647
Direct assistance	-	1,718,385	-	129,414	-	36,939	1,884,738	-	-	-	1,884,738
Participant support costs	160,431	157,851	-	595	110	-	318,987	-	-	-	318,987
Materials and supplies	2,855,874	139,762	744,862	8,624	204,101	8,634	3,961,857	-	-	-	3,961,857
Contracts and consultants	4,164,947	11,768	4,291,329	48,823	139,823	22,694	8,679,384	204,019	-	204,019	8,883,403
Insurance	182,399	636	155,128	237	6,789	3,208	348,397	41,907	-	41,907	390,304
Repairs and maintenance	420,316	1,211	45,896	1,806	9,582	4,967	483,778	25,862	-	25,862	509,640
Stipends	-	369,585	-	-	-	1,351	370,936	-	-	-	370,936
Telephone	83,665	40,340	135,920	13,440	10,204	17,071	300,640	16,687	-	16,687	317,327
Postage	10,644	4,675	4,514	1,139	67	788	21,827	1,606	-	1,606	23,433
Advertising	29,334	-	9,779	-	-	1,044	40,157	13,523	-	13,523	53,680
Donations	10,485	-	-	-	-	-	10,485	1,250	-	1,250	11,735
Interest	71,194	-	-	-	-	-	71,194	195,856	-	195,856	267,050
Depreciation	766,734	257	576,089	-	1,309	14,003	1,358,392	141,830	-	141,830	1,500,222
	\$ 24,335,904	\$ 4,150,960	\$ 9,743,925	\$ 1,564,676	\$ 813,685	\$ 811,262	\$ 41,420,412	\$ 2,275,392	\$ -	\$ 2,275,392	\$ 43,695,804

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Cash Flows
Year ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,116,360	\$ 366,959
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,569,376	1,500,222
Unrealized (gain) loss on investments	540,341	(36,282)
Gain on sale of investments	(690,807)	(140,709)
Gain from sale of capital assets	(108,330)	(7,781)
Cash transferred to related-entity	(1,122)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(2,225,545)	450,199
Promise to give	12,183	1,954
Contracts and grants receivable	(1,249,747)	(90,306)
Due from related organizations	(10,358)	(10,712)
Prepaid expenses	(43,071)	8,010
Interest receivable-related	(46,948)	(36,571)
Increase (decrease) in:		
Accounts payable	1,125,753	75,067
Accrued payroll and withholdings	362,132	150,509
Deferred revenue	93,375	(93,887)
Accrued compensated absences	11,253	31,191
Accrued interest	(6,160)	4,343
Due to related organizations	22,915	3,607
Accrued workers' compensation and surplus liability	(70,947)	18,525
Accrued self-insurance claims and surplus liability	152,606	(27,723)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,553,259</u>	<u>2,166,615</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,222,477)	(1,081,215)
Receipts from sale of capital assets	214,596	32,295
Receipts from sale of investments	2,688,361	537,649
Purchases of investments	(3,350,462)	(112,169)
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,669,982)</u>	<u>(623,440)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(453,436)	(432,565)
NET CASH USED IN FINANCING ACTIVITIES	<u>(453,436)</u>	<u>(432,565)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	429,840	1,110,610
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,063,626</u>	<u>2,953,016</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,493,466</u></u>	<u><u>\$ 4,063,626</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during year for interest	\$ 250,017	\$ 257,870

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

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 sequens, as revised under amendments by the 1982 General Assembly, entitled "Community Action Agencies."

The Organization conducts activities primarily in over seventy different counties. It is the mission of Audubon Area Community Services, Inc. to serve as a multi-county operations vehicle for the development and delivery of quality services focusing on human development and self-sufficiency.

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 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 ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. 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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Building	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 \$1,569,376 and \$1,500,222 for the years ended June 30, 2018 and 2017.

Accounts Receivable

Accounts receivable are stated at their outstanding principal. Accounts receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts 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.

Receivables from Grantor Agencies

Reimbursement procedures used for grants and contracts may result in timing difference between program reimbursements and expenses as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year-end.

Deferred Revenue

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 deferred revenue 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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments at fair value.

Contributed Goods and Services

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At June 30, 2018, the Organization's bank balances totaled \$4,679,793; of that amount \$250,000 was covered by federal depository insurance and \$4,429,793 was covered by collateral held by Branch Banking Trust Company (BB&T). The Organization keeps separate bank accounts for programs when required by the grantors.

At June 30, 2017, the Organization's bank balances totaled \$3,584,761; of that amount \$250,000 was covered by federal depository insurance and \$3,334,761 was covered by collateral held by Branch Banking Trust Company (BB&T).

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.

Costs are allocated between fundraising, management and general expenses or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and Support Services

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

Early Childhood Services

Head Start, Early Head Start and the Migrant 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.

Social Support Services

The Application Assistor (formerly 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.

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.

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.

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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and Support Services (continued)

Employment Services (continued)

Refugee Services provides case management and employment services for eligible refugees and other qualifying immigrants residing in the United States less than five years.

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 Service Block Grant (CSBG)

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, 2018 and 2017 was \$25,255 and \$53,680, respectfully.

