

**AUDUBON AREA COMMUNITY SERVICES, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2025 AND 2024**

**AUDUBON AREA COMMUNITY SERVICES, INC.**

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**June 30, 2025 and 2024**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Audubon Area Community Services, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental statements of revenues and expenses (pages 43-66), schedule of expenditures of federal awards and the notes to the schedule of expenditures of federal awards (pages 67-71), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenses, schedule of expenditures of federal awards, and notes to the schedule of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, 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 24, 2026

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Consolidated Statements of Financial Position**  
**June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,440,712	\$ 12,056,063
Restricted cash	1,129,599	294,138
Contracts and grants receivable	4,029,799	3,914,012
Accounts receivable	145,294	180,057
Due from related organizations	30,736	131,877
Investments	6,219,322	5,651,910
Investment in real estate venture	-	4,593,803
Prepaid expenses	129,355	164,954
	<b>24,124,817</b>	<b>26,986,814</b>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	2,942,820	2,090,904
Land improvements	1,866,477	1,776,719
Buildings	34,755,119	27,614,532
Buildings improvements	14,712,227	14,179,820
Furniture and furnishings	371,773	371,773
Equipment	6,376,029	6,237,146
Vehicles	11,741,635	11,261,748
Construction in progress	44,877	368,584
	72,810,957	63,901,226
Less accumulated depreciation	(28,953,304)	(26,707,438)
	<b>43,857,653</b>	<b>37,193,788</b>
 <b>OTHER ASSETS</b>		
Right-of-use lease assets	223,962	118,766
Interest receivable - related	171,959	146,487
	<b>395,921</b>	<b>265,253</b>
 <b>TOTAL ASSETS</b>	<b>\$ 68,378,391</b>	<b>\$ 64,445,855</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Consolidated Statements of Financial Position**  
**June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,543,237	\$ 2,151,466
Accrued payroll	1,314,599	1,184,670
Contract liabilities	2,262,635	2,186,462
Payroll withholdings	405,659	671,433
Accrued compensated absences	614,959	593,716
Accrued interest	132,044	3,943
Accrued workers' compensation surplus liability	73,950	90,877
Accrued self-insurance claims	144,882	107,252
Current portion of long-term debt	258,591	554,464
	<b>7,750,556</b>	<b>7,544,283</b>
<b>LONG-TERM LIABILITIES</b>		
Lease liability	223,962	118,766
Long-term debt, net of current portion	1,325,849	745,230
	<b>1,549,811</b>	<b>863,996</b>
<b>TOTAL LIABILITIES</b>	<b>9,300,367</b>	<b>8,408,279</b>
<b>NET ASSETS</b>		
Without donor restrictions	59,078,024	56,037,576
	<b>59,078,024</b>	<b>56,037,576</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 68,378,391</b>	<b>\$ 64,445,855</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Consolidated Statements of Activities**  
**Years ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES AND SUPPORT</b>		
Federal and state grants	\$ 35,716,472	\$ 35,789,110
In-kind contributions	10,598,135	13,037,666
Local grants and contributions	147,548	110,391
Program service fees and other revenue	25,523,273	23,041,751
Management fees	426,732	442,935
Gain (loss) on sale of capital assets	30,029	(8,518)
Net investment income	851,015	836,975
Share of losses in equity method investment	(148,871)	(273,613)
Impairment of equity method investment	-	(266,660)
Gain on remeasurement of previously held interest	120,089	-
Insurance recoveries	1,108,674	-
	<b>74,373,096</b>	<b>72,710,037</b>
<b>TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
<b>EXPENSES</b>		
Program Services:		
Early childhood	35,256,976	36,613,811
Transportation	22,222,418	21,657,642
Employment	2,188,685	2,185,413
Housing	1,643,521	1,024,542
Community services	6,570,166	5,258,068
	<b>67,881,766</b>	<b>66,739,476</b>
Total program services		
Supporting Services:		
Management and general	3,450,882	3,208,128
	<b>3,450,882</b>	<b>3,208,128</b>
Total supporting services		
<b>TOTAL EXPENSES</b>	<b>71,332,648</b>	<b>69,947,604</b>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>3,040,448</b>	<b>2,762,433</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>56,037,576</b>	<b>53,275,143</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 59,078,024</b>	<b>\$ 56,037,576</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Consolidated Statement of Functional Expenses**  
**Year ended June 30, 2025**

