

AUDUBON AREA COMMUNITY SERVICES, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2022 AND 2021

AUDUBON AREA COMMUNITY SERVICES, INC.
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June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Audubon Area Community Services, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Audubon Area Community Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Audubon Area Community Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Area Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 schedule of expenditures of federal awards 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, 2023, on our consideration of Audubon Area Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Audubon Area Community Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Audubon Area Community Services, Inc.'s internal control over financial reporting and compliance.



Owensboro, Kentucky
March 15, 2023

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,754,461	\$ 10,145,554
Restricted cash	6,249	14,198
Contracts and grants receivable	5,494,176	4,541,867
Accounts receivable	433,637	604,261
Due from related organizations	270,026	197,201
Investments	5,177,113	5,896,829
Prepaid expenses	244,202	294,595
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	21,379,864	21,694,505
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	1,355,634	1,355,634
Land improvements	1,109,883	524,263
Buildings	18,253,704	18,236,794
Buildings improvements	10,753,546	10,427,795
Furniture and furnishings	333,990	261,405
Equipment	5,251,314	4,911,476
Vehicles	10,051,527	9,975,184
Construction in progress	6,094,586	901,769
	<hr/>	<hr/>
	53,204,184	46,594,320
Less accumulated depreciation	<hr/>	<hr/>
	(21,105,633)	(19,550,263)
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	32,098,551	27,044,057
	<hr/>	<hr/>
OTHER ASSETS		
Interest receivable - related	550,916	503,118
	<hr/>	<hr/>
TOTAL OTHER ASSETS	550,916	503,118
	<hr/>	<hr/>
TOTAL ASSETS	<hr/>	<hr/>
	\$ 54,029,331	\$ 49,241,680
	<hr/>	<hr/>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 4,066,153	\$ 2,852,064
Accrued payroll	1,747,764	1,714,316
Deferred revenue	759,767	303,060
Due to related organizations	170,774	157,914
Payroll withholdings	607,422	445,348
Accrued compensated absences	611,787	735,690
Accrued interest	6,539	7,814
Accrued workers' compensation surplus liability	103,909	88,121
Accrued self-insurance claims	55,680	156,458
Current portion of long-term debt	508,417	506,477
	<u>8,638,212</u>	<u>6,967,262</u>
TOTAL CURRENT LIABILITIES		
	<u>8,638,212</u>	<u>6,967,262</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,726,120	2,234,536
	<u>1,726,120</u>	<u>2,234,536</u>
TOTAL LONG-TERM LIABILITIES		
	<u>1,726,120</u>	<u>2,234,536</u>
TOTAL LIABILITIES	<u>10,364,332</u>	<u>9,201,798</u>
NET ASSETS		
Without donor restrictions	43,664,999	40,039,882
	<u>43,664,999</u>	<u>40,039,882</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,029,331</u>	<u>\$ 49,241,680</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Activities
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Grants	\$ 59,905,608	\$ 53,486,768
Contributions (in-kind)	5,992,213	5,465,564
Local sources	2,338,108	1,316,386
Program income	1,792,839	1,545,445
Fundraising	43,000	33,294
Gain on sale of capital assets	23,132	52,503
Investment income, net	(537,591)	1,245,285
	<u>69,557,309</u>	<u>63,145,245</u>
TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
	<u>69,557,309</u>	<u>63,145,245</u>
EXPENSES		
Program Services:		
Early childhood	32,109,088	29,347,474
Social support	7,755,489	6,919,703
Transportation	19,737,049	15,151,350
Employment	1,128,609	1,251,567
Housing	688,082	689,381
Community Services	1,389,544	1,028,529
	<u>62,807,861</u>	<u>54,388,004</u>
Total program services		
	<u>62,807,861</u>	<u>54,388,004</u>
Supporting Services:		
Management and general	3,112,921	2,554,258
Fundraising	11,410	5,406
	<u>3,124,331</u>	<u>2,559,664</u>
Total supporting services		
	<u>3,124,331</u>	<u>2,559,664</u>
TOTAL EXPENSES	<u>65,932,192</u>	<u>56,947,668</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,625,117	6,197,577
NET ASSETS AT BEGINNING OF YEAR	<u>40,039,882</u>	<u>33,842,305</u>
NET ASSETS AT END OF YEAR	<u>\$ 43,664,999</u>	<u>\$ 40,039,882</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statement of Functional Expenses
Year ended June 30, 2022

	Program Services							Supporting Services			
	Early Childhood	Social Support	Transportation	Employment	Housing	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 12,701,626	\$ 1,214,241	\$ 2,720,778	\$ 787,392	\$ 306,191	\$ 276,249	\$ 18,006,477	\$ 1,005,781	\$ -	\$ 1,005,781	\$ 19,012,258
Payroll taxes	932,832	90,816	201,037	59,496	23,189	20,204	1,327,574	72,173	-	72,173	1,399,747
Employee benefits	4,206,879	392,232	925,888	184,379	129,022	111,447	5,949,847	653,933	-	653,933	6,603,780
Accounting and auditing	-	-	-	-	-	-	-	112,545	-	112,545	112,545
Travel	106,349	43,569	23,671	28,057	1,891	2,052	205,589	11,661	-	11,661	217,250
Training	191,274	18,352	25,155	-	2,836	3,046	240,663	34,582	-	34,582	275,245
Occupancy	1,678,056	97,317	92,339	18,541	24,271	27,985	1,938,509	59,864	-	59,864	1,998,373
Office expense	274,335	52,793	213,836	12,299	7,270	18,024	578,557	202,376	11,410	213,786	792,343
Direct assistance	50,839	5,219,424	-	16,082	-	460,395	5,746,740	-	-	-	5,746,740
Participant support costs	72,195	103,701	-	-	-	-	175,896	-	-	-	175,896
Materials and supplies	4,682,286	169,110	818,667	11,727	81,484	435,892	6,199,166	54,638	-	54,638	6,253,804
Contracts and consultants	5,003,935	25,658	13,126,143	-	60,746	10,077	18,226,559	591,135	-	591,135	18,817,694
Insurance	227,235	12,412	179,758	170	6,813	272	426,660	59,692	-	59,692	486,352
Repairs and maintenance	381,365	-	180,476	34	21,061	3,228	586,164	23,475	-	23,475	609,639
Stipends	-	261,905	-	-	-	-	261,905	-	-	-	261,905
Telephone	165,903	41,550	158,198	9,121	23,247	18,140	416,159	35,176	-	35,176	451,335
Postage	9,677	4,169	2,522	988	61	711	18,128	6,407	-	6,407	24,535
Advertising	2,969	-	-	323	-	-	3,292	4,424	-	4,424	7,716
Donations	7,260	-	-	-	-	-	7,260	-	-	-	7,260
Interest	62,437	-	-	-	-	-	62,437	29,283	-	29,283	91,720
Depreciation	1,351,636	8,240	1,068,581	-	-	1,822	2,430,279	155,776	-	155,776	2,586,055
	\$ 32,109,088	\$ 7,755,489	\$ 19,737,049	\$ 1,128,609	\$ 688,082	\$ 1,389,544	\$ 62,807,861	\$ 3,112,921	\$ 11,410	\$ 3,124,331	\$ 65,932,192