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 2015 through 2017 remain subject to examination by the Internal Revenue Service.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers the effective date of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, by one year, to years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019. Early adoption is permitted under several options, the earliest for a year beginning after December 15, 2016, and interim periods within that year. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients* which is intended to reduce the potential diversity in practice at initial application and the cost and complexity of applying the amendments. Effective dates of the latest amendments remain unchanged from those of ASU 2015-14. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. These amendments are effective for entities other than public business entities, certain non-profit entities, and certain employee benefit plans for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Application is to be applied using a modified retrospective approach with optional practical expedients and other special transition provisions. Early adoption is permitted. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. The amendments set for the FASB's improvements to net assets, as well as the information it presents in its financial statements about its liquidity, financial performance and cash flows. The amendments in the update are effective for annual reporting periods beginning after December 15, 2017 with early application permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update address diversity in practice that exists in the classification and presentation in restricted cash on the statement of cash flows. This amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or cash equivalents. The amendments in the update are effective for fiscal years beginning after December 15, 2019 with early application permitted. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

NOTE B – CONTRACTS AND GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2018 and 2017:

	2018	2017
U.S Department of Health and Human Services	\$2,803,520	\$1,950,168
Kentucky Transportation Cabinet	1,321,027	811,165
Kentucky Cabinet for Health and Family Services	300,403	449,223
Community Action Kentucky	184,458	135,627
Community Action Council	73,190	152,370
Other	267,152	201,450
	<u>\$4,949,750</u>	<u>\$3,700,003</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE C – PROMISES TO GIVE

Unconditional promises to give as of June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 1,605	\$ 4,379
Receivable in one to five years	813	9,922
Receivable in more than five years	<u>-</u>	<u>300</u>
	<u>\$ 2,418</u>	<u>\$ 14,601</u>

NOTE D - INVESTMENTS

Investments at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 144,214	\$ 206,393	\$ 733,589	\$1,178,380
Exchange Traded & Closed End Funds	1,372,140	1,416,781	-	-
Mutual Funds	<u>1,855,189</u>	<u>1,948,081</u>	<u>1,284,808</u>	<u>1,580,308</u>
	<u>\$3,371,543</u>	<u>\$3,571,255</u>	<u>\$2,018,397</u>	<u>\$2,758,688</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Investment income	\$ 83,972	\$ 115,394
Fees	(25,031)	(3,596)
Unrealized gain (loss) on investments	<u>(540,341)</u>	<u>36,282</u>
Total investment gain (loss)	<u>\$ (481,400)</u>	<u>\$ 148,080</u>

NOTE E – RELATED LOAN RECEIVABLES

The Organization has served as the developer on low income housing projects and is entitled to a developer's fee. As of June 30, 2018 and 2017, fees in the amount of \$10,159,522 and \$1,783,906 had been earned, respectively. 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 questionability that the Organization will receive these payments, these loans are offset with allowance accounts for the same amount. The loan receivables as of June 30, 2018 and 2017 consist of:

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE E – RELATED LOAN RECEIVABLES (continued)

	2018	2017
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	\$ 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	-
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	3,548,567	-
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	1,275,595	-
Loan receivable, The Learning Villa, Ltd., 5% interest rate; principal and interest due Friday 5, 2038, secured by real property.	1,090,500	1,090,500
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.	599,880	599,880
	<u>10,159,522</u>	<u>1,783,906</u>
Less allowance for doubtful accounts	<u>10,159,522</u>	<u>1,783,906</u>
Total related loan receivables	<u>\$ -</u>	<u>\$ -</u>

Simple interest on the loans is recognized over the term of the loan. Interest income from the related loans amounted to \$116,449 and \$116,419 for the years ended June 30, 2018 and June 30, 2017, respectively. Interest receivable from the related loans less allowance amounted to \$319,099 and \$272,151 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE F – PARTNERSHIP INVESTMENTS

The Organization has wholly-owned subsidiaries that are general partners in low income housing project partnerships. These subsidiaries each own 0.1% or less of the related partnership interest and do not have controlling financial interest of the partnerships. The Organization's wholly-owned subsidiaries and the percentage ownership interest of the related partnership are listed as follows:

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE F – PARTNERSHIP INVESTMENTS (continued)

<u>Subsidiary</u>	<u>Ownership interest</u>	<u>Partnership</u>
Audubon Learning Villa, LLC	0.050%	The Learning Villa, Ltd.
Audubon Independence/Horizon, Inc.	0.100%	Independence Heights, Ltd.
Audubon Independence/Horizon, Inc.	0.100%	Horizon Place, Ltd.
Audubon ORR, LLC	0.005%	Owensboro Regional Recovery, Ltd.
Audubon Presidents Place, Inc.	0.050%	Presidents Place, LLLP.
Audubon Beaver Dam Village, Inc.	0.100%	Beaver Dam Village, LLLP
Audubon Area Mya Manor, Inc.	0.100%	Mya Manor, LLLP
Lincolnshire Development, LLC	0.010%	Audubon Lincolnshire Apartments, LLLP
Lincolnshire North Development, LLC	0.010%	Audubon Lincolnshire North Apartments, LLLP

NOTE G – LONG-TERM DEBT

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

	<u>2018</u>	<u>2017</u>
Building revenue bonds; interest payable monthly, floating rate based on initial fixed rate (3.99% and 3.28% at June 30, 2018 and 2017, respectively), principal payable annually in the amount of \$160,000 due January 1, 2029; collateralized by real estate.	\$ 1,760,000	\$ 1,920,000
Note payable to bank; due in monthly payments of \$1,200 including variable interest (4.75% and 4.25% at June 30, 2018 and 2017, respectively), due July 5, 2018, secured by real estate.	<u>957</u>	<u>14,979</u>
	1,760,957	1,934,979
Less current portion	(160,957)	(174,029)
Less unamortized debt issuance costs	<u>(53,201)</u>	<u>(58,037)</u>
	<u>\$ 1,546,799</u>	<u>\$ 1,702,913</u>

The Organization reports amortization of debt issuance costs of \$4,836 in 2018 and \$4,836 in 2017 as interest expense.

