

AUDUBON AREA COMMUNITY SERVICES, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023 AND 2022

AUDUBON AREA COMMUNITY SERVICES, INC.
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June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 supplemental statements of revenues and expenses (pages 34-63), schedule of expenditures of federal awards and the notes to the schedule of expenditures of federal awards (pages 64-69), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the 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 statements of revenues and expenses, schedule of expenditures of federal awards, and notes to the schedule of federal awards are fairly stated, in all material respects, in relation to the 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 11, 2024, 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 11, 2024

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,531,198	\$ 9,754,461
Restricted cash	8,713	6,249
Contracts and grants receivable	4,402,908	5,494,176
Accounts receivable	255,593	433,637
Due from related organizations	73,976	99,252
Investments	5,153,966	5,177,113
Investment in real estate venture	5,134,076	-
Prepaid expenses	335,142	244,202
	<u>25,895,572</u>	<u>21,209,090</u>
TOTAL CURRENT ASSETS		
	<u>25,895,572</u>	<u>21,209,090</u>
PROPERTY AND EQUIPMENT		
Land	1,408,904	1,355,634
Land improvements	1,753,722	1,109,883
Buildings	23,669,532	18,253,704
Buildings improvements	11,887,803	10,753,546
Furniture and furnishings	360,572	333,990
Equipment	5,914,564	5,251,314
Vehicles	11,050,867	10,051,527
Construction in progress	2,115,699	6,094,586
	<u>58,161,663</u>	<u>53,204,184</u>
Less accumulated depreciation	<u>(23,846,023)</u>	<u>(21,105,633)</u>
	<u>34,315,640</u>	<u>32,098,551</u>
NET PROPERTY AND EQUIPMENT		
	<u>34,315,640</u>	<u>32,098,551</u>
OTHER ASSETS		
Right-of-use lease assets	98,446	-
Interest receivable - related, net of allowances of \$1,479,037 and \$1,204,148, respectively	<u>125,862</u>	<u>550,916</u>
	<u>224,308</u>	<u>550,916</u>
TOTAL OTHER ASSETS		
	<u>224,308</u>	<u>550,916</u>
TOTAL ASSETS	<u><u>\$ 60,435,520</u></u>	<u><u>\$ 53,858,557</u></u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 2,142,760	\$ 4,066,153
Accrued payroll	987,541	1,747,764
Deferred revenue	713,764	759,767
Payroll withholdings	621,439	607,422
Accrued compensated absences	519,913	611,787
Accrued interest	5,249	6,539
Accrued workers' compensation surplus liability	98,016	103,909
Accrued self-insurance claims	247,129	55,680
Current portion of long-term debt	516,957	508,417
	<u>5,852,768</u>	<u>8,467,438</u>
TOTAL CURRENT LIABILITIES		
	<u>5,852,768</u>	<u>8,467,438</u>
LONG-TERM LIABILITIES		
Lease liability	98,446	-
Long-term debt, net of current portion	1,209,163	1,726,120
	<u>1,307,609</u>	<u>1,726,120</u>
TOTAL LONG-TERM LIABILITIES		
	<u>1,307,609</u>	<u>1,726,120</u>
TOTAL LIABILITIES		
	<u>7,160,377</u>	<u>10,193,558</u>
NET ASSETS		
Without donor restrictions	53,275,143	43,664,999
	<u>53,275,143</u>	<u>43,664,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,435,520</u>	<u>\$ 53,858,557</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Activities
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Grant revenue	\$ 38,243,262	\$ 42,128,309
Transportation contract revenue	19,278,427	17,777,299
Contributions (in-kind)	12,533,455	5,992,213
Local sources	2,352,161	2,338,108
Program income	2,222,343	1,792,839
Bad debt recovery	1,090,500	-
Fundraising	68	43,000
Gain on sale of capital assets	-	23,132
Net investment income (loss)	524,347	(537,591)
Share of losses in equity method investment	(129,910)	-
	<u>76,114,653</u>	<u>69,557,309</u>
TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
	<u>76,114,653</u>	<u>69,557,309</u>
EXPENSES		
Program Services:		
Early childhood	36,112,974	32,109,088
Transportation	19,208,976	19,737,049
Employment	1,858,965	1,844,787
Housing	678,966	688,082
Community Services	5,786,639	8,440,265
	<u>63,646,520</u>	<u>62,819,271</u>
Total program services		
	<u>63,646,520</u>	<u>62,819,271</u>
Supporting Services:		
Management and general	2,857,989	3,112,921
	<u>2,857,989</u>	<u>3,112,921</u>
Total supporting services		
	<u>2,857,989</u>	<u>3,112,921</u>
TOTAL EXPENSES	<u>66,504,509</u>	<u>65,932,192</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	9,610,144	3,625,117
NET ASSETS AT BEGINNING OF YEAR	<u>43,664,999</u>	<u>40,039,882</u>
NET ASSETS AT END OF YEAR	<u>\$ 53,275,143</u>	<u>\$ 43,664,999</u>

See accompanying notes.

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

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

See accompanying notes.

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

	Program Services						Supporting Services			
	Early Childhood	Transportation	Employment	Housing	Community Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 12,701,626	\$ 2,720,778	\$ 956,400	\$ 306,191	\$ 1,321,483	\$ 18,006,478	\$ 1,005,781	\$ -	\$ 1,005,781	\$ 19,012,259
Payroll taxes	932,832	201,037	72,758	23,189	97,758	1,327,574	72,173	-	72,173	1,399,747
Employee benefits	4,206,879	925,888	235,825	129,022	452,233	5,949,847	653,933	-	653,933	6,603,780
Accounting and auditing	-	-	-	-	-	-	112,545	-	112,545	112,545
Travel	106,349	23,671	30,653	1,891	43,027	205,591	11,661	-	11,661	217,252
Training	191,274	25,155	-	2,836	21,398	240,663	34,582	-	34,582	275,245
Occupancy	1,678,056	92,339	79,838	24,271	64,004	1,938,508	59,864	-	59,864	1,998,372
Office expense	274,335	213,836	16,730	7,270	77,796	589,967	202,376	-	202,376	792,343
Direct assistance	50,839	-	16,082	-	5,679,818	5,746,739	-	-	-	5,746,739
Participant support costs	72,195	-	103,701	-	-	175,896	-	-	-	175,896
Materials and supplies	4,682,286	818,667	39,438	81,484	577,291	6,199,166	54,638	-	54,638	6,253,804
Contracts and consultants	5,003,935	13,126,143	2,160	60,746	33,575	18,226,559	591,135	-	591,135	18,817,694
Insurance	227,235	179,758	223	6,813	12,630	426,659	59,692	-	59,692	486,351
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	158,198	20,067	23,247	48,745	416,160	35,176	-	35,176	451,336
Postage	9,677	2,522	4,902	61	965	18,127	6,407	-	6,407	24,534
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	1,068,581	3,748	-	6,314	2,430,279	155,776	-	155,776	2,586,055
	<u>\$ 32,109,088</u>	<u>\$ 19,737,049</u>	<u>\$ 1,844,787</u>	<u>\$ 688,082</u>	<u>\$ 8,440,265</u>	<u>\$ 62,819,271</u>	<u>\$ 3,112,921</u>	<u>\$ -</u>	<u>\$ 3,112,921</u>	<u>\$ 65,932,192</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Statements of Cash Flows
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets without donor restrictions	\$ 9,610,144	\$ 3,625,117
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,835,203	2,586,055
Unrealized (gain) loss on investments	(149,768)	964,323
Losses on investment in real estate venture	129,910	-
Gain on sale of investments	(34,475)	(47,689)
Gain from sale of capital assets	-	(23,132)
Donated capital from Learning Villa, Ltd. Acquisition	(3,727,807)	-
Bad debt recovery	(1,090,500)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	178,044	170,624
Contracts and grants receivable	1,091,268	(952,309)
Due from related organizations	25,276	(59,965)
Prepaid expenses	(90,940)	50,393
Interest receivable-related	425,054	(47,798)
Increase (decrease) in:		
Accounts payable	(1,923,393)	1,214,089
Accrued payroll and withholdings	(746,206)	195,522
Deferred revenue	(46,003)	456,707
Accrued compensated absences	(91,874)	(123,903)
Accrued interest	(1,290)	(1,275)
Accrued workers' compensation and surplus liability	(5,893)	15,788
Accrued self-insurance claims	191,449	(100,778)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,578,199</u>	<u>7,921,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution to Learning Villa, Ltd.	(1,534,179)	-
Purchase of property and equipment	(5,048,961)	(7,651,684)
Proceeds from sale of capital assets	-	34,268
Proceeds from sale of investments	460,470	316,952
Proceeds from Imagination Library investments	323,617	-
Purchase of partnership interest in Learning Villa, Ltd.	(2,000)	-
Purchases of investments	(580,028)	(513,871)
NET CASH USED IN INVESTING ACTIVITIES	<u>(6,381,081)</u>	<u>(7,814,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note receivable repayment	1,090,500	-
Repayments of long-term borrowings	(508,417)	(506,476)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>582,083</u>	<u>(506,476)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	779,201	(399,042)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>9,760,710</u>	<u>10,159,752</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 10,539,911</u>	<u>\$ 9,760,710</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 83,268</u>	<u>\$ 92,995</u>