	Program Services					Supporting Services			Totals	
	Early Childhood	Transportation	Employment	Housing	Community Services	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 13,722,823	\$ 3,576,405	\$ 1,145,240	\$ 355,040	\$ 1,728,337	\$ 20,527,845	\$ 1,240,855	\$ -	\$ 1,240,855	\$ 21,768,700
Payroll taxes	1,007,500	264,511	85,021	26,270	128,438	1,511,740	91,334	-	91,334	1,603,074
Employee benefits	5,119,769	1,232,091	303,182	116,221	587,471	7,358,734	412,706	-	412,706	7,771,440
Accounting and auditing	-	-	-	6,550	-	6,550	137,166	-	137,166	143,716
Travel	145,086	40,629	74,467	9,251	64,124	333,557	21,293	-	21,293	354,850
Training	188,769	24,997	19,387	2,149	29,785	265,087	30,851	-	30,851	295,938
Occupancy	1,520,076	99,326	63,650	194,197	162,007	2,039,256	47,108	-	47,108	2,086,364
Office expense	171,956	197,221	17,603	184,883	63,615	635,278	210,096	-	210,096	845,374
Direct assistance	38,835	-	67,696	-	2,601,055	2,707,586	-	-	-	2,707,586
Participant support costs	112,091	-	113,359	-	-	225,450	-	-	-	225,450
Materials and supplies	4,600,797	808,851	29,563	87,495	752,578	6,279,284	69,210	-	69,210	6,348,494
Contracts and consultants	5,867,291	14,401,129	-	212,538	109,732	20,590,690	800,631	-	800,631	21,391,321
Insurance	440,144	347,270	145	66,335	100,774	954,668	85,571	-	85,571	1,040,239
Repairs and maintenance	327,513	71,213	-	132,857	52,168	583,751	87,646	-	87,646	671,397
Stipends	-	-	239,678	-	15,751	255,429	-	-	-	255,429
Telephone	166,259	172,676	18,550	61,397	71,721	490,603	33,878	-	33,878	524,481
Postage	5,424	2,287	2,275	227	1,276	11,489	3,996	-	3,996	15,485
Advertising	270	-	-	39	-	309	30,109	-	30,109	30,418
Donations	7,614	-	-	-	-	7,614	9,387	-	9,387	17,001
Interest	42,620	-	-	3,583	7,654	53,857	6,454	-	6,454	60,311
Depreciation	1,772,139	830,155	8,869	184,489	93,680	2,889,332	132,591	-	132,591	3,021,923
Impairment charge	-	153,657	-	-	-	153,657	-	-	-	153,657
	<u>\$ 35,256,976</u>	<u>\$ 22,222,418</u>	<u>\$ 2,188,685</u>	<u>\$ 1,643,521</u>	<u>\$ 6,570,166</u>	<u>\$ 67,881,766</u>	<u>\$ 3,450,882</u>	<u>\$ -</u>	<u>\$ 3,450,882</u>	<u>\$ 71,332,648</u>

See accompanying notes.