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

Year ending June 30,	Amount
2019	\$ 160,957
2020	160,000
2021	160,000
2022	160,000
2023	160,000
Thereafter	<u>960,000</u>
	<u>\$ 1,760,957</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE H – CAPITAL LEASE

The Organization leases its administrative building from Daviess County Public Improvement Corporation under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased asset included in buildings as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building	\$ 4,588,981	\$ 4,588,981
Less accumulated depreciation	<u>(1,440,430)</u>	<u>(1,287,464)</u>
	<u>\$ 3,148,551</u>	<u>\$ 3,301,517</u>
Lease payable to corporation, interest rate 4.75%, payable in monthly payments of \$37,500 including interest, due January 1, 2028, secured by building, includes financial covenant.		
Current portion	<u>\$ 2,409,709</u> <u>(287,500)</u>	<u>\$ 2,693,959</u> <u>(275,000)</u>
Capital lease obligation less current portion	<u><u>\$ 2,122,209</u></u>	<u><u>\$ 2,418,959</u></u>

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2018:

Year Ending June 30,	<u>Amount</u>
2019	\$ 448,190
2020	449,534
2021	450,165
2022	450,084
2023	449,290
Thereafter	<u>2,026,210</u>
Total minimum lease payments	4,273,473
Less amount representing interest	903,473
Less Sinking Fund to be applied to balance	507,936
Less Debt Reserve Fund to be applied to balance	<u>452,355</u>
Present value of minimum lease payments	<u><u>\$ 2,409,709</u></u>

When the balance of the capital lease reaches the balances remaining in total of the Sinking Fund and Debt Reserve Fund, those funds will be applied to the remaining capital lease balance.

Amortization of assets held under capital leases is included with depreciation expense.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE I – SELF-INSURANCE PROGRAM

The Organization has a self-insured health plan for its eligible employees and their eligible dependents. The Organization has purchased stop-loss insurance in order to limit its exposure. It provides for the reimbursement to the Organization for claims per insured exceeding \$75,000 with an aggregate excess loss amount, which varies based on plan participants is currently set at \$2,252,247 and was \$2,147,245 at June 30, 2018 and 2017, respectfully.

The Organization maintains a self-insurance fund to pay actual claims. Self-insurance costs are accrued based on claims reported as of June 30. The total accrued liability for self-insurance costs was \$263,780 and \$111,174 as of June 30, 2018 and June 30, 2017, respectfully.

NOTE J – 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.

For the 2018 and 2017 fiscal years, the Board approved \$1,428,932, of which \$1,178,932 is for operational needs and \$250,000 is reserved for the agency's self-insurance fund, of the unrestricted net assets as the Board-Designated Operating Reserve Fund. The Board granted further approval to the organization's management to draw up to \$176,840 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.

NOTE K – 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 \$167,414 and \$167,642 in management fees from related parties for the years ended June 30, 2018 and June 30, 2017, respectfully. Receivables in the amount of \$13,397 and \$15,960 were due to the Organization from these related parties as of June 30, 2018 and June 30, 2017, respectfully. Payables in the amount of \$864 and \$789 were due to related parties as of June 30, 2018 and June 30, 2017, respectfully.

NOTE L - IN-KIND/MATCHING

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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE L - IN-KIND/MATCHING (continued)

The Organization received contributed space during the years ended June 30, 2018 and June 30, 2017 with a fair value on the dates of donation of \$1,046,846 and \$1,238,471, respectively.

The Organization received contributed transportation services during the years ended June 30, 2018 and June 30, 2017 with a fair value on the dates of donation of \$1,051,025 and \$1,359,489, respectively.

The Organization received contributed professional services during the years ended June 30, 2018 and June 30, 2017 with a fair value on the dates of donation of \$2,097,734 and \$2,231,539, respectively.

The Organization received other valued contributions during the years ended June 30, 2018 and June 30, 2017 with a fair value on the dates of donation of \$291,545 and \$145,144, respectively.

In addition, a number of volunteers have donated over 215,301 hours and 212,503 hours to the Organization's services for the years ended June 30, 2018 and June 30, 2017, respectively. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

NOTE M - 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.