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statement of Functional Expenses
Year ended June 30, 2021

	Program Services						Supporting Services				Totals
	Early Childhood	Social Support	Transportation	Employment	Housing	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 11,639,860	\$ 1,429,370	\$ 2,318,576	\$ 874,428	\$ 347,825	\$ 252,447	\$ 16,862,506	\$ 919,081	\$ -	\$ 919,081	\$ 17,781,587
Payroll taxes	843,665	103,091	168,975	64,759	25,752	18,322	1,224,564	65,810	-	65,810	1,290,374
Employee benefits	3,748,113	462,952	757,506	210,653	110,636	98,643	5,388,503	313,644	-	313,644	5,702,147
Accounting and auditing	-	-	-	-	-	-	-	106,450	-	106,450	106,450
Travel	21,557	18,905	-	3,531	502	683	45,178	724	-	724	45,902
Training	141,512	25,257	14,852	1,061	1,327	550	184,559	19,685	-	19,685	204,244
Occupancy	1,832,305	100,229	118,576	17,174	23,440	27,760	2,119,484	53,056	-	53,056	2,172,540
Office expense	372,749	78,444	166,686	5,233	37,029	8,143	668,284	175,449	5,406	180,855	849,139
Direct assistance	77,852	3,998,192	-	38,224	-	143,433	4,257,701	-	-	-	4,257,701
Participant support costs	67,513	95,466	-	-	-	-	162,979	-	-	-	162,979
Materials and supplies	3,964,388	162,652	544,254	18,601	53,700	453,494	5,197,089	27,831	-	27,831	5,224,920
Contracts and consultants	4,629,281	16,332	9,757,047	3,760	40,505	3,109	14,450,034	506,805	-	506,805	14,956,839
Insurance	192,416	30	197,884	180	10,458	670	401,638	57,012	-	57,012	458,650
Repairs and maintenance	393,856	300	-	476	15,090	129	409,851	-	-	-	409,851
Stipends	-	372,881	-	-	-	-	372,881	-	-	-	372,881
Telephone	146,410	44,205	125,404	11,470	22,734	18,618	368,841	72,843	-	72,843	441,684
Postage	10,550	4,567	2,857	1,726	50	706	20,456	5,807	-	5,807	26,263
Advertising	3,479	-	-	291	333	-	4,103	4,558	-	4,558	8,661
Donations	158,760	-	-	-	-	-	158,760	-	-	-	158,760
Interest	71,792	-	-	-	-	-	71,792	70,869	-	70,869	142,661
Depreciation	1,031,416	6,830	978,733	-	-	1,822	2,018,801	154,634	-	154,634	2,173,435
	\$ 29,347,474	\$ 6,919,703	\$ 15,151,350	\$ 1,251,567	\$ 689,381	\$ 1,028,529	\$ 54,388,004	\$ 2,554,258	\$ 5,406	\$ 2,559,664	\$ 56,947,668

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Cash Flows
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets without donor restrictions	\$ 3,625,117	\$ 6,197,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,586,055	2,173,435
Unrealized (gain) loss on investments	964,323	(901,004)
Gain on sale of investments	(47,689)	(52,510)
Gain from sale of capital assets	(23,132)	(52,503)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	170,624	279,082
Promise to give	-	53
Contracts and grants receivable	(952,309)	(187,016)
Due from related organizations	(72,825)	64,425
Prepaid expenses	50,393	(44,359)
Interest receivable-related	(47,798)	(67,594)
Increase (decrease) in:		
Accounts payable	1,214,089	1,044,396
Accrued payroll and withholdings	195,522	250,175
Deferred revenue	456,707	298,682
Accrued compensated absences	(123,903)	60,290
Accrued interest	(1,275)	(270)
Due to related organizations	12,860	11,424
Accrued workers' compensation and surplus liability	15,788	8,597
Accrued self-insurance claims	(100,778)	(105,219)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,921,769</u>	<u>8,977,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,651,684)	(5,504,357)
Receipts from sale of capital assets	34,268	54,274
Receipts from sale of investments	316,952	350,476
Purchases of investments	(513,871)	(1,182,923)
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,814,335)</u>	<u>(6,282,530)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(506,476)	(457,378)
NET CASH USED IN FINANCING ACTIVITIES	<u>(506,476)</u>	<u>(457,378)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(399,042)	2,237,753
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>10,159,752</u>	<u>7,921,999</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 9,760,710</u>	<u>\$ 10,159,752</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during year for interest	\$ 92,995	\$ 142,931

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The Organization conducts activities primarily in the seven-county Green River District with some of its services extending into several counties in Kentucky. 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 ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

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

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may be maintained temporarily or 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.

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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

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

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

Property and equipment acquired by the Organization are considered to be owned by Audubon Area Community Services, Inc. However, Federal and State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal and State agencies have a reversionary interest in those assets purchased with funds which cost \$5,000 and \$500 or more, respectively, and have an estimated useful life of at least two years. Depreciation expense was \$2,586,055 and \$2,173,435 for the years ended June 30, 2022 and 2021.

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 differences 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, 2022 and 2021

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.

Program service fees are recognized as services are provided. The performance obligations of delivering daycare services for Head Start and providing transportation services for GRITS are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as daycare and transportation services at a point in time.

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, net of investment fees.

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, Cash Equivalents and Restricted Cash

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

At June 30, 2022, the Organization's bank balances totaled \$9,884,091; of that amount \$250,000 was covered by federal depository insurance and \$9,634,091 was covered by collateral held by Truist.

At June 30, 2021, the Organization's bank balances totaled \$10,213,992; of that amount \$250,000 was covered by federal depository insurance and \$9,963,992 was covered by collateral held by Truist.

Employees are encouraged to make voluntary contributions each pay period to the Employee Fund Raising Account. The purpose of this account is to enable the Organization to participate, along with other Kentucky Community Action Agencies, in national, state and local legislative initiatives on behalf of the Organization's programs serving low-income children, families and seniors. The amounts in the Employee Fund Raising Account at June 30, 2022 and 2021 are \$6,249 and \$14,198, respectively and are considered restricted.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Restricted Cash (continued)

	2022	2021
Cash and cash equivalents	\$ 9,754,461	\$ 10,145,554
Restricted cash	6,249	14,198
Total cash, cash equivalents and restricted cash	<u>\$ 9,760,710</u>	<u>\$ 10,159,752</u>

Gifts-In-Kind

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

All gifts-in-kind received by the Organization for the years ended June 30, 2022 and 2021 were considered without donor restrictions and were able to be used by the Organization as determined by the board of directors and management.

Functional Allocation of Expenses

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

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.

Programs and Support Services

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

Early Childhood Services

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

USDA provides food service program for eligible children and adults.

Social Support Services

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

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and Support Services (continued)

Social Support Services (continued)

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.

Housing Services

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

Community Services

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

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves and employment ads. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2022 and 2021 was \$7,716 and \$8,661, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 through 2021 remain subject to examination by the Internal Revenue Service.