See accompanying notes.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

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

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

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

Basis of Accounting

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

Basis of 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. 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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Estimates

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

Property and Equipment

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

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

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

Property and equipment acquired by the Organization are considered to be owned by Audubon Area Community Services, Inc. However, Federal and State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal and State agencies have a reversionary interest in those assets purchased with funds which cost \$5,000 and \$500 or more, respectively, and have an estimated useful life of at least two years. Depreciation expense was \$2,835,203 and \$2,586,055 for the years ended June 30, 2023 and 2022.

Concentrations of Credit Risk

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

The Organization maintains its cash with one financial institution, however, amounts in excess of federal deposit insurance coverage is collateralized by securities held by the related financial institution. As of June 30, 2023 and 2022, the Organization had no concentration of credit risk related to cash held at the financial institution.

The Organization maintains an investment account with one investment broker. The Organization's investments include temporary cash investments and debt-related investments. These investments are primarily held in exchange traded funds, closed end funds, and mutual funds. Therefore, these investments are highly diversified and any potential credit risk is dispersed across different borrowers within different industries and geographic areas. As of June 30, 2023 and 2022, the Organization had no significant concentration of credit risk related to temporary cash investments and debt-related investments held with an investment broker.

Concentrations of credit risk with respect to contracts and grants receivable are limited due to the balance being comprised of amounts due from governmental agencies under contractual terms. As of June 30, 2023 and 2022, the Organization had no significant concentration of credit risk related to contracts and grants receivable.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk (continued)

Concentrations of credit risk with respect to accounts receivables primarily includes outstanding developer fees from multiple sources. As of June 30, 2023 and 2022, the Organization had no significant concentration of credit risk related to accounts receivable.

The Organization is subject to significant credit risk with respect to its loans and interest receivable based on the nature of the borrowers (low-income housing development partnerships) and the large amounts outstanding from individual borrowers. As of June 30, 2023 and 2022, Management has determined loans and interest receivable of \$10,548,059 and \$11,363,670, respectively, were significant concentrations of credit risk and as such have included allowances to offset these receivables.

Accounts Receivable

Accounts receivable are stated at net realizable value. Accounts receivable are considered to be fully collectible and, accordingly, no allowance for 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.

Loans and Interest Receivable

Loans and interest receivable are stated at amortized cost. A credit allowance is recorded when management expects potential collection issues. In making that determination, management evaluated the financial condition of borrowers, the estimated value of the any underlying collateral and current economic conditions. See Note E for recorded allowances for loans and related interest receivables.

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.

Refundable Advance

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, 2023 and 2022

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.

Revenue from Contracts with Customers

Transportation Services

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

Medicaid Revenue

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

Brokered Transportation

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

Transportation Fares

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

Child Care Services

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Net Investment Income

Marketable Securities

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

Investment in Real Estate Ventures

The Organization has several wholly-owned subsidiaries, which have interests in limited partnerships. A majority of these related entities only have minor interests in limited partnerships, as such the impact to the financial statements is not significant and is not reflected in the financial statements. However, in the event these investments are significant to the financial statements and the Organization exercises significant influence over operating and financial policies of the limited partnerships, the equity method of accounting is used to recognize the activities of these entities. The share of earnings (or losses) is shown as a separate line item on the Statement of Activities.

Cash, Cash Equivalents and Restricted Cash

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

At June 30, 2023, the Organization's bank balances totaled \$10,946,450; of that amount, \$250,000 was covered by federal depository insurance and \$10,696,450 was covered by collateral held by a local financial institution.

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 a local financial institution.

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, 2023 and 2022 are \$8,713 and \$6,249, respectively, and are considered restricted.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 10,531,198	\$ 9,754,461
Restricted cash	<u>8,713</u>	<u>6,249</u>
	<u>\$ 10,539,911</u>	<u>\$ 9,760,710</u>

Contributions (in-kind)

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.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (in-kind) (continued)

The Organization's policy related to contributions (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 contributions (in-kind) received by the Organization for the years ended June 30, 2023 and 2022 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.

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 (Davies, McLean, Henderson, Union, Webster, Hancock and Ohio). Medicaid eligible clients without a vehicle in their home are provided transportation to Medicaid approved appointments at cost. GRITS provides para-transit services for wheelchair bound clients. The general public may also ride with GRITS on a fee per mile basis regardless of income level, age or disability in the Green River area.

Employment Services

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

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and Support Services (continued)

Employment Services (continued)

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

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

Housing Services

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

Community Services

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

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

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

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves and employment ads. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2023 and 2022 was \$31,904 and \$7,716, respectively.

Tax Status

Audubon Area Community Services, Inc. has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3) and as a public charity qualified for charitable contributions under Internal Revenue Code Section 170. The Organization did not pay any interest or penalties as a result of its tax position. The tax years 2020 through 2022 remain subject to examination by the Internal Revenue Service.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Specifically, the prior year Statement of Functional Expense's Program Service categories have been revised to better reflect the Organization's activities and restructuring of its departments during 2023. Additionally, amounts previously reported on the prior year balance sheet as "Due from related organizations" and "Due to related organizations" have been netted to better reflect the substance of the transactions.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of FASB ASC 842, Leases

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with its historical accounting treatment. The adoption of FASB ASC 842, Leases did not have a material impact on the Organization's results of operations and cash flows.

NOTE B – CONTRACTS AND GRANTS RECEIVABLE

Contracts and Grants Receivable

Contracts and grants receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
U.S. Department of Health and Human Services	\$ 1,518,403	\$ 2,437,188
Kentucky Transportation Cabinet	1,739,991	2,114,339
Kentucky Cabinet for Health and Family Services	726,234	466,037
Community Action Kentucky	91,858	175,919
Corporation for National and Community Service	28,680	51,803
Other	297,742	248,890
	<u>\$ 4,402,908</u>	<u>\$ 5,494,176</u>

Contract Assets

Contract assets related to transportation contracts receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
Transportation contracts receivable:		
Beginning of year	\$ 1,639,089	\$ 1,704,947
End of year	1,683,295	1,639,089

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE C - INVESTMENTS

Investments at June 30, 2023 and 2022 consist of the following:

Marketable Securities

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Exchange Traded & Closed End Funds	\$ 2,079,901	\$ 2,287,874	\$ 2,261,605	\$ 2,344,483
Mutual funds	2,857,291	2,866,092	2,881,716	2,832,630
	<u>\$ 4,937,192</u>	<u>\$ 5,153,966</u>	<u>\$ 5,143,321</u>	<u>\$ 5,177,113</u>

The following schedule summarizes net investment income for the years ended June 30, 2023 and 2022:

	2023	2022
Investment income	\$ 340,104	\$ 379,043
Unrealized gain (loss) on investments	149,768	(964,323)
Gain on sale of investments	34,475	47,689
Net investment income	<u>\$ 524,347</u>	<u>\$ (537,591)</u>

NOTE D – INVESTMENT IN REAL ESTATE VENTURE

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

The investment in real estate venture consists of the following:

	2023	2022
Cash paid for initial purchase price	\$ 2,000	\$ -
Contribution (in-kind) - implied capital contribution	3,727,807	-
Capital contribution	1,534,179	-
Share of losses in equity method investment	(129,910)	-
Investment in real estate venture	<u>\$ 5,134,076</u>	<u>\$ -</u>

The initial purchase price of \$2,000, was substantially lower than the book value of the interest purchased, which was \$3,729,807. Management has recorded the basis difference of \$3,727,807 as contribution (in-kind) for the implied capital contribution.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE D – INVESTMENT IN REAL ESTATE VENTURE (continued)

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

The following is a summary of selected financial information from the audited and unaudited financial statements of the underlying partnership in which the Organization has an investment interest. The partnership's records are kept on a calendar year, as such, the table below reflects the most recently available information:

<u>Learning Villa, Ltd.</u>	<u>(Audited)</u> <u>12/31/2022</u>	<u>(Unaudited)</u> <u>6/30/2023</u>	
Total assets	<u>\$ 5,244,834</u>	<u>\$ 5,171,953</u>	
Total liabilities	1,090,500	39,902	
Total equity	<u>4,154,334</u>	<u>5,132,051</u>	
Total liabilities and equity	<u>\$ 5,244,834</u>	<u>\$ 5,171,953</u>	
	<u>(Audited)</u> <u>For the 6</u> <u>months ended</u> <u>12/31/2022</u>	<u>(Unaudited)</u> <u>For the 6</u> <u>months ended</u> <u>6/30/2023</u>	<u>Organization's</u> <u>Share</u>
Total operating losses	\$ (136,728)	\$ (107,130)	\$ (129,910)

NOTE E – RELATED LOAN AND INTEREST RECEIVABLES

The Organization has served as the developer on low income housing projects and is entitled to a developer's fee. As of June 30, 2023 and 2022, fees in the amount of \$9,069,022 and \$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 uncertainty that the Organization will receive these payments, these loans are offset with allowance accounts for the same amount.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE E – RELATED LOAN AND INTEREST RECEIVABLES (continued)

The loan receivables as of June 30, 2023 and 2022 consist of:

	<u>2023</u>	<u>2022</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
Loan receivable, The Learning Villa, Ltd., 5% interest rate; principal and interest due Friday 5, 2038, secured by real property.	-	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>9,069,022</u>	<u>10,159,522</u>
Less allowance for doubtful accounts	<u>(9,069,022)</u>	<u>(10,159,522)</u>
Total related loan receivables	<u>\$ -</u>	<u>\$ -</u>

The interest receivables related to the loans receivable above as of June 30, 2023 and 2022 consist of:

	<u>2023</u>	<u>2022</u>
Audubon Lincolnshire Apartments	\$ 572,017	\$ 466,302
Audubon Lincolnshire North Apartments, LLLP	907,020	737,846
President's Place, LLLP	125,862	150,390
The Learning Villa, Ltd	-	400,526
Total related interest receivable	1,604,899	1,755,064
Less allowance for doubtful accounts	<u>(1,479,037)</u>	<u>(1,204,148)</u>
Total related interest receivables	<u>\$ 125,862</u>	<u>\$ 550,916</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE E – RELATED LOAN AND INTEREST RECEIVABLES (continued)

Simple interest on the loans is recognized over the term of the loan. Interest income from the related loans amounted to \$55,473 and \$127,797 for the years ended June 30, 2023 and 2022, respectively.

Bad Debt Recovery

As mentioned above, all related loan receivables are offset with an allowance due to the uncertainty of their collectability. During 2023, the Organization collected the outstanding balance due from the Learning Villa, Ltd. of \$1,090,500. As such, the Organization has recognized a bad debt recovery of \$1,090,500 for the year ended June 30, 2023.

NOTE F – PARTNERSHIP INVESTMENTS

The Organization has wholly-owned subsidiaries that are general partners in low income housing project partnerships. These subsidiaries do not have controlling financial interests of the partnerships, however, in general, have the ability to exercise significant influence by participating in the management of partnership activities.

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

Wholly-owned Subsidiary	Ownership Interest		Partnership
	2023	2022	
Audubon Learning Villa, LLC	99.95%	0.050%	The Learning Villa, Ltd
Audubon Independence/Horizon, Inc.	0.100%	0.100%	Independence Heights, Ltd
Audubon Independence/Horizon, Inc.	0.100%	0.100%	Horizon Place, Ltd
Audubon ORR, LLC	0.005%	0.005%	Owensboro Regional Recovery, Ltd
Audubon Presidents Place, Inc.	0.050%	0.050%	Presidents Place, LLLP
Audubon Beaver Dam Village, Inc.	0.100%	0.100%	Beaver Dam Village, LLLP
Audubon Area Mya Manor, Inc.	0.100%	0.100%	Mya Manor, LLLP
Lincolnshire Development, LLC	0.010%	0.010%	Audubon Lincolnshire Apartments, LLLP
Lincolnshire North Development, LLC	0.010%	0.010%	Audubon Lincolnshire North Apartments, LLLP

The Learning Villa, Ltd is reflected on the Organization's financial statements as an equity method investment (see Note D). The financial statement impact of the other partnerships is not material.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE G – LONG-TERM DEBT

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

	2023	2022
Building revenue bonds; interest payable monthly, floating rate based on initial fixed rate (4.73% at June 30, 2023 and 2022), principal payable annually in the amount of \$160,000 due January 1, 2029; collateralized by real estate.	\$ 960,000	\$ 1,120,000
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.	833,560	1,190,015
Subtotal	1,793,560	2,310,015
Less current portion	(516,957)	(508,417)
Less unamortized debt issuance costs	(67,440)	(75,478)
Long-term debt, net of current portion	<u>\$ 1,209,163</u>	<u>\$ 1,726,120</u>

The Organization reported amortization of debt issuance costs of \$8,038 in 2023 and 2022 for these loans as interest expense.

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

Year ending June 30,	Amount
2024	\$ 524,995
2025	533,739
2026	254,826
2027	160,000
2028	320,000
Thereafter	<u>\$ 1,793,560</u>

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

NOTE H – LINE OF CREDIT

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

As of June 30, 2022, the Organization had a \$1,000,000 line of credit with a maturity of February 25, 2024. Bank advances on the credit line are payable on demand and carry an interest rate of 1.75% over SOFR. As of June 30, 2022, the interest rate was 3.25%. The credit line is secured by substantially all business assets. As of June 30, 2022, the unused portion of the line of credit was \$1,000,000.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE I – SELF-INSURANCE PROGRAM

The Organization has a self-insured health plan for its eligible employees and their eligible dependents. The Organization has purchased stop-loss insurance in order to limit its exposure. It provides for the reimbursement to the Organization for claims per insured exceeding \$75,000 with an aggregate excess loss amount, which varies based on plan participants is currently set at \$2,148,241 and was \$2,051,406 at June 30, 2023 and 2022, 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 \$247,129 and \$55,680 as of June 30, 2023 and 2022, respectively.

NOTE J – BOARD-DESIGNATED OPERATING RESERVES

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

The long-term goal of the Board is to attain and maintain an Operating Reserve Fund balance that represents approximately 25% of the annual operating expenses or about three months of select operating expenses on average. Annually, the Board will designate an amount of available unrestricted net assets for the Operating Reserve Fund. The Board also designates net assets without donor restrictions for the Organization's insurance reserve. As of June 30, 2023 and 2022, the board designations were as follows:

	2023	2022
Board designated-operating reserve	\$ 2,463,557	\$ 2,652,751
Board designated-insurance reserve	250,000	250,000
Total board-designated net assets without donor restrictions	<u>\$ 2,713,557</u>	<u>\$ 2,902,751</u>

The Board granted further approval to the Organization's management to draw up to \$615,889 and \$663,188 in 2023 and 2022 from this fund as needed with the provision that the funds are borrowed for a term of ninety days or less. Any amounts and/or terms outside of this policy's stipulations would require approval from either the Board or the Executive Committee.