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 19.18% (14.48% pension and 4.7% other post-employment benefits) and 18.68% (13.95% pension and 4.73% other post-employment benefits) for the years ended June 30, 2018 and June 30, 2017 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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE M – RETIREMENT BENEFITS (continued)

Multi-Employer Pension Plan (continued)

The Organization contributed \$1,984,420 and \$1,817,596 for the years ending June 30, 2018 and June 30, 2017. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of 2018 and 2017 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, 2017 and 2016 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2017	2016
Total Pension Liability	\$12,540,544	\$11,065,012
Fiduciary Net Pension	<u>6,687,237</u>	<u>6,141,394</u>
Net Pension Liability	<u>\$ 5,853,307</u>	<u>\$ 4,923,618</u>
Level of funding	53.3%	55.5%

The percentage of the Organization's contribution to total employees' contribution is .537933% and .51069% and the Organization's portion of the net pension liability is \$31,486,870 and \$25,144,426 for June 30, 2018 and June 30, 2017, 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

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 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 spouse 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, 2018 and 2017, the year end of the plan, was 4.7% and 4.73%, respectively, of participating members' compensations. The contribution requirement of the Organization to the KRS Insurance Fund for the years

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE M – RETIREMENT BENEFITS (continued)

Multi-Employer Pension Plan (continued)

ended June 30, 2018 and 2017 was \$644,114 and \$616,289, respectively. There have been no significant changes that affect comparability of 2018 and 2017 contributions.

NOTE N – 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).

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.

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018	Fair Value			
Assets:				
Common stock	\$ 206,393	\$ 206,393	\$ -	\$ -
ETCE funds	1,416,781	1,416,781		
Mutual funds	1,948,081	1,948,081	-	-
Total Assets	<u>\$ 3,571,255</u>	<u>\$ 3,571,255</u>	<u>\$ -</u>	<u>\$ -</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE N – FAIR VALUE MEASUREMENTS (continued)

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017	Fair Value			
Assets:				
Common stock	\$ 1,178,380	\$ 1,178,380	\$ -	\$ -
Mutual funds	1,580,308	1,580,308	-	-
Total Assets	<u>\$ 2,758,688</u>	<u>\$ 2,758,688</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE O – CONCENTRATIONS OF CREDIT RISK

The Organization's major source of funds is revenue from grants received directly or indirectly from federal sources. 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 funded by the Kentucky Transportation Cabinet. During the year ended June 30, 2018, \$22,869,100 or 41.2% and \$15,651,364 or 28.2% of the Organization's total support was from these program respectively. During the year ended June 30, 2017, \$19,087,530 or 43.3% and \$9,309,862 or 21.1% of the Organization's total support was from these programs respectively. The Organization's market is concentrated in the geographic area of western Kentucky.

NOTE P – 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, 2018 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 Cost Rate

The Division of Cost Allocation assigned a provisional rate to the Organization and the Organization actually bills an indirect cost rate as follows:

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE P – COMMITMENTS AND CONTINGENCIES (continued)

Indirect Cost Rate (continued)

<u>June 30</u>	<u>Provisional Rate</u>	<u>Actual Rate</u>
2016	16.20%	16.00%
2017	15.40%	15.00%
2018	15.10%	15.00%

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.

NOTE Q – 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 others 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.

NOTE R – SUBSEQUENT EVENTS

Head Start grantees are awarded grants for a five-year project period. The Organization's five-year grant for its Head Start program was renewed on December 1, 2018 and now expires November 30, 2023.

The Green River Intra-county Transit System has capitated rates which determine how the program is funded. The capitated rate is set by the office of Medicaid and is based on the number of Medicaid eligible recipients in each region. These rates have been reduced effective July 1, 2018. The Organization expects a 23.5% reduction and believes this will have a significant impact on the program.

The Organization did not have any other subsequent events through March 15, 2019 which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended, June 30, 2018.

SUPPLEMENTARY INFORMATION

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH4686/04
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE
For the period December 1, 2016 through November 30, 2017

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 16,542,117	\$ 16,542,117	\$ -
Local sources	109,389	188,570	(79,181)
Grantee's contribution	4,240,954	4,474,526	(233,572)
TOTAL REVENUE	20,892,460	21,205,213	(312,753)
EXPENSES			
Administration for Children and Families Share: Head Start Full-Year/ Part-Day (CAN G044122)			
Direct Costs			
Personnel	5,066,955	5,037,845	29,110
Fringe benefits	1,895,270	1,838,436	56,834
Travel	3,359	4,950	(1,591)
Occupancy	184,294	191,295	(7,001)
Program supplies	453,392	276,098	177,294
Other	3,567,069	3,892,215	(325,146)
Total Direct Costs	11,170,339	11,240,839	(70,500)
Indirect Costs	768,674	776,184	(7,510)
Total	11,939,013	12,017,023	(78,010)
Early Head Start (CAN G044125)			
Direct Costs			
Personnel	2,569,896	2,682,501	(112,605)
Fringe benefits	1,036,313	981,846	54,467
Travel	1,068	1,076	(8)
Occupancy	83,906	91,532	(7,626)
Program supplies	129,047	86,343	42,704
Other	240,816	223,642	17,174
Total Direct Costs	4,061,046	4,066,940	(5,894)
Indirect Costs	414,979	413,915	1,064
Total	4,476,025	4,480,855	(4,830)

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH4686/04
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE
For the period December 1, 2016 through November 30, 2017