Recent Accounting Pronouncements

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, 2020, and interim periods within fiscal years beginning after December 15, 2021. These effective dates have been extended one year due to COVID-19. 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.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including-in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets and about monetization and utilization during the reporting period, information on donor imposed restrictions, and valuation techniques. The new standard, as amended is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization adopted the standard effective July 2020. The standard did not have a material impact on the financial statements. The Organization has updated disclosures as necessary (See Note K In-Kind/Matching).

NOTE B – CONTRACTS AND GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
U.S. Department of Health and Human Services	\$2,437,188	\$1,791,371
Kentucky Transportation Cabinet	2,114,339	1,704,947
Kentucky Cabinet for Health and Family Services	466,037	469,267
Community Action Kentucky	175,919	233,721
Corporation for National and Community Service	51,803	86,185
Other	<u>248,890</u>	<u>256,376</u>
	<u>\$5,494,176</u>	<u>\$4,541,867</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE C - INVESTMENTS

Investments at June 30, 2022 and 2021 consist of the following:

	2022		2021	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange Traded & Closed End Funds	\$ 2,261,605	\$ 2,344,483	\$ 2,008,913	\$ 2,486,468
Mutual Funds	<u>2,881,716</u>	<u>2,832,630</u>	<u>2,738,758</u>	<u>3,410,361</u>
	<u>\$ 5,143,321</u>	<u>\$ 5,177,113</u>	<u>\$ 4,747,671</u>	<u>\$ 5,896,829</u>

The following schedule summarizes the net investment income and its classification in the statement of activities for the years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Interest income	\$ 138,156	\$ 134,814
Dividend income	240,887	156,957
Unrealized gain (loss) on investments	(964,323)	901,004
Gain on sale of investments	<u>47,689</u>	<u>52,510</u>
Net investment income	<u>\$ (537,591)</u>	<u>\$ 1,245,285</u>

NOTE D – 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, 2022 and 2021, fees in the amount of \$10,159,522, respectively, had been earned. 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, 2022 and 2021 consist of:

	<u>2022</u>	<u>2021</u>
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	\$ 2,358,671	\$ 2,358,671
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	1,192,783	1,192,783
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	3,548,567	3,548,567
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	1,275,595	1,275,595

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE D – RELATED LOAN RECEIVABLES (continued)

	<u>2022</u>	<u>2021</u>
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>10,159,522</u>
Less allowance for doubtful accounts	<u>10,159,522</u>	<u>10,159,522</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 \$127,797 and \$124,718 for the years ended June 30, 2022 and 2021, respectively. Interest receivable from the related loans less allowance amounted to \$550,916 and \$503,118 for the years ended June 30, 2022 and 2021, respectively.

NOTE E – 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:

<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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE F – LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
Building revenue bonds; interest payable monthly, floating rate based on initial fixed rate (4.73% at June 30, 2022 and 2021), principal payable annually in the amount of \$160,000 due January 1, 2029; collateralized by real estate.	\$ 1,120,000	\$ 1,280,000
Promissory note originally for \$1,793,856 maturing on Sept 1, 2025 with an interest rate of 2.37% paid monthly on unpaid principal; collateralized by substantially all business assets.	1,190,015	1,538,127
Subtotal	<u>2,310,015</u>	<u>2,818,127</u>
Less current portion	(508,417)	(506,477)
Less unamortized debt issuance costs	<u>(75,478)</u>	<u>(77,114)</u>
Long-term debt, net of current portion	<u><u>\$ 1,726,120</u></u>	<u><u>\$ 2,234,536</u></u>

The Organization reports amortization of debt issuance costs of \$8,038 and \$14,741 in 2022 and 2021 for these loans as interest expense.

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

Year ending June 30,	<u>Amount</u>
2023	\$ 516,455
2024	524,995
2025	533,739
2026	254,826
2027	160,000
Thereafter	<u>320,000</u>
	<u><u>\$ 2,310,015</u></u>

As of the date of this report, the Organization was in compliance with all financial covenants

NOTE G – LINE OF CREDIT

The Organization has a \$1,000,000 line of credit, of which \$1,000,000 was unused at June 30, 2022 and 2021. Bank advances on the credit line are payable on demand and carry an interest rate of 1.75% over SOFR. The credit line is secured by substantially all business assets.

NOTE H – 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 \$2,051,406 and was \$2,170,451 at June 30, 2022 and 2021, respectively. 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 \$55,680 and \$156,458 as of June 30, 2022 and 2021, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE I – 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.

Of the Net Assets without donor restrictions for 2022 and 2021 fiscal years, the Board designated \$2,902,751, and \$2,622,187 of which \$2,652,751 and \$1,622,187 is for operational needs and \$250,000 is reserved for the agency's self-insurance fund. Also included is \$250,000 and \$750,000 for 2022 and 2021, respectively, to invest into the agency's self-insurance reserve. The Board granted further approval to the organization's management to draw up to \$663,188 and \$243,328 in 2022 and 2021 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 J – 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 \$183,608 and \$185,627 in management fees from related parties for the years ended June 30, 2022 and 2021, respectively. Receivables in the amount of \$85,987 and \$27,995 were due to the Organization from these related parties as of June 30, 2022 and 2021, respectively. Payables in the amount of \$966 and \$1,034 were due to related parties as of June 30, 2022 and 2021, respectively.

NOTE K - 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, 2022 and 2021

NOTE K - IN-KIND/MATCHING (continued)

The following tables illustrate how the in-kind contributions were used in the Organization during 2022 and 2021:

June 30, 2022

	Early Childhood	Transportation	Social Support	Community Services	Total
Space	\$ 1,260,934	\$ 7,800	\$ 44,474	\$ -	\$ 1,313,208
Professional services	142,001	-	2,160	-	144,161
Transportation	1,508,832	-	-	-	1,508,832
Other	2,629,713	-	16,409	379,890	3,026,012
Total	<u>\$ 5,541,480</u>	<u>\$ 7,800</u>	<u>\$ 63,043</u>	<u>\$ 379,890</u>	<u>\$ 5,992,213</u>

June 30, 2021

	Early Childhood	Transportation	Social Support	Community Services	Total
Space	\$ 1,483,206	\$ 36,500	\$ 39,747	\$ -	\$ 1,559,453
Professional services	50,432	-	3,382	-	53,814
Transportation	1,357,959	-	-	-	1,357,959
Other	2,039,698	-	2,608	452,032	2,494,338
Total	<u>\$ 4,931,295</u>	<u>\$ 36,500</u>	<u>\$ 45,737</u>	<u>\$ 452,032</u>	<u>\$ 5,465,564</u>

Space

The Organization receives donated space for the operation of its Head Start and Early Head Start programs. Donated space includes the following categories: indoor space, outdoor space, and utilities. Donated Indoor space comprises a majority of all donated space. Donated indoor space is recorded in the financial statements as revenue and expense using an estimate of the square footage occupied times the rates from certified appraisals. For the years ended June 30, 2022 and 2021, the estimated value per square foot for donated indoor space ranged from \$2.40 to \$8.40 per square foot. These values were determined based upon an appraisal dated July 26, 2019 where 46 properties were analyzed. The Organization has a policy to update appraisals every three years.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE K - IN-KIND/MATCHING (continued)

Transportation

The Organization receives donated transportation for the operation of its Head Start and Early Head Start programs. Donated transportation includes transportation donated by school systems for the Organization's Head Start and Early Head Start program participants. Donated transportation is recorded in the financial statements as revenue and expense using an estimate of the per child cost for the related transportation service. For the years ended June 30, 2022 and 2021, the estimated value per program participant was \$1,610. This value was determined by using rates from a previous service provider contract.