NOTE K – RELATED PARTY TRANSACTIONS

The Organization is related to several entities through ownership/partnership relationships, or through control from sharing the same board members as the Organization. The Organization provides management services to several of these related parties. The Organization received \$214,201 and \$183,608 in management fees from related parties for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, amounts due from related organizations were \$73,976 and \$99,252, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE L – CONTRIBUTIONS (IN-KIND)

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. The following tables illustrate how the in-kind contributions were used in the Organization during 2023 and 2022:

<u>June 30, 2023</u>	Early Childhood	Transportation	Housing	Community Services	Total
Space	\$ 1,250,354	\$ -	\$ -	\$ 36,676	\$ 1,287,030
Educational services	2,506,872	-	-	-	2,506,872
Transportation	4,369,436	-	-	-	4,369,436
Investment in real estate venture	-	-	3,727,807	-	3,727,807
Food	-	-	-	339,154	339,154
Other	257,899	-	-	45,257	303,156
Total	<u>\$ 8,384,561</u>	<u>\$ -</u>	<u>\$ 3,727,807</u>	<u>\$ 421,087</u>	<u>\$ 12,533,455</u>

<u>June 30, 2022</u>	Early Childhood	Transportation	Housing	Community Services	Total
Space	\$ 1,258,160	\$ 7,800	\$ -	\$ 44,474	\$ 1,310,434
Educational services	2,343,721	-	-	2,160	2,345,881
Transportation	1,507,690	-	-	-	1,507,690
Food	-	-	-	379,890	379,890
Other	431,909	-	-	16,409	448,318
Total	<u>\$ 5,541,480</u>	<u>\$ 7,800</u>	<u>\$ -</u>	<u>\$ 442,933</u>	<u>\$ 5,992,213</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, 2023 and 2022, 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.

Educational Services

The Organization receives donated educational services for the operation of its Head Start and Early Head Start programs. Donated educational services includes the following categories: At Risk, Speech, Developmental Delay, and Severe Disability. Each spring, the Kentucky Board of Education establishes per-child rates for the Kentucky Preschool Program for the upcoming school year based on the budget approved by the legislature. Donated educational services are recorded in the financial statements as

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE L – CONTRIBUTIONS (IN-KIND) (continued)

Educational Services (continued)

revenue and expense using the per child cost for the related service. For the year ended June 30, 2023, the estimated per child cost for At Risk, Speech, Developmental Delay, and Severe Disability services were \$4,395, \$4,395, \$4,395, and \$8,349, respectively. For the year ended June 30, 2022, the estimated per child cost for At Risk, Speech, Developmental Delay, and Severe Disability services were \$5,073, \$5,073, \$5,073, and \$9,638, respectively.

Transportation

The Organization receives donated transportation for the operation of its Head Start and Early Head Start programs. Donated transportation includes transportation donated by school systems for the Organization's Head Start and Early Head Start program participants. Donated transportation is recorded in the financial statements as revenue and expense using an estimate of the per child cost for the related transportation service. For the years ended June 30, 2023 and 2022, the estimated value per program participant was \$4,324 and \$1,610, respectively. During 2023, management updated its estimate for donated transportation. The 2023 estimate calculates the per child cost by assuming 1,150 estimated miles driven for the school year multiplied by a mileage rate, plus driver, attendant costs, and indirect labor costs to arrive at an average cost per child. Before 2023, the estimate was determined by using a rate from a previous service provider contract.

Investment in Real Estate Venture

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

Volunteer Hours

Volunteers have donated over 142,419 hours and 186,935 hours to the Organization's services for the years ended June 30, 2023 and 2022, respectively. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition under Generally Accepted Accounting Principles.

NOTE M - RETIREMENT BENEFITS

Multi-Employer Pension Plan

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE M - RETIREMENT BENEFITS (continued)

Multi-Employer Pension Plan (continued)

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

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

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

Non-hazardous duty employees were required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their annual creditable compensation, which is withheld by the Organization. The Organization was required to contribute at an actuarially determined rate of 23.40% and 21.17% for the years ended June 30, 2023 and 2022 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 \$3,845,487 and \$3,507,761 for the years ending June 30, 2023 and 2022. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of 2023 and 2022 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, 2022 and 2021 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2022	2021
Total Pension Liability	\$ 15,192,599	\$ 14,941,437
Plan Fiduciary Net Position	7,229,013	8,565,652
Net Pension Liability	<u>\$ 7,963,586</u>	<u>\$ 6,375,785</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	52.42%	57.33%

The percentage of the Organization's contribution to total employers' contribution is 0.620185% and 0.632245% and the Organization's portion of the net pension liability is \$44,833,257 and \$40,310,578 for June 30, 2022 and 2021, respectively.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE M - RETIREMENT BENEFITS (continued)

Multi-Employer Pension Plan (continued)

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

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, 2023 and 2022, the year-end of the plan, was 3.39% and 5.78% of participating members' compensations. The contribution requirement of the Organization to the KRS Insurance Fund for the years ended June 30, 2023 and 2022 was \$557,103 and \$957,716, respectively. There have been no significant changes that affect comparability of 2023 and 2022 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, 2022 and 2021 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2022	2021
Total OPEB Liability	\$ 5,053,498	\$ 5,161,251
Plan Fiduciary Net Position	3,079,984	3,246,801
Net OPEB Liability	<u>\$ 1,973,514</u>	<u>\$ 1,914,450</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	60.95%	62.91%

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE M - RETIREMENT BENEFITS (continued)

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

The percentage of the Organization's contribution to total employers' contribution is 0.620181% and 0.632097% and the Organization's portion of the net OPEB liability is \$12,239,356 and \$12,101,811 for June 30, 2022 and 2021, respectively.

NOTE N – FAIR VALUE MEASUREMENTS

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

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

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

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

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

<u>Recurring Fair Value Measurements:</u>		<u>Fair Value Measurements at Reporting Date Using:</u>		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2023</u>	<u>Fair Value</u>			
Exchange Traded & Closed End Funds	\$ 2,287,874	\$ 2,287,874	\$ -	\$ -
Mutual funds	2,866,092	2,866,092	-	-
Total	<u>\$ 5,153,966</u>	<u>\$ 5,153,966</u>	<u>\$ -</u>	<u>\$ -</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE N – FAIR VALUE MEASUREMENTS (continued)

<u>Recurring Fair Value Measurements:</u>		<u>Fair Value Measurements at Reporting Date Using:</u>		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2022</u>	<u>Fair Value</u>			
Exchange Traded & Closed End 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>

NOTE O – CONCENTRATIONS

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

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

During the year ended June 30, 2023, federal and state grant and contract revenues related to the Head Start and the GRITS programs amounted to \$29,634,717 and \$20,539,370 or 38.9% and 27.0% of the Organization's total revenue.

During the year ended June 30, 2022, federal and state grant and contract revenues related to the Head Start and the GRITS programs amounted to \$31,281,244 and \$18,292,717 or 45.0% and 26.3% of the Organization's total revenue.

GRITS Fleet

The operation of the Organization's GRITS programs requires recurring capital investments to replace its depreciating fleet. The nature of the fleet is specialized in nature and due to disruptions caused by the Covid-19 pandemic; the sources to obtain replacement fleet have become limited. Current sources are slow to meet the Organization's demand for replacements.