	Approved Budget	Actual	COB Balance Current Year
EXPENSES (continued)			
Head Start T & TA - CDA (CAN G044120 and G044121)			
Direct Costs			
Travel	\$ 101,145	\$ 109,033	\$ (7,888)
Supplies	24,492	29,955	(5,463)
Other	<u>110,831</u>	<u>97,480</u>	<u>13,351</u>
Total Direct Costs	<u>236,468</u>	<u>236,468</u>	<u>-</u>
Total Expenses - Administration for Children and Families	16,651,506	16,734,346	(82,840)
Grantee's Share Head Start Full-Year/Part-Day and Early Head Start Grantee	<u>4,240,954</u>	<u>4,474,526</u>	<u>(233,572)</u>
TOTAL EXPENSES	<u>20,892,460</u>	<u>21,208,872</u>	<u>(316,412)</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u>-</u>	(3,659)	\$ <u>3,659</u>
FUND BALANCE, BEGINNING OF YEAR		<u>871,237</u>	
FUND BALANCE, END OF YEAR		\$ <u>867,578</u>	

AUDUBON AREA COMMUNITY SERVICES, INC.
EARLY HEAD START
CONTRACT NUMBER 04HP0029-02
STATEMENT OF REVENUE AND EXPENSES
For the period September 1, 2016 through August 31, 2017

REVENUE

Contract or grant	\$ 1,547,693
Program income	97,071
Grantee's contribution	<u>11,760</u>

TOTAL REVENUE	<u><u>1,656,524</u></u>
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EXPENSES

Administration for
Children and Families Share:
Early Head Start (CAN G043128)

Direct Costs	
Personnel	633,488
Fringe benefits	205,589
Travel	2,060
Occupancy	7,740
Program supplies	109,686
Other	<u>536,072</u>

Total Direct Costs	1,494,635
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Indirect Costs	<u>99,550</u>
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Total	<u><u>1,594,185</u></u>
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Early Head Start T & TA (CAN G043121)

Direct Costs	
Travel	8,498
Supplies	14,418
Other	<u>27,663</u>

Total Direct Costs	<u>50,579</u>
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Total Expenses - Administration for Children and Families	1,644,764
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Grantee's Share: Early Head Start Grantee	<u>11,760</u>
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TOTAL EXPENSES	<u><u>1,656,524</u></u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04CH4776-001
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
For the period November 1, 2016 through October 31, 2017

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
REVENUE			
Contract or grant	\$ 408,375	\$ 224,925	\$ 183,450
Local sources	-	10,033	(10,033)
Grantee's contribution	<u>209,189</u>	<u>82,299</u>	<u>126,890</u>
TOTAL REVENUE	<u>617,564</u>	<u>317,257</u>	<u>300,307</u>
EXPENSES			
Western Kentucky University:			
Head Start Full-Year/Part Day (Program Account 22)			
Direct Costs			
Personnel	106,803	61,607	45,196
Fringe benefits	42,095	23,690	18,405
Occupancy	789	314	475
Program supplies	48,501	6,231	42,270
Other	<u>189,617</u>	<u>129,785</u>	<u>59,832</u>
Total Direct Costs	387,805	221,627	166,178
Indirect Cost	<u>16,779</u>	<u>9,540</u>	<u>7,239</u>
Total	<u>404,584</u>	<u>231,167</u>	<u>173,417</u>
Head Start CDA Training (Program Account 20) Direct Costs			
Travel	1,195	1,613	(418)
Supplies	451	440	11
Other	<u>2,145</u>	<u>1,738</u>	<u>407</u>
Total	<u>3,791</u>	<u>3,791</u>	<u>-</u>
Total Expenses - Western Kentucky University	<u>408,375</u>	<u>234,958</u>	<u>173,417</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04CH4776-001
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
For the period November 1, 2016 through October 31, 2017

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
EXPENSES (continued)			
Delegate Agency's Share:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Delegate Agency	\$ <u>209,189</u>	\$ <u>82,299</u>	\$ <u>126,890</u>
TOTAL EXPENSES	<u>617,564</u>	<u>317,257</u>	<u>300,307</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
FUND BALANCE, BEGINNING OF YEAR		<u>6,402</u>	
FUND BALANCE, END OF YEAR		\$ <u><u>6,402</u></u>	

AUDUBON AREA COMMUNITY SERVICES, INC.
MIGRANT HEAD START
CONTRACT NUMBER 90CM9820
STATEMENT OF REVENUE AND EXPENSES
For the period September 1, 2016 through August 31, 2017

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
REVENUE			
Grant revenue	\$ 775,668	\$ 782,026	\$ (6,358)
Grantee's contribution	<u>36,078</u>	<u>4,440</u>	<u>31,638</u>
TOTAL REVENUE	<u>811,746</u>	<u>786,466</u>	<u>25,280</u>
EXPENSES			
Community Action Council: Head Start Full-Year/Part Day (Program Account 22)			
Direct Costs			
Personnel	446,632	437,551	9,081
Fringe benefits	136,641	151,199	(14,558)
Travel	1,297	2,671	(1,374)
Occupancy	31,980	38,169	(6,189)
Program supplies	9,646	11,398	(1,752)
Other	<u>64,996</u>	<u>65,808</u>	<u>(812)</u>
Total Direct Costs	691,192	706,796	(15,604)
Indirect Cost	<u>75,544</u>	<u>66,300</u>	<u>9,244</u>
Total	<u>766,736</u>	<u>773,096</u>	<u>(6,360)</u>
Head Start CDA Training (Program Account 20) Direct Costs			
Travel	4,304	1,015	3,289
Supplies	1,255	514	741
Other	<u>3,373</u>	<u>7,403</u>	<u>(4,030)</u>
Total	<u>8,932</u>	<u>8,932</u>	<u>-</u>
Total Expenses - Community Action Council	775,668	782,028	(6,360)
Grantee's Share: Head Start Full-Year/Part Day (Program Account 22)			
Grantee	<u>36,078</u>	<u>4,440</u>	<u>31,638</u>
TOTAL EXPENSES	<u>811,746</u>	<u>786,468</u>	<u>25,278</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
CHILD AND ADULT CARE FOOD PROGRAM
CONTRACT NUMBER 11381
STATEMENT OF REVENUE AND EXPENSES
For the period October 1, 2016 through September 30, 2017