Other

Other in-kind primarily includes donated educational services. The Organization receives donated educational services for the operation of its Head Start and Early Head Start programs. Donated educational services includes the following categories: At Risk, Speech, Developmental Delay, and Severe Disability. Donated educational services are recorded in the financial statements as revenue and expense using the per child cost for the related preschool program. For the year ended June 30, 2022, the estimated values were \$5,073, \$5,073, \$5,073, and \$9,638. For the year ended June 30, 2021, the estimated values were \$3,491, \$3,491, \$3,491, and \$6,634. These values are provided by the Kentucky Board of Education. Each spring, the Kentucky Board of Education establishes per-child rates for the Kentucky Preschool Program for the upcoming school year based on the budget approved by the legislature.

Volunteer Hours

In addition, a number of volunteers have donated over 186,935 hours and 186,935 hours to the Organization's services for the years ended June 30, 2022 and 2021, respectively. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

NOTE L - 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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE L - RETIREMENT BENEFITS (continued)

Multi-Employer Pension Plan (continued)

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 21.17% and 19.3% for the years ended June 30, 2022 and 2021 of participating non-hazardous duty employees' annual creditable compensation. Normal compensation and past service contribution rates are determined in accordance with KRS 61.565 (3) on the basis of an annual valuation.

The Organization contributed \$3,507,761 and \$3,006,233 for the years ending June 30, 2022 and 2021. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of 2022 and 2021 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, 2021 and 2020 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2021	2020
Total Pension Liability	\$14,941,437	\$14,697,244
Plan Fiduciary Net Position	8,565,652	7,027,327
Net Pension Liability	<u>\$ 6,375,785</u>	<u>\$ 7,669,917</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	57.33%	47.81%

The percentage of the Organization's contribution to total employers' contribution is .632245% and .565912% and the Organization's portion of the net pension liability is \$40,310,578 and \$43,404,982 for June 30, 2021 and 2020, respectively.

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

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

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

Form 5500 is not required for this plan.

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

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE L - RETIREMENT BENEFITS (continued)

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

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

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

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of June 30, 2022 and 2021, the year end of the plan, was 5.78% and 4.76% of participating members' compensations. The contribution requirement of the Organization to the KRS Insurance Fund for the years ended June 30, 2022 and 2021 was \$957,716 and \$741,434, respectively. There have been no significant changes that affect comparability of 2022 and 2021 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, 2021 and 2020 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2021	2020
Total OPEB Liability	\$ 5,161,251	\$ 4,996,309
Plan Fiduciary Net Position	3,246,801	2,581,613
Net OPEB Liability	<u>\$ 1,914,450</u>	<u>\$ 2,414,696</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	62.91%	51.67%

The percentage of the Organization's contribution to total employers' contribution is .632097% and .565781% and the Organization's portion of the net OPEB liability is \$12,101,811 and \$13,661,891 for June 30, 2021 and 2020, respectively.

NOTE M – 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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE M – FAIR VALUE MEASUREMENTS (continued)

- 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		
<u>Recurring fair value measurements:</u>		In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022	Fair Value			
ETCE funds	\$ 2,344,483	\$ 2,344,483	\$ -	\$ -
Mutual funds	2,832,630	2,832,630	-	-
Total	<u>\$ 5,177,113</u>	<u>\$ 5,177,113</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Recurring fair value measurements:</u>				
June 30, 2021				
ETCE funds	\$ 2,486,468	\$ 2,486,468	\$ -	\$ -
Mutual funds	3,410,361	3,410,361	-	-
Total	<u>\$ 5,896,829</u>	<u>\$ 5,896,829</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE N – CONCENTRATIONS

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

During the year ended June 30, 2022, federal and state grants related to the Head Start and the GRITS programs amounted to \$29,843,283 and \$18,292,718 or 42.9% and 26.3% of the Organization's total revenue.

During the year ended June 30, 2021, federal and state grants related to the Head Start and the GRITS programs amounted to \$26,860,496 and \$16,741,944 or 42.5% and 26.5% of the Organization's total revenue.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE O – DISAGGREGATED SUPPORT AND REVENUE

A summary of disaggregated support and revenue information follows:

For the years ended June 30,	2022		2021	
	GRITS	Head Start	GRITS	Head Start
Contracts with customers	\$ 321,225	\$ 1,472,023	\$ 270,445	\$ 1,205,816
Federal and state grants	18,292,718	29,843,283	16,741,944	26,860,496
In-kind	7,800	5,538,510	36,500	5,181,856
Other	57,031	1,996,569	92,334	179,333
Total	<u>\$ 18,678,774</u>	<u>\$ 38,850,385</u>	<u>\$ 17,141,223</u>	<u>\$ 33,427,501</u>

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, 2022 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:

June 30	Provisional Rate	Actual Rate
2020	15.20%	15.00%
2021	15.20%	15.00%
2022	14.00%	14.00%

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.

Construction Projects

As of June 30, 2022, the Organization had commitments to various contractors for the construction of a new Head Start Preschool located at 733 Chapel Hill Road, Marion, Kentucky. The total estimated costs for the project is \$6,947,805. As of June 30, 2022, \$5,046,822 had been spent with remaining costs expected at \$1,900,983.

As of June 30, 2022, the Organization had commitments to various contractors for the expansion of its GRITS office located at 222 St. Elizabeth Street, Owensboro, Kentucky. The total estimated costs for the project is \$2,000,000. As of June 30, 2022, \$664,244 had been spent with remaining costs expected at \$1,335,756.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

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 other risks of loss, including errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Organization is a defendant in a lawsuit. The Organization's insurance policy is defending the claim and potential damages would be within the limits of the policy. There is, however, a potential for liability to the Organization on the basis of certain legal doctrines.