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

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

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Consolidated Statements of Cash Flows**  
**Years ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets without donor restrictions	\$ 3,040,448	\$ 2,762,433
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	3,021,923	3,047,956
Impairment charge	153,657	266,660
Inherent contributions from acquisitions	(2,763,291)	(4,926,371)
Unrealized gain on investments	(337,266)	(323,015)
Realized gain on sale of investments	(54,147)	(47,935)
Share of losses in equity method investment	148,871	273,613
Gain on remeasurement of previously held interest	(120,089)	-
(Gain) loss from sale of capital assets	(30,029)	8,518
Insurance recoveries	(1,108,674)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contracts and grants receivable	134,107	488,896
Accounts receivable	34,763	75,536
Due from related organizations	101,141	(57,901)
Prepaid expenses	81,670	191,705
Interest receivable-related	(25,472)	(20,625)
Increase (decrease) in:		
Accounts payable	197,384	(25,068)
Accrued payroll and withholdings	(168,191)	247,123
Contract liabilities	55,281	1,472,698
Accrued compensated absences	21,243	73,803
Accrued interest	6,330	(1,306)
Accrued workers' compensation and surplus liability	(16,927)	(7,139)
Accrued self-insurance claims	37,630	(139,877)
	<b>2,410,362</b>	<b>3,359,704</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,410,362</b>	<b>3,359,704</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of partnership interests	(406,000)	(4,000)
Deposits acquired from partnership acquisitions	741,743	406,493
Purchase of property and equipment	(2,045,060)	(1,318,625)
Proceeds from sale of capital assets	136,643	13,003
Proceeds from insurance recovery	1,108,674	-
Proceeds from sale of investments	348,728	485,711
Purchases of investments	(524,726)	(612,705)
	<b>(639,998)</b>	<b>(1,030,123)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(639,998)</b>	<b>(1,030,123)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term borrowings	(550,254)	(519,291)
	<b>(550,254)</b>	<b>(519,291)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(550,254)</b>	<b>(519,291)</b>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>1,220,110</b>	<b>1,810,290</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>12,350,201</b>	<b>10,539,911</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 13,570,311</b>	<b>\$ 12,350,201</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<b>\$ 61,634</b>	<b>\$ 68,526</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**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 (Davies, Hancock, Henderson, McLean, Ohio, Union & Webster counties), but also serves Barren Rivers, Cumberland, Pennyryle, Purchase, Lincoln Trail, and Salt River areas with over \$40 million in funding annually and more than 600 employees.

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

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

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

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

Basis of Accounting

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

Basis of Consolidation

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the Organization. All significant intra-organizational accounts and transactions have been eliminated.

The 2025 consolidated financial statements include the net assets and operations of the following 100% wholly-owned subsidiaries:

- Audubon Independence/Horizon, Inc.
- Audubon ORR, LLC\*
- Audubon Learning Villa, LLC\*

\*These wholly-owned subsidiaries acquired underlying partnership investments during 2025. See Note V for additional information.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Consolidation (continued)

The 2024 consolidated financial statements include the net assets and operations of the following 100% wholly-owned subsidiary:

- Audubon Independence/Horizon, Inc.\*

\*This wholly-owned subsidiary acquired underlying partnership investments during 2024. See Note V for additional information.

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.

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

Land improvements	10 - 30 years
Buildings	20 - 40 years
Building improvements	10 - 30 years
Furniture and furnishings	5 - 10 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

Property and equipment acquired by the Organization are considered to be owned by Audubon Area Community Services, Inc. However, Federal and State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal and State agencies have a reversionary interest in those assets purchased with funds which cost \$5,000 and \$500 or more, respectively, and have an estimated useful life of at least two years. Depreciation expense was \$3,021,923 and \$3,047,956 for the years ended June 30, 2025 and 2024, respectively.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Concentrations of Credit Risk

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

The Organization maintains its cash with multiple financial institutions, however, amounts in excess of federal deposit insurance coverage is collateralized by securities held by the related financial institution. At June 30, 2025, the Organization's bank balances totaled \$13,753,217; of that amount, \$1,030,887 was covered by federal depository insurance and \$12,222,266 was covered by collateral held by a local financial institution and the remaining balance of \$500,064 was uninsured. At June 30, 2024, the Organization's bank balances totaled \$12,410,037; of that amount, \$691,897 was covered by federal depository insurance and \$11,676,700 was covered by collateral held by a local financial institution and the remaining balance of \$41,440 was uninsured.

The Organization maintains an investment account with one investment broker. The Organization's investments include temporary cash investments, equity and debt-related investments. These investments are primarily exchange traded funds and mutual funds. These investments are highly diversified and any potential credit risk for temporary cash or debt-related investments is dispersed across different borrowers within different industries and geographic areas. As of June 30, 2025 and 2024, 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, 2025 and 2024, the Organization had no significant concentration of credit risk related to contracts and grants receivable.