REVENUE

USDA - Special food service program	\$ <u>556,032</u>
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EXPENSES

Food	<u>556,032</u>
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REVENUE OVER (UNDER) EXPENSES

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

AUDUBON AREA COMMUNITY SERVICES, INC.
COMMUNITY SERVICES BLOCK GRANT
CONTRACT NUMBER 736-17000025301
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 585,337
In-kind	<u>286,545</u>

TOTAL REVENUE	<u>871,882</u>
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EXPENSES

Salaries	306,388
Fringes	130,649
Travel	8,059
Space costs	39,443
Office supplies	7,791
Telephone	15,321
Direct assistance	14,567
Other	23,408
Indirect costs	<u>39,711</u>

Total expense - Kentucky Cabinet for Health & Family Services	585,337
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Non-federal in-kind	<u>286,545</u>
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TOTAL EXPENSES	<u>871,882</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 736-1600002561
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2016 through June 30, 2017

REVENUE

Kentucky Cabinet for Health and Family Services	\$ <u>964,578</u>
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EXPENSES

Salaries	524,361
Fringes	198,657
Travel	51,046
Space costs	14,726
Office supplies	5,864
Direct assistance	35,848
Telephone	18,007
Other	38,569
Indirect costs	<u>77,500</u>

TOTAL EXPENSES	<u>964,578</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 736-16000019111
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Kentucky Cabinet for Health & Family Services	\$ <u>1,090,726</u>
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EXPENSES

Salaries	572,497
Fringes	220,683
Travel	53,515
Space costs	4,532
Supplies	5,221
Wage subsidy	140,478
Other	8,089
Indirect	<u>85,711</u>

TOTAL EXPENSES	<u>1,090,726</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-1700002734
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Community Action Kentucky	\$	<u>1,646,303</u>
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EXPENSES

Salaries		77,997
Fringes		13,347
Direct assistance		1,526,198
Other		17,082
Indirect costs		<u>11,679</u>

TOTAL EXPENSES		<u><u>1,646,303</u></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, 2017 through June 30, 2018

REVENUE

Community Action Kentucky	\$ <u>324,186</u>
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EXPENSES

Administration	13,323
WX materials	93,350
WX support	99,408
WX labor	79,809
H&S materials	14,148
H&S labor	23,236
Liability insurance	<u>912</u>

TOTAL EXPENSES

324,186

REVENUE OVER (UNDER) EXPENSES

\$ -

AUDUBON AREA COMMUNITY SERVICES, INC.
SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM
CONTRACT NUMBER 725-17000026251,3
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Grant revenue	\$ 291,550
In-kind	<u>61,977</u>

TOTAL REVENUE	<u><u>353,527</u></u>
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EXPENSES

Salaries	236,804
Fringes	28,721
Travel	4,478
Other	<u>21,548</u>

Total expenses - grant	291,550
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Non-federal in-kind expense	<u>61,977</u>
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TOTAL EXPENSES	<u><u>353,527</u></u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
IMAGINATION LIBRARY
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Local sources	\$ 151,496
Unrealized gain (loss) on investments	(2,611)
Investment income	<u>12,791</u>

TOTAL REVENUE	<u>161,676</u>
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EXPENSES

Program materials and supplies	<u>81,912</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 79,764</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
EARLY CHILDHOOD DEVELOPMENT
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Local sources	\$ <u>60,457</u>
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EXPENSES

Travel	1,438
Program materials and supplies	54,442
Other	<u>4,577</u>

TOTAL EXPENSES	<u>60,457</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, 2017 through June 30, 2018**

REVENUE

Kentucky Transportation Cabinet	\$ 15,651,364
Program income	386,167
Local sources	69,555
In-kind	<u>36,500</u>

TOTAL REVENUE	<u>16,143,586</u>
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EXPENSES

Salaries	2,782,012
Fringes	989,018
Vehicle insurance	127,924
Vehicles & equipment	582,343
Fuel	552,173
Parts and maintenance	211,442
Contractual & consulting	8,808,935
Space costs	85,571
Travel	24,877
Office supplies	106,339
Telephone	182,751
Other	386,125
Indirect	<u>414,771</u>

Total expense - Kentucky Transportation Cabinet	15,254,281
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Non-federal in-kind	<u>36,500</u>
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TOTAL EXPENSES	<u>15,290,781</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 852,805</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
WINTERCARE PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Grant revenue	\$ <u>7,982</u>
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EXPENSES