NOTE R – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	2022	2021
Financial assets, at year end:		
Cash and cash equivalents	\$ 9,760,710	\$ 10,159,752
Contracts and grants receivable	5,494,176	4,541,867
Accounts receivable	433,637	604,261
Due from related organizations	270,026	197,201
Investments	5,177,113	5,896,829
Interest receivable - related	550,916	503,118
	<hr/>	<hr/>
Total financial assets, at year end	21,686,578	21,903,028
Less those unavailable for general expenditure within one year, due to		
Contractual or donor-imposed restrictions:		
Interest receivable - related	(550,916)	(503,118)
Board designations:		
Investments reserved for long-term purposes	(2,274,362)	(3,274,642)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,861,300</u>	<u>\$ 18,125,268</u>

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE S – SUBSEQUENT EVENTS

Imagination Library

Effective September 30, 2022, the activities related to the Imagination Library was divested from the operations of the Organization. As of June 30, 2022, the balances and activities related to the Imagination Library were as follows:

	<u>2022</u>
Cash and cash equivalents	\$ 71,678
Investments	326,947
Prepaid expense	3,443
Total assets	<u>\$ 402,068</u>
Liabilities	\$ 5,373
Net assets	396,695
Total liabilities and net assets	<u>\$ 402,068</u>
Total revenue	\$ 116,269
Total expense	91,935
Change in net assets	<u>\$ 24,334</u>

Partnership Interest Purchase

On December 7, 2022, Audubon Learning Villa, LLC, a subsidiary of the Organization, purchased a limited partner's 99.9% interest in The Learning Villa, Ltd. (the partnership) for a purchase price of \$2,000. With the purchase, Audubon Learning Villa, LLC has a 99.95% interest in the partnership. Audubon Learning Villa, LLC is currently in the process of obtaining the remaining 0.05% interest in the partnership. As of December 31, 2021, the value of the partnership's total assets, liabilities, and equity were \$5,459,678, \$1,481,219, and \$3,978,459, respectively. The Organization is expected to recognize the partnership using the equity method of accounting.

The Organization did not have any other subsequent events through March 15, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure on the financial statements for the year ended June 30, 2022.

SUPPLEMENTARY INFORMATION

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2020 through November 30, 2021

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 21,215,517	\$ 21,215,517	\$ -
Local sources	-	49,561	(49,561)
Grantee's contribution	5,040,739	5,212,461	(171,722)
TOTAL REVENUE	<u>26,256,256</u>	<u>26,477,539</u>	<u>(221,283)</u>
EXPENSES			
Administration for Children and Families Share: Head Start Full-Year/ Part-Day (CAN G044122)			
Direct Costs			
Personnel	6,770,114	6,809,335	(39,221)
Fringe benefits	2,701,330	2,754,910	(53,580)
Travel	9,000	1,845	7,155
Occupancy	310,202	255,153	55,049
Program supplies	1,391,356	1,241,569	149,787
Other	3,903,975	3,333,907	570,068
Total Direct Costs	15,085,977	14,396,719	689,258
Indirect Costs	1,015,517	983,685	31,832
Total	<u>16,101,494</u>	<u>15,380,404</u>	<u>721,090</u>
Early Head Start (CAN G044125)			
Direct Costs			
Personnel	3,104,858	3,110,652	(5,794)
Fringe benefits	1,282,243	1,304,710	(22,467)
Travel	-	749	(749)
Occupancy	10,703	92,733	(82,030)
Program supplies	-	223,523	(223,523)
Other	(10,603)	397,975	(408,578)
Total Direct Costs	4,387,201	5,130,342	(743,141)
Indirect Costs	465,729	449,601	16,128
Total	<u>4,852,930</u>	<u>5,579,943</u>	<u>(727,013)</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2020 through November 30, 2021

	Approved Budget	Actual	COB Balance Current Year
EXPENSES (continued)			
Head Start T & TA - CDA (CAN G044120 and G044121)			
Direct Costs			
Travel	\$ 181,854	\$ 36,395	\$ 145,459
Supplies	25,739	97,836	(72,097)
Other	53,500	126,862	(73,362)
	<u>261,093</u>	<u>261,093</u>	<u>-</u>
Total Direct Costs	<u>261,093</u>	<u>261,093</u>	<u>-</u>
Total Expenses - Administration for Children and Families	21,215,517	21,221,440	(5,923)
Grantee's Share Head Start Full-Year/Part-Day and Early Head Start Grantee	<u>5,040,739</u>	<u>5,212,461</u>	<u>(171,722)</u>
TOTAL EXPENSES	<u>26,256,256</u>	<u>26,433,901</u>	<u>(177,645)</u>
REVENUE OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ 43,638</u>	<u>\$ (43,638)</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730-C3
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2020 through November 30, 2021

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 1,329,050	\$ 808,830	\$ 520,220
TOTAL REVENUE	<u>1,329,050</u>	<u>808,830</u>	<u>520,220</u>
EXPENSES			
Administration for Children and Families Share: Head Start (CAN G040900)			
Direct Costs			
Occupancy	-	1,256	(1,256)
Program supplies	1,023,604	517,502	506,102
Other	305,446	272,933	32,513
Total	<u>1,329,050</u>	<u>791,691</u>	<u>537,359</u>
Early Head Start (CAN G040900)			
Direct Costs			
Program supplies	-	16,725	(16,725)
Other	-	414	(414)
Total	<u>-</u>	<u>17,139</u>	<u>(17,139)</u>
TOTAL EXPENSES	<u>1,329,050</u>	<u>808,830</u>	<u>520,220</u>
REVENUE OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AUDUBON AREA COMMUNITY SERVICES, INC.

EARLY HEAD START

CONTRACT NUMBER 04HP000356

STATEMENT OF REVENUE AND EXPENSES

For the period September 1, 2020 through August 31, 2021

REVENUE

Contract or grant	\$	1,749,996
Program income		56,418
Grantee's contribution		143,091

TOTAL REVENUE		<u>1,949,505</u>
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EXPENSES

Administration for

Children and Families Share:

Early Head Start (CAN G049128)

Direct Costs

Personnel	698,517
Fringe benefits	263,461
Travel	110
Occupancy	7,561
Program supplies	43,030
Other	609,158

Total Direct Costs	<u>1,621,837</u>
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Indirect Costs	<u>103,646</u>
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Total	<u>1,725,483</u>
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Early Head Start T & TA (CAN G049121)

Direct Costs

Personnel	12,680
Fringe benefits	4,292
Travel	1,034
Supplies	1,237
Other	3,368

Total Direct Costs	<u>22,611</u>
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Indirect Costs	<u>1,902</u>
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Total	<u>24,513</u>
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Total Expenses - Administration
for Children and Families

1,749,996

Grantee's Share:

Early Head Start

Grantee

143,091

TOTAL EXPENSES	<u>1,893,087</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 56,418</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
EARLY HEAD START
CONTRACT NUMBER 04HP000356-C3
STATEMENT OF REVENUE AND EXPENSES
For the period September 1, 2020 through August 31, 2021

REVENUE

Contract or grant	\$ <u>48,064</u>
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TOTAL REVENUE	<u>48,064</u>
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EXPENSES

Administration for
Children and Families Share:

Early Head Start T & TA (CAN G049121)

Direct Costs	
Supplies	30,995
Other	<u>17,069</u>

Total Direct Costs	<u>48,064</u>
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Total	<u>48,064</u>
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TOTAL EXPENSES	<u>48,064</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 04CH011269
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES

For the period November 1, 2020 through October 31, 2021

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 571,969	\$ 571,969	\$ -
Grantee's contribution	-	108,765	(108,765)
TOTAL REVENUE	571,969	680,734	(108,765)
EXPENSES			
Western Kentucky University:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Direct Costs			
Personnel	108,372	125,504	(17,132)
Fringe benefits	55,764	49,736	6,028
Occupancy	23,077	16,036	7,041
Program supplies	29,320	19,100	10,220
Other	335,390	339,658	(4,268)
Total Direct Costs	551,923	550,034	1,889
Indirect Cost	16,255	18,144	(1,889)
Total	568,178	568,178	-
Head Start CDA Training (Program			
Account 20) Direct Costs			
Travel	2,161	722	1,439
Supplies	860	1,272	(412)
Other	770	1,797	(1,027)
Total	3,791	3,791	-
Total Expenses - Western			
Kentucky University	571,969	571,969	-

HEAD START - DELEGATE AGENCY CONTRACT 04CH011269
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES
For the period November 1, 2020 through October 31, 2021

	Approved Budget	Actual	COB Balance Current Year
EXPENSES (continued)			
Delegate Agency's Share:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Delegate Agency	\$ -	\$ 108,765	\$ (108,765)
TOTAL EXPENSES	<u>571,969</u>	<u>680,734</u>	<u>(108,765)</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04CH011269-01 - COVID
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES

For the period November 1, 2020 through October 31, 2021

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 26,280	\$ 26,280	\$ -
TOTAL REVENUE	<u>26,280</u>	<u>26,280</u>	<u>-</u>
EXPENSES			
Western Kentucky University:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Direct Costs			
Personnel	5,000	18,000	(13,000)
Fringe benefits	1,960	5,760	(3,800)
Program supplies	18,620	-	18,620
	<u>25,580</u>	<u>23,760</u>	<u>1,820</u>
Total Direct Costs	25,580	23,760	1,820
Indirect Cost	700	2,520	(1,820)
	<u>26,280</u>	<u>26,280</u>	<u>-</u>
Total	26,280	26,280	-
TOTAL EXPENSES	<u>26,280</u>	<u>26,280</u>	<u>-</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04HE000788-01 - CRSSA
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES

For the period November 1, 2020 through October 31, 2021

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 53,874	\$ 53,874	\$ -
TOTAL REVENUE	<u>53,874</u>	<u>53,874</u>	<u>-</u>
EXPENSES			
Western Kentucky University:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Direct Costs			
Personnel	-	11,900	(11,900)
Fringe benefits	-	4,184	(4,184)
Program supplies	38,874	35,644	3,230
Other	15,000	480	14,520
	<u>53,874</u>	<u>52,208</u>	<u>1,666</u>
Total Direct Costs	53,874	52,208	1,666
Indirect Cost	<u>-</u>	<u>1,666</u>	<u>(1,666)</u>
Total	<u>53,874</u>	<u>53,874</u>	<u>-</u>
TOTAL EXPENSES	<u>53,874</u>	<u>53,874</u>	<u>-</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DISASTER ASSISTANCE
CONTRACT NUMBER 04ND000032-01
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2021 through December 31, 2021

REVENUE

Contract or grant	\$ <u>1,650,709</u>
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EXPENSES

Construction	<u>1,650,709</u>
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REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - CRRSA
CONTRACT NUMBER 04HE000640-01-C6
STATEMENT OF REVENUE AND EXPENSES
For the period April 1, 2021 through March 31, 2022

REVENUE

Contract or grant	\$ <u>924,905</u>
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EXPENSES

Direct Costs	
Personnel	179,326
Fringe benefits	55,677
Program supplies	409,238
Other	<u>29,727</u>

Total Direct Costs	673,968
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Indirect Cost	<u>250,937</u>
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Total	<u>924,905</u>
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TOTAL EXPENSES	<u>924,905</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
CHILD AND ADULT CARE FOOD PROGRAM
CONTRACT NUMBER 11381
STATEMENT OF REVENUE AND EXPENSES
For the period October 1, 2020 through September 30, 2021

REVENUE

USDA - Special food service program	\$ <u>585,401</u>
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EXPENSES

Food	<u>582,755</u>
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REVENUE OVER (UNDER) EXPENSES	\$ <u><u>2,646</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
COMMUNITY SERVICES BLOCK GRANT
CONTRACT NUMBER 736-2100001601
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 457,304
In-kind	<u>380,870</u>

TOTAL REVENUE	<u>838,174</u>
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EXPENSES

Salaries	232,404
Fringes	111,746
Travel	2,052
Space costs	27,747
Office supplies	10,696
Direct assistance	14,054
Telephone	17,538
Other	9,930
Indirect costs	<u>31,137</u>

Total expense - Kentucky Cabinet for Health & Family Services	457,304
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Non-federal in-kind	<u>380,870</u>
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TOTAL EXPENSES	<u>838,174</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
COMMUNITY SERVICES BLOCK GRANT
CONTRACT NUMBER 736-2100001601 - COVID
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Kentucky Cabinet for Health & Family Services	\$	381,722
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TOTAL REVENUE		<u>381,722</u>
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EXPENSES

Salaries		44,709
Fringes		20,043
Direct assistance		257,529
Other		53,981
Indirect costs		<u>5,460</u>

Total expense - Kentucky Cabinet for Health & Family Services		381,722
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Non-federal in-kind		<u>-</u>
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TOTAL EXPENSES		<u>381,722</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 736-2200001421
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Kentucky Cabinet for Health and Family Services	\$ 1,201,042
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EXPENSES

Salaries	646,466
Fringes	254,421
Travel	32,237
Space costs	14,920
Office supplies	30,365
Direct assistance	23,842
Telephone	15,941
Other	91,974
Indirect costs	90,876

TOTAL EXPENSES	1,201,042
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
KENTUCKY WORKS
CONTRACT NUMBER 736-2000001597
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Kentucky Cabinet for Health & Family Services	\$	718,877
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EXPENSES

Salaries		423,706
Fringes		165,193
Travel		22,460
Space costs		12,916
Wage subsidy		16,082
Supplies		11,313
Other		8,067
Indirect		59,140

TOTAL EXPENSES		718,877
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
SNAP E&T
CONTRACT NUMBER 736-2000001597
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Kentucky Cabinet for Health & Family Services	\$	190,434
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EXPENSES

Salaries		116,585
Fringes		49,037
Travel		2,024
Space costs		399
Supplies		5,693
Other		2
Indirect		16,694

TOTAL EXPENSES		190,434
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2100001642
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Community Action Kentucky	\$ 1,731,208
---------------------------	--------------

EXPENSES

Salaries	54,171
Fringes	20,063
Direct assistance	1,636,722
Other	13,089
Indirect costs	7,163

TOTAL EXPENSES	1,731,208
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2100001642 - ARPA
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Community Action Kentucky	\$ 2,906,813
---------------------------	--------------

EXPENSES

Salaries	122,203
Fringes	34,993
Direct assistance	2,719,409
Other	12,992
Indirect costs	17,216

TOTAL EXPENSES	2,906,813
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2100001642 - COVID LIHWAP
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Community Action Kentucky	\$	850,034
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EXPENSES