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE P – DISAGGREGATED SUPPORT AND REVENUE

A summary of disaggregated support and revenue information follows:

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

	For the year ended June 30, 2022					
	Federal and State Grants	Contract Revenue	Contributions (in-kind)	Local Sources	Program Income	Total
Head Start	\$ 31,281,244	\$ -	\$ 5,541,480	\$ 1,411,061	\$ 1,471,615	\$ 39,705,400
Transportation	515,418	17,777,299	7,800	57,034	321,224	18,678,775
Community services	8,090,803	-	379,890	130,958	-	8,601,651
Employment	1,853,250	-	63,043	69,429	-	1,985,722
Housing	387,594	-	-	365,172	-	752,766
Other	-	-	-	304,454	-	304,454
Total	\$ 42,128,309	\$ 17,777,299	\$ 5,992,213	\$ 2,338,108	\$ 1,792,839	\$ 70,028,768

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

<u>Contract Revenue:</u>	<u>2023</u>	<u>2022</u>
Medicaid revenue	\$ 18,677,433	\$ 17,289,113
Brokered transportation	600,994	488,186
	<u>\$ 19,278,427</u>	<u>\$ 17,777,299</u>
 <u>Program Income:</u>	 <u>2023</u>	 <u>2022</u>
Transportation fares	\$ 345,735	\$ 321,224
Child care services	1,876,608	1,471,615
	<u>\$ 2,222,343</u>	<u>\$ 1,792,839</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE Q – 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, 2023 and 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 Administrative Cost

On October 8, 2021, the Organization received an approval for a provisional indirect cost rate of 14.2% for the periods of July 1, 2020 through June 30, 2023, which was utilized to accumulate indirect cost for the years ended June 30, 2023 and 2022. The base approved for indirect administrative cost was direct salaries and wages including vacation, holiday, sick pay, and other paid absences, but excluding all other fringe benefits. The provisional rate was approved through an agreement with the Federal Department of Health and Human Services. A contingent liability may exist when the Division of Cost Allocation assigns a final indirect cost rate less than the actual rate used by the Organization. As of June 30, 2023 and 2022 a final rate was not available for either period.

Construction Projects

GRITS Office Expansion Project

As of June 30, 2023 and 2022, the Organization had commitments to various contractors for the expansion of its GRITS office. The total estimated costs for the project is \$2,050,000. As of June 30, 2023 and 2022, \$2,004,478, and \$664,244, respectively, was incurred with remaining costs expected at \$45,522, and \$1,385,756, respectively.

Chapel Hill Child Care Center Project

During the year ended June 30, 2023, the Chapel Hill Child Care Center was completed and placed into service for a total cost of \$7,338,448. As of June 30, 2023, total remaining commitments were \$18,000.

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 was incurred with remaining costs expected at \$1,900,983.

NOTE R – RISK MANAGEMENT

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

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE S – 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:

	2023	2022
Financial assets, at year end:		
Cash and cash equivalents	\$ 10,539,911	\$ 9,760,710
Contracts and grants receivable	4,402,908	5,494,176
Accounts receivable	255,593	433,637
Due from related organizations	73,976	99,252
Investments	5,153,966	5,177,113
Investment in real estate venture	5,134,076	-
Interest receivable - related	125,862	550,916
	<hr/>	<hr/>
Total financial assets, at year end	25,686,292	21,515,804
Less those unavailable for general expenditure within one year, due to		
Contractual or donor-imposed restrictions:		
Employee fundraising account	(8,713)	(6,249)
Investment in real estate venture	(5,134,076)	-
Interest receivable - related	(125,862)	(550,916)
Board designations:		
Board designated-operating reserve	(2,463,557)	(2,652,751)
Board designated-insurance reserve	(250,000)	(250,000)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,704,084</u>	<u>\$ 18,055,888</u>

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

See Note J regarding board designated operating reserve and insurance reserves.

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

NOTE T – SUBSEQUENT EVENTS

Limited Partnership Interest Purchase Agreements

Horizon Place, Limited

In July 2023, the Organization through its wholly-owned subsidiary (Audubon Independence/Horizon, Inc.) acquired a 99.9% interest in a limited partnership for a purchase price of \$2,000. Prior to July 2023, the Organization held a 0.1% interest in the partnership. The purchase aggregates their total interest to 100%

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE T – SUBSEQUENT EVENTS (continued)

Limited Partnership Interest Purchase Agreements (continued)

Horizon Place, Limited (continued)

ownership. As such, the Organization will consolidate the partnership into its records in subsequent periods.

The following is a summary of financial information from the audited financial statements of the underlying partnership in which the Organization has acquired. The partnership's records are kept on a calendar year; as such the table below reflects the most recently available information:

	(Audited) As of December 31, 2022
Total assets	<u>\$ 2,882,641</u>
Total liabilities	\$ 92,534
Total equity	<u>2,790,107</u>
Total liabilities and equity	<u>\$ 2,882,641</u>

Independence Heights, Limited

In July 2023, the Organization through its wholly-owned subsidiary (Audubon Independence/Horizon, Inc.) acquired a 99.9% interest in a limited partnership for a purchase price of \$2,000. Prior to July 2023, the Organization held a 0.1% interest in the partnership. The purchase aggregates their total interest to 100% ownership. As such, the Organization will consolidate the partnership into its records in subsequent periods.

The following is a summary of financial information from the audited financial statements of the underlying partnership in which the Organization has acquired. The partnership's records are kept on a calendar year, as such, the table below reflects the most recently available information:

	(Audited) As of December 31, 2022
Total assets	<u>\$ 1,983,058</u>
Total liabilities	\$ 36,877
Total equity	<u>1,946,181</u>
Total liabilities and equity	<u>\$ 1,983,058</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE T – SUBSEQUENT EVENTS (continued)

Kentucky Employees' Health Plan

In August 2023, the Organization entered into an agreement with the Kentucky Department of Employee Insurance (DEI) to participate in the Kentucky Employees' Health Plan (KEHP) and other optional employee insurance benefits. The Organization will begin participation in KEHP and other optional insurance coverage provided by DEI on January 1, 2024. The Organization's self-funded plan disclosed in Note I will continue until December 31, 2023. Management is not aware of any additional commitments or potential contingencies related to switching health plans.

Line of Credit Renewal

In February 2024, the Organization renewed its line of credit (discussed in Note H). The line of credit's maturity is extended to February 25, 2025. The Organization has a credit limit up to \$1,000,000 and the interest rate is calculated using 1.75 percentage points over the one month SOFR.

The Organization did not have any other subsequent events through March 11, 2024, 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, 2023.

SUPPLEMENTARY INFORMATION

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2021 through November 30, 2022

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 21,802,129	\$ 21,802,129	\$ -
Local sources	43,000	45,763	(2,763)
Grantee's contribution	5,303,879	6,642,553	(1,338,674)
TOTAL REVENUE	27,149,008	28,490,445	(1,341,437)
EXPENSES			
Administration for Children and Families Share: Head Start Full-Year/ Part-Day (CAN G044122)			
Direct Costs			
Personnel	7,006,736	7,018,529	(11,793)
Fringe benefits	2,674,107	2,823,879	(149,772)
Travel	5,750	2,995	2,755
Occupancy	340,661	272,853	67,808
Program supplies	1,744,664	1,385,163	359,501
Other	3,798,859	3,531,044	267,815
Total Direct Costs	15,570,777	15,034,464	536,313
Indirect Costs	980,943	980,633	310
Total	16,551,720	16,015,097	536,623
Early Head Start (CAN G044125)			
Direct Costs			
Personnel	3,275,019	3,121,946	153,073
Fringe benefits	1,240,688	1,308,791	(68,103)
Travel	-	17	(17)
Occupancy	-	102,824	(102,824)
Program supplies	-	223,880	(223,880)
Other	15,107	331,130	(316,023)
Total Direct Costs	4,530,814	5,088,588	(557,774)
Indirect Costs	458,503	437,352	21,151
Total	4,989,317	5,525,940	(536,623)

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2021 through November 30, 2022