Direct assistance	<u>7,982</u>
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REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
WEATHERIZATION PROGRAM
CONTRACT NUMBER DOE WX-001
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Community Action Kentucky	\$ <u>128,268</u>
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EXPENSES

Administration	6,528
WX materials	41,521
WX support	36,230
WX labor	26,286
H&S materials	4,753
H&S labor	7,851
Liability insurance	4,565
Training	<u>534</u>

TOTAL EXPENSES	<u>128,268</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
FAMILY DAYCARE PROGRAM
CONTRACT NUMBER 11013
STATEMENT OF REVENUE AND EXPENSES
For the period October 1, 2016 through September 30, 2017

REVENUE

USDA - Special food service program	\$ <u>61,388</u>
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EXPENSES

Salaries	2,297
Fringe benefits	715
Travel	380
Food	13,628
Other	<u>44,368</u>

TOTAL EXPENSES	<u>61,388</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 15SCSKY004
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Grant revenue	\$ 370,365
Local sources	48,981
In-kind	<u>17,490</u>

TOTAL REVENUE

436,836

EXPENSES

Federal:	
Salaries	66,542
Fringe benefits	27,360
Volunteer travel	32,874
Volunteer stipends	207,525
Occupancy	4,322
Other expenses	21,774
Indirect costs	<u>9,968</u>

Total expenses - grant

370,365

Non-federal:

Volunteer travel	10,734
Volunteer stipends	15,418
Other expenses	9,788
In-kind - services and other	<u>17,490</u>

Total expenses - non-federal

53,430

TOTAL EXPENSES

423,795

REVENUE OVER (UNDER) EXPENSES

\$ 13,041

AUDUBON AREA COMMUNITY SERVICES, INC.
FOSTER GRANDPARENT PROGRAM
CONTRACT NUMBER 15SFSKY001
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Grant revenue	\$ 234,638
Local sources	48,172
In-kind	<u>26,346</u>

TOTAL REVENUE

309,156

EXPENSES

Federal:	
Salaries	50,811
Fringe benefits	20,344
Volunteer travel	2,404
Volunteer stipends	143,884
Other expenses	9,706
Indirect costs	<u>7,489</u>

Total expenses - grant	<u>234,638</u>
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Non-federal:	
Volunteer travel	25,259
Other expenses	20,139
In-kind - services and other	<u>26,346</u>

Total expenses - non-federal	<u>71,744</u>
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TOTAL EXPENSES

306,382

REVENUE OVER (UNDER) EXPENSES

\$ 2,774

**AUDUBON AREA COMMUNITY SERVICES, INC.
 RETIRED AND SENIOR VOLUNTEER PROGRAM
 CONTRACT NUMBER 15SRSKY006
 STATEMENT OF REVENUE AND EXPENSES
 For the period April 1, 2017 through March 31, 2018**

REVENUE

Grant revenue	\$ 119,583
Local sources	26,606
In-kind	<u>40,039</u>

TOTAL REVENUE	<u>186,228</u>
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EXPENSES

Federal:	
Salaries	57,411
Fringe benefits	16,173
Volunteer travel	12,039
Other expenses	25,269
Indirect costs	<u>8,691</u>

Total expenses - grant	<u>119,583</u>
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Non-federal:	
Volunteer travel	10,748
Other expenses	10,556
In-kind - services and other	<u>40,039</u>

Total expenses - non-federal	<u>61,343</u>
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TOTAL EXPENSES	<u>180,926</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 5,302</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
ENERGY CARES PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2017 through December 31, 2017

REVENUE

Atmos Energy	\$ <u>77,853</u>
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EXPENSES

Materials and supplies	36,450
Contract labor	34,519
Overhead expense	<u>2,989</u>

TOTAL EXPENSES	<u>73,958</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 3,895</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
KYNECTOR PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE	
Grant revenue	\$ <u>486,997</u>
TOTAL REVENUE	<u>486,997</u>
EXPENSES	
Salaries	287,972
Fringes	94,144
Travel	22,912
Space costs	7,672
Other	31,644
Indirect costs	<u>42,653</u>
TOTAL EXPENSES	<u>486,997</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
PROJECT LIFE
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018

REVENUE

Grant revenue	\$ <u>60,167</u>
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EXPENSES

Salaries	24,371
Fringes	7,249
Travel	8,736
Direct assistance	7,209
Other	123
Indirect	<u>3,557</u>

TOTAL EXPENSES	<u><u>51,245</u></u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 8,922</u></u>
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**AUDUBON AREA COMMUNITY SERVICES, INC.
RACE TO THE TOP EARLY LEARNING CHALLENGE
CONTRACT NUMBER 3210000631-18-006
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2017 through June 30, 2018**

REVENUE

Grant revenue	\$ 253,827
Local sources	<u>1,848</u>

TOTAL REVENUE

255,675

EXPENSES

Salaries	144,156
Fringes	36,911
Travel	11,297
Other	42,236
Indirect	<u>21,514</u>

TOTAL EXPENSES

256,114

REVENUE OVER (UNDER) EXPENSES

\$ (439)