Salaries		7,380
Fringes		1,927
Direct assistance		839,451
Other		(69)
Indirect costs		1,345

TOTAL EXPENSES

850,034

REVENUE OVER (UNDER) EXPENSES

	\$	-
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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, 2021 through June 30, 2022

REVENUE

Community Action Kentucky	\$ 220,817
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EXPENSES

Administration	1,167
WX materials	1,826
WX support	165,670
WX labor	1,434
H&S materials	25,304
H&S labor	20,704
Liability insurance	3,021
T&TA	1,691

TOTAL EXPENSES	220,817
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM
CONTRACT NUMBER 725-2000002889
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$ 298,257
In-kind	<u>96,368</u>

TOTAL REVENUE	<u>394,625</u>
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EXPENSES

Salaries	247,102
Fringes	27,714
Travel	4,039
Other	<u>19,403</u>

Total expenses - grant	298,257
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Non-federal in-kind expense	<u>96,368</u>
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TOTAL EXPENSES	<u>394,625</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, 2021 through June 30, 2022

REVENUE

Local sources	\$	130,648
Unrealized gain(loss) on investments		(32,659)
Investment income		<u>18,279</u>

TOTAL REVENUE

116,268

EXPENSES

Program materials and supplies		<u>91,935</u>
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REVENUE OVER (UNDER) EXPENSES

\$ 24,333

AUDUBON AREA COMMUNITY SERVICES, INC.
GREEN RIVER INTRA-COUNTY TRANSIT SYSTEM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Kentucky Transportation Cabinet	\$ 18,292,718
Program income	321,225
Local sources	57,031
In-kind	<u>7,800</u>

TOTAL REVENUE	<u><u>18,678,774</u></u>
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EXPENSES

Salaries	2,720,778
Fringes	1,126,925
Travel	23,671
Space costs	84,898
Office supplies	47,321
Fuel	641,839
Parts & maintenance	118,034
Vehicles & equipment	31,286
Contractual & consulting	13,245,863
Vehicle insurance	149,713
Telephone	158,198
Other	1,101,746
Indirect	<u>380,793</u>

Total expense - Kentucky Transportation Cabinet	19,831,065
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Non-federal in-kind	<u>7,800</u>
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TOTAL EXPENSES	<u><u>19,838,865</u></u>
-----------------------	--------------------------

REVENUE OVER (UNDER) EXPENSES	<u><u>\$ (1,160,091)</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
WINTERCARE PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$ <u>9,036</u>
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EXPENSES

Direct assistance	<u>9,036</u>
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REVENUE OVER (UNDER) EXPENSES

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

AUDUBON AREA COMMUNITY SERVICES, INC.
WEATHERIZATION PROGRAM
CONTRACT NUMBER DOE WX-001
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Community Action Kentucky	\$	148,307
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EXPENSES

Administration		18,244
WX materials		51,367
WX support		33,389
WX labor		40,360
Liability insurance		3,921
Training		1,026

TOTAL EXPENSES		148,307
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
SENIOR COMPANION PROGRAM
CONTRACT NUMBER 21SCCKY003
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$ 287,590
Local sources	31,105
In-kind	<u>16,954</u>

TOTAL REVENUE

335,649

EXPENSES

Federal:

Salaries	67,216
Fringe benefits	22,929
Occupancy	5,288
Volunteer travel	15,478
Volunteer stipends	143,654
Other expenses	23,521
Indirect costs	<u>9,504</u>

Total expenses - grant

287,590

Non-federal:

Volunteer travel	2,882
Other expenses	917
In-kind - services and other	<u>16,954</u>

Total expenses - non-federal

20,754

TOTAL EXPENSES

308,344

REVENUE OVER (UNDER) EXPENSES

\$ 27,305

AUDUBON AREA COMMUNITY SERVICES, INC.
FOSTER GRANDPARENT PROGRAM
CONTRACT NUMBER 21SFCKY004
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$ 218,521
Local sources	18,222
In-kind	<u>20,317</u>

TOTAL REVENUE

257,060

EXPENSES

Federal:

Salaries	45,976
Fringe benefits	20,039
Volunteer travel	4,310
Volunteer stipends	118,251
Other expenses	23,311
Indirect costs	<u>6,634</u>

Total expenses - grant

218,521

Non-federal:

Volunteer travel	4,293
Other expenses	932
In-kind - services and other	<u>20,317</u>

Total expenses - non-federal

25,542

TOTAL EXPENSES

244,063

REVENUE OVER (UNDER) EXPENSES

\$ 12,997

AUDUBON AREA COMMUNITY SERVICES, INC.
RETIRED AND SENIOR VOLUNTEER PROGRAM
CONTRACT NUMBER 21SRCKY005
STATEMENT OF REVENUE AND EXPENSES
For the period April 1, 2021 through March 31, 2022

REVENUE

Grant revenue	\$ 143,877
Local sources	20,463
In-kind	22,836

TOTAL REVENUE

187,176

EXPENSES

Federal:

Salaries	57,131
Fringe benefits	23,558
Volunteer travel	26,559
Other expenses	28,510
Indirect costs	8,119

Total expenses - grant

143,877

Non-federal:

Volunteer travel	12,794
Other expenses	3,311
In-kind - services and other	22,836

Total expenses - non-federal

38,941

TOTAL EXPENSES

182,818

REVENUE OVER (UNDER) EXPENSES

\$ 4,358

AUDUBON AREA COMMUNITY SERVICES, INC.
ENERGY CARES PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2021 through December 31, 2021

REVENUE

Atmos Energy	\$ 18,009
Donations	12,884

TOTAL REVENUE

30,893

EXPENSES

Materials and supplies	27,807
Contract labor	14,503
Overhead expense	999

TOTAL EXPENSES

43,309

REVENUE OVER (UNDER) EXPENSES

\$ (12,416)

AUDUBON AREA COMMUNITY SERVICES, INC.
KYNECTOR PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$ 408,045
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TOTAL REVENUE

408,045

EXPENSES

Salaries	215,014
Fringes	106,934
Travel	8,396
Space costs	14,759
Other	32,695
Indirect costs	<u>30,247</u>

TOTAL EXPENSES

408,045

REVENUE OVER (UNDER) EXPENSES

\$ -

AUDUBON AREA COMMUNITY SERVICES, INC.
VISTA PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$	4,000
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TOTAL REVENUE		4,000
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EXPENSES

Contractual & consulting		4,000
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TOTAL EXPENSES		4,000
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
CDBG CV UTILITY ASSISTANCE PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2021 through June 30, 2022

REVENUE

Grant revenue	\$ <u>146,914</u>
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EXPENSES