	Approved Budget	Actual	COB Balance Current Year
EXPENSES (continued)			
Head Start T & TA - CDA (CAN G044120 and G044121)			
Direct Costs			
Travel	\$ 189,678	\$ 139,721	\$ 49,957
Supplies	26,927	29,107	(2,180)
Other	44,487	92,264	(47,777)
	<hr/>	<hr/>	<hr/>
Total Direct Costs	261,092	261,092	-
	<hr/>	<hr/>	<hr/>
Total Expenses - Administration for Children and Families	21,802,129	21,802,129	-
Grantee's Share			
Head Start Full-Year/Part-Day and Early Head Start			
Grantee	5,303,879	6,642,553	(1,338,674)
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	27,106,008	28,444,682	(1,338,674)
	<hr/>	<hr/>	<hr/>
REVENUE OVER (UNDER) EXPENSES	\$ 43,000	\$ 45,763	\$ (2,763)
	<hr/>	<hr/>	<hr/>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START
CONTRACT NUMBER 04CH010730-04-C3
STATEMENT OF REVENUE AND EXPENSES
For the period December 1, 2021 through November 30, 2022

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 520,220	\$ 520,220	\$ -
TOTAL REVENUE	<u>520,220</u>	<u>520,220</u>	<u>-</u>
EXPENSES			
Administration for Children and Families Share: Head Start (CAN G040900)			
Direct Costs			
Program supplies	460,413	440,733	19,680
Other	59,807	60,637	(830)
Total	<u>520,220</u>	<u>501,370</u>	<u>18,850</u>
Early Head Start (CAN G040900)			
Direct Costs			
Program supplies	-	18,850	(18,850)
Total	<u>-</u>	<u>18,850</u>	<u>(18,850)</u>
TOTAL EXPENSES	<u>520,220</u>	<u>520,220</u>	<u>-</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, 2021 through August 31, 2022

REVENUE

Contract or grant	\$ 1,798,295
Program income	154,571
Grantee's contribution	<u>130,948</u>
TOTAL REVENUE	<u><u>2,083,814</u></u>

EXPENSES

Administration for Children and Families Share: Early Head Start (CAN G049128)	
Direct Costs	
Personnel	793,906
Fringe benefits	292,601
Travel	146
Occupancy	10,691
Program supplies	25,561
Other	<u>513,195</u>
Total Direct Costs	1,636,100
Indirect Costs	<u>110,434</u>
Total	<u><u>1,746,534</u></u>
Early Head Start T & TA (CAN G049121)	
Direct Costs	
Personnel	12,680
Fringe benefits	3,872
Travel	15,379
Supplies	3,426
Other	<u>14,629</u>
Total Direct Costs	<u>49,986</u>
Indirect Costs	<u>1,775</u>
Total	<u><u>51,761</u></u>
Total Expenses - Administration for Children and Families	1,798,295
Grantee's Share: Early Head Start Grantee	<u>130,948</u>
TOTAL EXPENSES	<u><u>1,929,243</u></u>
REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 154,571</u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
EARLY HEAD START
CONTRACT NUMBER 04HP000356-03-C3
STATEMENT OF REVENUE AND EXPENSES
For the period September 1, 2021 through August 31, 2022

REVENUE

Contract or grant	\$	22,241
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TOTAL REVENUE		22,241
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EXPENSES

Administration for
Children and Families Share:

Early Head Start T & TA (CAN G049121)

Direct Costs		
Other		22,241

Total Direct Costs		22,241
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Total		22,241
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TOTAL EXPENSES		22,241
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REVENUE OVER (UNDER) EXPENSES	\$	-
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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, 2021 through October 31, 2022

	Approved Budget	Actual	COB Balance Current Year
REVENUE			
Contract or grant	\$ 571,969	\$ 582,708	\$ (10,739)
Grantee's contribution	150,930	196,341	(45,411)
TOTAL REVENUE	<u>722,899</u>	<u>779,049</u>	<u>(56,150)</u>
EXPENSES			
Western Kentucky University:			
Head Start Full-Year/Part Day			
(Program Account 22)			
Direct Costs			
Personnel	152,294	152,294	-
Fringe benefits	74,273	63,482	10,791
Occupancy	23,486	28,441	(4,955)
Program supplies	26,460	25,947	513
Other	281,082	287,431	(6,349)
Total Direct Costs	557,595	557,595	-
Indirect Cost	21,322	21,322	-
Total	<u>578,917</u>	<u>578,917</u>	<u>-</u>
Head Start CDA Training (Program			
Account 20) Direct Costs			
Travel	2,100	1,848	252
Supplies	970	731	239
Other	721	1,211	(490)
Total	<u>3,791</u>	<u>3,791</u>	<u>-</u>
Total Expenses - Western			
Kentucky University	<u>582,708</u>	<u>582,708</u>	<u>-</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DELEGATE AGENCY CONTRACT 04CH011269
WITH WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUE AND EXPENSES
For the period November 1, 2021 through October 31, 2022

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
EXPENSES (continued)			
Delegate Agency's Share:			
Head Start Full-Year/Part Day (Program Account 22)			
Delegate Agency	\$ 150,930	\$ 196,341	\$ (45,411)
TOTAL EXPENSES	<u>733,638</u>	<u>779,049</u>	<u>(45,411)</u>
REVENUE OVER (UNDER) EXPENSES	\$ <u>(10,739)</u>	\$ <u>-</u>	\$ <u>-</u>

AUDUBON AREA COMMUNITY SERVICES, INC.
HEAD START - DISASTER ASSISTANCE
CONTRACT NUMBER 04ND000032-01-02
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2022 through December 31, 2022

REVENUE

Contract or grant	\$ <u>4,768,514</u>
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EXPENSES

Repairs and maintenance	<u>4,768,514</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, 2022 through March 31, 2023

REVENUE

Contract or grant	\$ <u>1,908,381</u>
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EXPENSES

Direct Costs	
Personnel	486,225
Fringe benefits	146,593
Program supplies	1,123,540
Other	<u>83,887</u>

Total Direct Costs	1,840,245
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Indirect Cost	<u>68,136</u>
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Total	<u>1,908,381</u>
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TOTAL EXPENSES	<u>1,908,381</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, 2021 through September 30, 2022

REVENUE

USDA - Special food service program	\$	893,920
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EXPENSES

Direct Costs		
Personnel	86,131	
Fringe benefits	40,639	
Program supplies	7,764	
Food	755,449	

Total Direct Costs		889,983
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Indirect Costs		13,815
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Total		903,798
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REVENUE OVER (UNDER) EXPENSES	\$	(9,878)
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AUDUBON AREA COMMUNITY SERVICES, INC.
COMMUNITY SERVICES BLOCK GRANT
CONTRACT NUMBER 736-2200001865
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 740,598
In-kind	<u>341,945</u>

TOTAL REVENUE	<u>1,082,543</u>
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EXPENSES

Salaries	287,806
Fringes	126,595
Travel	3,689
Space costs	33,840
Office supplies	13,674
Direct assistance	137,128
Telephone	19,878
Other	78,950
Indirect costs	<u>39,038</u>

Total expense - Kentucky Cabinet for Health & Family Services	740,598
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Non-federal in-kind	<u>341,945</u>
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TOTAL EXPENSES	<u>1,082,543</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 736-2200001865-COVID-19
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 169,765
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TOTAL REVENUE	<u>169,765</u>
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EXPENSES

Office supplies	8,240
Direct assistance	156,065
Indirect costs	<u>5,460</u>

Total expense - Kentucky Cabinet for Health & Family Services	169,765
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Non-federal in-kind	<u>-</u>
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TOTAL EXPENSES	<u>169,765</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
FAMILY PRESERVATION PROGRAM
CONTRACT NUMBER 736-2200002279
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Kentucky Cabinet for Health and Family Services	\$ 1,263,331
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EXPENSES

Salaries	510,425
Fringes	191,501
Travel	32,345
Space costs	30,513
Office supplies	187,418
Direct assistance	86,193
Telephone	13,499
Other	140,695
Indirect costs	70,743