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through or other Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Passed through Kentucky Department of Education:				
Child and Adult Care Food Program	10.558	(1) 11381	\$ 118,620	\$ -
Child and Adult Care Food Program	10.558	(2) 11381	365,454	-
Child and Adult Care Food Program	10.558	(3) 11013	5,735	-
Child and Adult Care Food Program	10.558	(4) 11013/11381	6,695	-
Total U.S. Department of Agriculture			496,504	-
<u>U.S. Department of Health and Human Services</u>				
Direct:				
Head Start	93.600	(5) 04CH4686-04-06	7,435,934	-
Head Start	93.600	(6) 04CH4686-05-03	12,862,582	-
Head Start	93.600	(7) 04HP0029-02	432,982	-
Head Start	93.600	(8) 04HP0029-03	1,073,954	-
Passed through Western Kentucky University:				
Head Start	93.600	(9) 04CH4776-001	105,421	-
Head Start	93.600	(10) 04CH4776-001	276,073	-
Passed through Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.:				
Head Start	93.600	(11) 90CM9820	(55,102)	-
Head Start	93.600	(12) 90CM9820	711,247	-
Total 93.600			22,843,091	-
477 Cluster				
Passed through Kentucky Cabinet for Health and Family Services: Community Services Block Grant	93.569	736-17000025301	585,337	-
Passed through Kentucky Cabinet for Health and Family Services: Temporary Assistance for Needy Families	93.558	736-16000019111	1,090,725	-
Total 477 Cluster			1,676,062	-
Passed through Kentucky Cabinet for Health and Family Services: Promoting Safe and Stable Families	93.556	736-1600002561	156,239	-
Passed through Kentucky Housing Corporation: Low-Income Home Energy Assistance Program	93.568	LHWX-001	324,186	-
Passed through Community Action Kentucky: Low-Income Home Energy Assistance Program	93.568	736-1700002734	1,646,303	-
Total 93.568			1,970,489	-
Total U.S. Department of Health and Human Services			26,645,881	-
<u>U.S. Department of Labor</u>				
Passed through the Department for Aging and Independent Living: Senior Community Service Employment Program	17.235	725-17000026251,3	291,550	-
Total U.S. Department of Labor			291,550	-
<u>U.S. Department of Energy</u>				
Passed through Kentucky Housing Corporation: Weatherization Assistance for Low-Income Persons	81.042	DOE WX-001	128,268	-
Total U.S. Department of Energy			128,268	-

See accompanying notes to schedule of expenditure of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>		<u>Pass-Through or other Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Education</u>					
Passed through University of Kentucky Research Foundation:					
Race to the Top Early Learning Challenge	84.412A	(13)	3210000631-18-006	192,464	-
Race to the Top Early Learning Challenge	84.412A	(14)	3210000631-18-222	61,363	-
Total U.S. Department of Education				253,827	-
<u>Corporation for National and Community Service</u>					
Foster Grandparent/Senior Companion Cluster					
Direct:					
Foster Grandparent Program	94.011		15SFSKY001	234,638	-
Senior Companion Program	94.016		15SCSKY004	370,365	-
Total Foster Grandparent/Senior Companion Cluster				605,003	-
Direct:					
Retired and Senior Volunteer Program	94.002	(15)	15SRSKY006	88,269	-
Retired and Senior Volunteer Program	94.002	(16)	18SRSKY004	33,510	-
Total 94.002				121,779	-
Total Corporation for National and Community Service				726,782	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 28,542,812	\$ -

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, 2018

- (1) 3 months through September 30, 2017
- (2) 9 months through June 30, 2018
- (3) 3 months through September 30, 2017
- (4) 9 months through June 30, 2018
- (5) 5 months through November 30, 2017
- (6) 7 months through June 30, 2018
- (7) 2 months through August 31, 2017
- (8) 10 months through June 30, 2018
- (9) 4 months through October 31, 2017
- (10) 8 months through June 30, 2018
- (11) 2 months through August 31, 2017
- (12) 10 months through June 30, 2018
- (13) 6 months through December 31, 2017
- (14) 6 months through June 30, 2018
- (15) 9 months through March 31, 2018
- (16) 3 months through June 30, 2018

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Audubon Area Community Services, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *OMB Circular Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Subpart F- Audit Requirements*. 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

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Subpart E- Cost Principles*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

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 minimus indirect cost rate as allowed under the Uniform Guidance for some nonfederal entities.



**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 statement of financial position as of June 30, 2018, and the related 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 15, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Alphadon & Company CPAS PSC

Owensboro, Kentucky
March 15, 2019



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

We have audited Audubon Area Community Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Audubon Area Community Services, Inc.'s major federal programs for the year ended June 30, 2018. Audubon Area Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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, 2018.

Report on Internal Control Over Compliance

Management of Audubon Area Community Service, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Audubon Area Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Audubon Area Community Services, Inc.'s internal control over compliance.

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

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

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

Altman & Company CPAs PSC

Owensboro, Kentucky
March 15, 2019

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

SUMMARY OF AUDITORS' RESULTS

1. The auditor's 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. 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 in internal control over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Audubon Area Community Services, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings required to be reported in accordance with 2CFR Section 200.516(a).
7. The programs tested as major programs were:
 - 93.600 Head Start
 - 93.568 Low-Income Home Energy Assistance
8. The threshold for distinguishing Types A and B programs was \$856,284.
9. The Organization was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

AUDUBON AREA COMMUNITY SERVICES, INC.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None