Concentrations of credit risk with respect to accounts receivables primarily includes outstanding developer fees. As of June 30, 2025 and 2024, 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, 2025 and 2024, Management has determined loans and interest receivable of \$11,121,849 and \$10,830,876, respectively, were significant concentrations of credit risk and as such have included allowances to offset these receivables.

Accounts Receivable

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Loans and Interest Receivable

Loans and interest receivable are carried at unpaid principal balance, less on allowance for credit losses. The allowance for credit losses is recorded when management expects potential collection issues. In making that determination, management evaluated the financial condition of borrowers, the estimated value of the any underlying collateral and current economic conditions. See Notes E and F for recorded allowances for loans and related interest receivables.

Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

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

Receivables from Grantor Agencies

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

Refundable Advances

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

Compensated Absences

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

Revenues – Exchange and Non-Exchange Transactions

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 consolidated statement of activities under program service fees and other revenue. See Note R. Transportation service revenue includes Medicaid revenue, brokered transportation, and transportation fares.

*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 is 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 shown on the consolidated statement of activities under program service fees and other revenue. See Note R.

Lease Revenue

The Organization leases residential units to program participants under operating leases. Substantially all leases meet the definition of short-term leases under GAAP. Rental income is recognized on a straight-line basis over the lease term and is included in program service fees and other revenue in the consolidated statement of activities. Lease revenue consists of the following components:

Housing assistance payments (HAP) received from the Kentucky Housing Corporation on behalf of residents, which subsidize a portion of the contractual rental amount.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Lease Revenue (continued)

Apartment carrying charges, representing the resident-paid portion of rent, including utilities, determined based on resident income in accordance with program requirements

Housing assistance payments and apartment carrying charges are considered fixed lease payments for purposes of revenue recognition.

Investments and Net Investment Income

*Marketable Securities*

Investments in equity and debt securities having a readily determinable fair value 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 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.

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

As of June 30, 2025, the Organization did not have any investments accounted for by the equity method. The Learning Villa, Ltd was fully acquired during 2025 and as such was consolidated into the Organization's 2025 financial statements. As of June 30, 2024, the Organization's 99.95% investment in the Learning Villa, Ltd is accounted for by the equity method. See Note D.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash, Cash Equivalents and Restricted Cash

The Organization considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents and restricted cash consisted of the following at June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 12,440,712	\$ 12,056,063
Restricted cash	1,129,599	294,138
	\$ 13,570,311	\$ 12,350,201

Cash is restricted for the following purposes at June 30, 2025 and 2024:

	2025	2024
Real estate taxes and insurance premiums	\$ 85,557	\$ 38,492
Building improvements, new equipment, etc.	996,333	224,083
Security deposits	47,709	31,563
	\$ 1,129,599	\$ 294,138

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

In-Kind Contributions

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

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

All in-kind contributions received by the Organization for the years ended June 30, 2025 and 2024 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 consolidated statement of activities.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Allocation of Expenses (continued)

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

Programs and Support Services

The Organization 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 under the Child and Adult Care Food Program.

*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).

*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 to provide services for frail elderly people at their home in an effort to prevent or delay institutionalization. Income-eligible participants receive a small stipend and other benefits for their service.

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

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

*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.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Programs and Support Services (continued)

*Housing Services (continued)*

Audubon Learning Villa provides low-income housing for students and children. There are 56 two-bedroom units, a computer lab, community room and an onsite childcare facility at the location.

Independence Heights is a 24-unit apartment complex to ease the burden from youth transferring out of foster care. Apartments are also available to income eligible households. Units are two-bedrooms. Amenities include a computer lab, community room and exercise room.

Horizon Place provides independent living for seniors 55 years and over and those with special needs. Horizon Place provides 34 2-bedroom units which include a security alarm and help call system. A community room is adjacent to the units and features a meeting room, computer lab, grandchild's playroom, exercise room, kitchen, and dining area.

*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, or Low-Income Home Energy Assistance Program, offers assistance to low-income families with the highest home energy needs who are at imminent risk of losing their fuel source.

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).