TOTAL EXPENSES	1,263,331
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
KENTUCKY WORKS
CONTRACT NUMBER 736-2200001788
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 765,685
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EXPENSES

Salaries	431,600
Fringes	161,465
Travel	47,981
Space costs	13,769
Wage subsidy	28,422
Supplies	13,104
Other	9,565
Indirect	59,780

TOTAL EXPENSES	765,685
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
SNAP E&T
CONTRACT NUMBER 736-2200001788
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Kentucky Cabinet for Health & Family Services	\$ 182,299
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EXPENSES

Salaries	118,528
Fringes	43,057
Travel	2,979
Space costs	393
Supplies	1,568
Other	3
Indirect	15,771

TOTAL EXPENSES	182,299
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REVENUE OVER (UNDER) EXPENSES	\$ -
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2200003098
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Community Action Kentucky	\$ 2,456,907
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EXPENSES

Salaries	120,708
Fringes	31,024
Direct assistance	2,259,340
Other	28,685
Indirect costs	17,151

TOTAL EXPENSES

2,456,907

REVENUE OVER (UNDER) EXPENSES

\$ -

AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM
CONTRACT NUMBER 736-2200003098-ARPA
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Community Action Kentucky	\$	990
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EXPENSES

Salaries		335
Other		655

TOTAL EXPENSES		990
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASISTANCE PROGRAM - COVID-19
CONTRACT NUMBER 736-2200003098-COVID LIHWAP
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Community Action Kentucky	\$	57,605
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EXPENSES

Salaries		3,092
Fringes		592
Direct assistance		53,444
Other		50
Indirect costs		426

TOTAL EXPENSES		57,605
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REVENUE OVER (UNDER) EXPENSES	\$	-
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AUDUBON AREA COMMUNITY SERVICES, INC.
LOW-INCOME HOME ENERGY ASSISTANCE WEATHERIZATION PROGRAM
CONTRACT NUMBER LHWX-001
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Community Action Kentucky	\$	199,811
		<u> </u>

EXPENSES

WX materials & labor		23,671
WX support		154,201
H&S materials & labor		15,396
Liability insurance		1,441
T&TA		5,102
		<u> </u>

TOTAL EXPENSES		199,811
		<u> </u>

REVENUE OVER (UNDER) EXPENSES	\$	-
		<u><u> </u></u>

AUDUBON AREA COMMUNITY SERVICES, INC.
SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM
CONTRACT NUMBER 725-2200000035
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Grant revenue	\$ 312,070
In-kind	<u>71,850</u>

TOTAL REVENUE	<u><u>383,920</u></u>
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EXPENSES

Salaries	259,449
Fringes	29,361
Travel	6,052
Other	<u>17,208</u>

Total expenses - grant	312,070
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Non-federal in-kind expense	<u>71,850</u>
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TOTAL EXPENSES	<u><u>383,920</u></u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ -</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
IMAGINATION LIBRARY
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Local sources	\$	<u>548</u>
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TOTAL REVENUE		<u>548</u>
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EXPENSES

Program materials and supplies		<u>10,740</u>
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REVENUE OVER (UNDER) EXPENSES	\$	<u><u>(10,193)</u></u>
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*Program separated from agency on 9/30/23

AUDUBON AREA COMMUNITY SERVICES, INC.
GREEN RIVER INTRA-COUNTY TRANSIT SYSTEM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Kentucky Transportation Cabinet	\$ 20,537,647
Program income	345,735
Local sources	<u>13,849</u>

TOTAL REVENUE	<u>20,897,231</u>
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EXPENSES

Salaries	3,226,493
Fringes	1,176,660
Travel	19,789
Space costs	84,915
Office supplies	56,765
Fuel	682,409
Parts & maintenance	1,462,136
Vehicles & equipment	74,182
Contractual & consulting	12,004,653
Vehicle insurance	140,326
Telephone	157,073
Other	429,130
Indirect	<u>448,211</u>

Total expense - Kentucky Transportation Cabinet	19,962,741
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Non-federal in-kind	<u>-</u>
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TOTAL EXPENSES	<u>19,962,741</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ 934,490</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
WINTERCARE PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Grant revenue	\$ <u>6,887</u>
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EXPENSES

Direct assistance	<u>6,887</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, 2022 through June 30, 2023

REVENUE

Community Action Kentucky	\$ 122,191
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EXPENSES

Administration	19,117
WX materials & labor	49,959
WX support	31,912
H&S materials & labor	8,159
Liability insurance	4,565
Training	8,479

TOTAL EXPENSES	122,191
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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, 2022 through June 30, 2023

REVENUE

Grant revenue	\$ 256,798
Local sources	30,832
In-kind	<u>18,232</u>

TOTAL REVENUE

305,862

EXPENSES

Federal:

Salaries	66,761
Fringe benefits	21,614
Occupancy	5,784
Volunteer travel	7,017
Volunteer stipends	121,759
Other expenses	24,663
Indirect costs	<u>9,200</u>

Total expenses - grant

256,798

Non-federal:

Volunteer travel	13,854
Other expenses	2,048
In-kind - services and other	<u>18,232</u>

Total expenses - non-federal

34,134

TOTAL EXPENSES

290,932

REVENUE OVER (UNDER) EXPENSES

\$ 14,929

AUDUBON AREA COMMUNITY SERVICES, INC.
FOSTER GRANDPARENT PROGRAM
CONTRACT NUMBER 21SFCKY004
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Grant revenue	\$ 174,589
Local sources	19,509
In-kind	22,443

TOTAL REVENUE

216,540

EXPENSES

Federal:

Salaries	42,959
Fringe benefits	21,975
Volunteer travel	1,760
Volunteer stipends	78,125
Other expenses	23,910
Indirect costs	5,860

Total expenses - grant

174,589

Non-federal:

Volunteer travel	12,706
Other expenses	3,602
In-kind - services and other	22,443

Total expenses - non-federal

38,751

TOTAL EXPENSES

213,340

REVENUE OVER (UNDER) EXPENSES

\$ 3,201

AUDUBON AREA COMMUNITY SERVICES, INC.
RETIRED AND SENIOR VOLUNTEER PROGRAM
CONTRACT NUMBER 21SRCKY005
STATEMENT OF REVENUE AND EXPENSES
For the period April 1, 2022 through March 31, 2023

REVENUE

Grant revenue	\$ 131,750
Local sources	25,884
In-kind	41,054

TOTAL REVENUE

198,688

EXPENSES

Federal:

Salaries	55,061
Fringe benefits	20,120
Volunteer travel	24,964
Other expenses	24,100
Indirect costs	7,505

Total expenses - grant

131,750

Non-federal:

Volunteer travel	13,208
Other expenses	7,092
In-kind - services and other	41,054

Total expenses - non-federal

61,354

TOTAL EXPENSES

193,104

REVENUE OVER (UNDER) EXPENSES

\$ 5,584

AUDUBON AREA COMMUNITY SERVICES, INC.
ENERGY CARES PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period January 1, 2022 through December 31, 2022

REVENUE

Atmos Energy	\$ <u>5,598</u>
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TOTAL REVENUE	<u>5,598</u>
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EXPENSES

Materials and supplies	4,234
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Contract labor	993
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Overhead expense	<u>3,036</u>
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TOTAL EXPENSES	<u>8,264</u>
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REVENUE OVER (UNDER) EXPENSES	<u><u>\$ (2,665)</u></u>
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AUDUBON AREA COMMUNITY SERVICES, INC.
KYNECTOR PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Grant revenue	\$	423,256
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TOTAL REVENUE

423,256

EXPENSES

Salaries		226,888
Fringes		102,808
Travel		11,986
Space costs		14,742
Other		34,879
Indirect costs		31,953

TOTAL EXPENSES

423,256

REVENUE OVER (UNDER) EXPENSES

\$ -

AUDUBON AREA COMMUNITY SERVICES, INC.
CDBG CV UTILITY ASSISTANCE PROGRAM
STATEMENT OF REVENUE AND EXPENSES
For the period July 1, 2022 through June 30, 2023