Direct assistance	<u>146,914</u>
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TOTAL EXPENSES	<u><u>146,914</u></u>
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REVENUE OVER (UNDER) EXPENSES	\$ <u><u>-</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>		<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Passed through Kentucky Department of Education:					
Child and Adult Care Food Program	10.558	(1)	11381	\$ -	\$ 133,588
Child and Adult Care Food Program	10.558	(2)	11381	-	676,205
Total U.S. Department of Agriculture				-	809,793
<u>U.S. Department of Health and Human Services</u>					
Head Start Cluster:					
Direct:					
Head Start	93.600	(3)	04CH010730-03	-	9,448,570
Head Start	93.600	(4)	04CH010730-04	-	11,996,526
Head Start - COVID	93.600	(5)	04CH010730-03-C3	-	561,406
Head Start - COVID	93.600	(6)	04CH010730-04-C3	-	240,919
Head Start	93.600	(7)	04HP000356-02	-	309,806
Head Start	93.600	(8)	04HP000356-03	-	1,350,937
Head Start - COVID	93.600	(9)	04HP000356-02-C3	-	15,796
Head Start - COVID	93.600	(10)	04HP000356-03-C3	-	22,241
Head Start - CRRSA	93.600		04-HE000640-01	-	1,146,437
Passed through Western Kentucky University:					
Head Start	93.600	(11)	04CH011269-001	-	380,759
Head Start	93.600	(12)	04CH011269-02-001	-	211,708
Head Start - COVID	93.600	(13)	04CH011269-001	-	25,215
Head Start - CRRSA	93.600	(14)	04HE000788-01-00	-	53,874
Total 93.600				-	25,764,194
Direct:					
Head Start - Disaster Assistance	93.356		04ND000032-01-00	-	4,516,798
Total Head Start Cluster				-	30,280,992

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Passed through Kentucky Cabinet for Health and Family Services:				
Community Services Block Grant	93.569	736-2100001601	\$ -	\$ 457,304
Community Services Block Grant - COVID	93.569	736-2100001601	-	381,722
Total 93.569			-	839,026
Passed through Kentucky Cabinet for Health and Family Services:				
Community Services Block Grant	93.570		-	3,940
Passed through Kentucky Cabinet for Health and Family Services:				
Temporary Assistance for Needy Families	93.558	736-2000001597	-	718,877
Temporary Assistance for Needy Families	93.558	736-2000001597	-	190,434
		736-2200001421;		
Temporary Assistance for Needy Families	93.558	736-2000003287	-	297,756
Total 93.558			-	1,207,067
Passed through Kentucky Cabinet for Health and Family Services:				
Title IV-E Prevention Program	93.472	736-2200001421; 736-2000003287	-	701,275
Passed through Kentucky Cabinet for Health and Family Services:				
Promoting Safe and Stable Families	93.556	736-2200001421; 736-2000003287	-	202,011
Passed through Kentucky Housing Corporation:				
Low-Income Home Energy Assistance Program	93.568	LHWX-001	-	220,817
Passed through Community Action Kentucky:				
Low-Income Home Energy Assistance Program	93.568	736-2100001642	-	1,731,208
Low-Income Home Energy Assistance Program - COVID	93.568	736-2100001642	-	2,906,813
Low-Income Home Energy Assistance Program - COVID	93.568	736-2100001642	-	850,034
Total 93.568			-	5,708,872
Total U.S. Department of Health and Human Services			-	38,943,183

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Labor</u>				
Passed through the Kentucky Department for Aging and Independent Living: Senior Community Service Employment Program	17.235	725-2000002889	\$ -	\$ 298,257
Total U.S. Department of Labor			-	298,257
<u>U.S. Department of Transportation</u>				
Passed through Kentucky Transportation Cabinet:				
Formula Grants for Rural Areas	20.509	KY-2018-015-03; R111518635	-	13,000
Formula Grants for Rural Areas - COVID	20.509	KY-2021-011-00; C11121114	-	502,418
Total U.S. Department of Transportation			-	515,418
<u>U.S. Department of Energy</u>				
Passed through Kentucky Housing Corporation:				
Weatherization Assistance for Low-Income Persons	81.042	DOEWX-001 WX22-0598-02	-	148,307
Total U.S. Department of Energy			-	148,307
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the Kentucky Department of Local Government:				
Community Development Block Grants - COVID	14.228	1122100003138-1	-	54,114
Community Development Block Grants - COVID	14.228	1122100003140-1	-	8,607
Community Development Block Grants - COVID	14.228	1122100003142-1	-	21,697
Community Development Block Grants - COVID	14.228	1122100003141-1	-	14,409
Community Development Block Grants - COVID	14.228	1122100003143-1	-	38,586
Community Development Block Grants - COVID	14.228	1122100003173-1	-	9,501
Total U.S. Department of Housing and Urban Development			-	146,914

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Corporation for National and Community Service</u>				
Foster Grandparent/Senior Companion Cluster:				
Direct:				
Foster Grandparent Program	94.011	21SFCKY004	\$ -	\$ 218,521
Senior Companion Program	94.016	21SCCKY003	-	287,590
Total Foster Grandparent/Senior Companion Cluster			-	506,111
Direct:				
Retired and Senior Volunteer Program	94.002	(15) 21SRCKY005		105,499
Retired and Senior Volunteer Program	94.002	(16) 21SRCKY005	-	34,067
Total 94.002			-	139,566
Direct:				
Volunteers in Service to America	94.013	17VSSKY003	-	4,000
Total Corporation for National and Community Service			-	649,677
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ -	\$ 41,511,549

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

- (1) 3 months through September 30, 2021
- (2) 9 months through June 30, 2022
- (3) 5 months through November 30, 2021
- (4) 7 months through June 30, 2022
- (5) 5 months through November 30, 2021
- (6) 7 months through June 30, 2022
- (7) 2 months through August 31, 2021
- (8) 10 months through June 30, 2022
- (9) 2 months through August 31, 2021
- (10) 10 months through June 30, 2022
- (11) 8 months through June 30, 2022
- (12) 4 months through October 31, 2021
- (13) 4 months through October 31, 2021
- (14) 4 months through October 31, 2021
- (15) 9 months through March 31, 2022
- (16) 3 months through June 30, 2022

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Audubon Area Community Services, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Uniform Guidance*. Because the Schedule presents only a selected portion of the operations of Audubon Area Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Audubon Area Community Services, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – OTHER FEDERAL AWARDS

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

NOTE D – INDIRECT COST RATE

Audubon Area Community Services, Inc. has a negotiated indirect rate and therefore does not use the 10% de minimus indirect cost rate.

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, 2022, 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, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Altaden & Company CPAS PSC". The signature is written in a cursive, flowing style.

Owensboro, Kentucky
March 15, 2023

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

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

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited Audubon Area Community Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Audubon Area Community Services, Inc.'s major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Audubon Area Community Services, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Audubon Area Community Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Audubon Area Community Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Audubon Area Community Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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



Owensboro, Kentucky
March 15, 2023

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Audubon Area Community Services, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Audubon Area Community Services, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Audubon Area Community Services, Inc. expresses an unmodified opinion on all federal programs.
6. No audit findings that are required to be reported in accordance with 2CFR Section 200.516(a) are reported in the Schedule.
7. The programs tested as a major programs are:

Head Start Cluster
10.558 Child and Adult Care Food Program
8. The threshold for distinguishing Types A and B programs was \$1,245,346.
9. The Organization was determined to be a low-risk auditee.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2021

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None