REVENUE

Grant revenue	\$ <u>68,162</u>
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EXPENSES

Direct assistance	<u>68,162</u>
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TOTAL EXPENSES	<u>68,162</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, 2023

<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	\$ -	\$ 195,809
Child and Adult Care Food Program	10.558	(2)	11381	-	709,317
Total U.S. Department of Agriculture				-	905,126
<u>U.S. Department of Health and Human Services</u>					
Head Start Cluster:					
Direct:					
Head Start	93.600	(3)	04CH010730-04	-	9,805,603
Head Start	93.600	(4)	04CH010730-05	-	12,212,756
Head Start - COVID-19	93.600	(5)	04CH010730-04-C3	-	279,301
Head Start	93.600	(6)	04HP000356-03	-	447,358
Head Start	93.600	(7)	04HP000356-04	-	1,421,894
Head Start - CRRSA	93.600	(8)	04HE000640-01-C6	-	1,547,380
Passed through Western Kentucky University:					
Head Start	93.600	(9)	04CH011269-01	-	201,949
Head Start	93.600	(10)	04CH011269-01	-	318,461
Total 93.600				-	26,234,702
Direct:					
Head Start - Disaster Assistance	93.356	(11)	04ND000032-01	-	1,677,766
Head Start - Disaster Assistance	93.356	(12)	04ND000032-01	-	714,218
Total 93.356				-	2,391,984
Total Head Start Cluster				\$ -	\$ 28,626,686

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<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	736-2200001865	\$ -	\$ 740,598
Community Services Block Grant - COVID-19	93.569	736-2200001865	-	169,765
Total 93.569			-	910,363
Passed through Kentucky Cabinet for Health and Family Services:				
Temporary Assistance for Needy Families (TANF) State Programs	93.558	736-2200001788	-	765,685
Temporary Assistance for Needy Families (TANF) State Programs	93.558	736-2200001788	-	182,299
Temporary Assistance for Needy Families (TANF) State Programs	93.558	736-2200002279	-	37,779
Total 93.558			-	985,763
Passed through Kentucky Cabinet for Health and Family Services:				
Title IV-E Prevention Program	93.472	736-2200002279	-	339,864
Passed through Kentucky Cabinet for Health and Family Services:				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	736-2200002279	-	84,038
Passed through Kentucky Housing Corporation:				
Low-Income Home Energy Assistance Program	93.568	LHWX-001	-	199,811
Passed through Community Action Kentucky:				
Low-Income Home Energy Assistance Program	93.568	736-2200003098	-	2,456,907
Low-Income Home Energy Assistance Program - ARPA/CRRSA	93.568	736-2200003098	-	990
Low-Income Home Energy Assistance Program - COVID-19	93.568	736-2200003098	-	57,605
Total 93.568			-	2,715,313
Total U.S. Department of Health and Human Services			\$ -	\$ 33,662,027

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<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 Department for Aging and Independent Living: Senior Community Service Employment Program	17.235	725-2200000035	\$ -	\$ 312,070
Total U.S. Department of Labor			-	312,070
<u>U.S. Department of Transportation</u>				
Passed through Kentucky Transportation Cabinet:				
Formula Grants for Rural Areas and Tribal Transit Program - CARES/ARPA	20.509	KY-2021-011-00; C111121114	-	1,205,467
Formula Grants for Rural Areas and Tribal Transit Program	20.509	KY-2021-033-02; R11518635	-	5,476
Total U.S. Department of Transportation			-	1,210,943
<u>U.S. Department of Energy</u>				
Passed through Kentucky Housing Corporation:				
Weatherization Assistance for Low-Income Persons	81.042	DOE WX-001	-	122,191
Total U.S. Department of Energy			-	122,191
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Department of Local Government:				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaiiis - COVID-19	14.228	112-2100003173	-	15,926
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaiiis - COVID-19	14.228	112-2100003138	-	11,108
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaiiis - COVID-19	14.228	112-2100003140	-	10,909
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaiiis - COVID-19	14.228	112-2100003141	-	14,209
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaiiis - COVID-19	14.228	112-2100003142	-	6,678
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaiiis - COVID-19	14.228	112-2100003143	-	9,332
Total U.S. Department of Housing and Urban Development			\$ -	\$ 68,162

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through or other Grantor's 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:				
AmeriCorps Seniors Foster Grandparent Program (FGP)	94.011	21SFCKY004	\$ -	\$ 174,589
AmeriCorps Seniors Senior Companion Program (SCP)	94.016	21SCCKY003	-	256,798
			<u>-</u>	<u>431,387</u>
Total Foster Grandparent/Senior Companion Cluster				
Direct:				
Retired and Senior Volunteer Program	94.002 (13)	21SRCKY005	-	97,683
Retired and Senior Volunteer Program	94.002 (14)	21SRCKY005	-	35,627
			<u>-</u>	<u>133,310</u>
	Total 94.002		-	133,310
			<u>-</u>	<u>564,697</u>
Total Corporation for National and Community Service				
			<u>-</u>	<u>564,697</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 36,845,216</u>

See accompanying notes to schedule of expenditures of federal awards.

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

- (1) 3 months through September 30, 2022
- (2) 9 months through June 30, 2023
- (3) 5 months through November 30, 2022
- (4) 7 months through June 30, 2023
- (5) 5 months through November 30, 2022
- (6) 2 months through August 31, 2022
- (7) 10 months through June 30, 2023
- (8) 9 months through March 31, 2023
- (9) 4 months through October 31, 2022
- (10) 8 months through June 30, 2023
- (11) 6 months through December 31, 2022
- (12) 6 months through June 30, 2023
- (13) 9 months through March 31, 2023
- (14) 3 months through June 30, 2023

AUDUBON AREA COMMUNITY SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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, 2023. 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. The indirect rate is approved by the U.S. Department of Health and Human Services (DHHS). As of June 30, 2023, Audubon Area Community Services, Inc. was using an approved provisional rate of 14.2%.



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, 2023, 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 11, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Altaden & Company CPAS PSC

Owensboro, Kentucky

March 11, 2024

**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, 2023. 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, 2023.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2023-001 to be a significant deficiency.

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.

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

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

Altaden & Company CPAS PSC

Owensboro, Kentucky

March 11, 2024

AUDUBON AREA COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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. One significant deficiency disclosed during the audit of federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Audubon Area Community Services, Inc. expresses an unmodified opinion on all federal programs.
6. One audit finding that is required to be reported in accordance with 2CFR Section 200.516(a) is reported in the Schedule.
7. The programs tested as a major programs are:

Head Start Cluster
20.509 Formula Grants for Rural Areas and Tribal Transit Program
93.569 Community Services Block Grant
8. The threshold for distinguishing Types A and B programs was \$1,105,365.
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, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Significant Deficiency

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

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

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

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

Effect: The SEFA over reported federal expenditures by \$801,496.

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

Views of Responsible Officials: As part of its processes and procedures to prepare the SEFA, management will reach out to the funding source (mentioned above) to verify the source of the funds to ensure the accuracy of reported federal expenditures. Additionally, for the specific funding agreement (mentioned above), management will reach out to the related funding source to communicate the discrepancy (the funding agreement's source of funds is not consistent funds received).

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CORRECTIVE ACTION PLAN

March 15, 2024

Department of Health and Human Services

Audubon Area Community Services, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2023

The findings from the June 30, 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

SIGNIFICANT DEFICIENCY

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

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

Action Taken: As part of its processes and procedures to prepare the SEFA, management will reach out to the funding source to verify the source of the funds to ensure the accuracy of reported federal expenditures. Additionally, for the specific funding agreement, management will reach out to the related funding source to communicate the discrepancy (the funding agreement's source of funds is not consistent funds received).

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

Sincerely yours,



Audubon Area Community Services, Inc.