The Family Preservation and Diversion Programs provide family counseling by focusing on unique clients' needs and offering guidance and empowerment opportunities. Services provided may include parenting skills, anger or stress management, basic housekeeping skills, discipline techniques, substance abuse, domestic violence, etc. Programs are designed to safely maintain the children in their own home, to prevent unnecessary placement outside the home, and to facilitate the safe and timely return of children who have been removed from their home. Services are only accessible through referrals from the Department for Community Based Services in the seven county Green River area.

Audubon Owensboro Regional Recovery helps individuals recover from substance abuse and helps individuals transition to a stable productive life.

*Management and General*

Management and general expenses include costs for activities that are not directly identifiable with program function but are necessary to ensure the Organization's effective operation such as executive management oversight, finance, accounting, human resources, information technology support, legal and audit services, governance costs, general insurance coverage, office management and support, and portion of occupancy and depreciation expenses related to administrative space.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2025 and 2024 was \$30,418 and \$13,913, respectively.

Tax Status

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

Recently Adopted Accounting Standards

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

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.

**NOTE B – CONTRACTS AND GRANTS RECEIVABLE**

Contracts and grants receivable consisted of the following at June 30, 2025 and 2024:

	2025	2024
U.S. Department of Health and Human Services	\$ 1,279,932	\$ 1,113,316
Kentucky Transportation Cabinet	1,669,164	1,716,391
Kentucky Cabinet for Health and Family Services	458,898	685,982
Community Action Kentucky	316,140	112,213
Corporation for National and Community Service	50,373	40,665
Other	255,292	245,445
	\$ 4,029,799	\$ 3,914,012

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE B – CONTRACTS AND GRANTS RECEIVABLE (continued)**

Contract Assets

Contract assets related to transportation service revenue consisted of the following at June 30, 2025 and 2024:

	2025	2024
Transportation contracts receivable:		
Beginning of year	\$ 1,646,060	\$ 1,683,295
End of year	1,669,164	1,646,060

**NOTE C - INVESTMENTS**

Investments consisted of the following at June 30, 2025 and 2024:

Marketable Securities

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Exchange traded funds	\$ 2,435,995	\$ 3,061,011	\$ 2,368,766	\$ 2,780,730
Mutual funds	2,895,168	3,158,311	2,739,641	2,871,180
	\$ 5,331,163	\$ 6,219,322	\$ 5,108,407	\$ 5,651,910

Net investment income consisted of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Investment income	\$ 459,602	\$ 466,025
Unrealized gain on investments	337,266	323,015
Realized gain on investments	54,147	47,935
Net investment income	\$ 851,015	\$ 836,975

**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. Upon acquisition of the interest, the Organization did not have control, it had the ability to exercise significant influence since it materially participated in the management of activities per the partnership agreement. As of June 30, 2024, the Organization accounted for the investment using the equity method. As of June 30, 2025, the equity method no longer applied due to the partnership being fully acquired and consolidated into the Organization's financial statements as of January 1, 2025.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE D – INVESTMENT IN REAL ESTATE VENTURE (continued)**

The investment in real estate venture consists of the following:

	<u>2025</u>	<u>2024</u>
Cash paid for initial purchase price	\$ -	\$ 2,000
Inherent contribution	-	3,727,807
Capital contribution	-	1,534,179
Accumulated losses	-	(403,523)
Accumulated impairment losses	-	(266,660)
	<u>          </u>	<u>          </u>
Investment in real estate venture	<u>\$ -</u>	<u>\$ 4,593,803</u>

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

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 4,593,803	\$ 5,134,076
Share of losses	(148,871)	(273,613)
Impairment	-	(266,660)
Derecognition of equity method investment upon consolidation	(4,444,932)	-
	<u>          </u>	<u>          </u>
Ending balance	<u>\$ -</u>	<u>\$ 4,593,803</u>

The following is a summary of selected financial information from the unaudited financial statements of the underlying partnership for the periods the Organization had an investment interest.

<u>Learning Villa, Ltd.</u>	(Unaudited) Six Months Ended <u>12/31/2024</u>	(Unaudited) Year Ended <u>6/30/2024</u>
Total assets	<u>\$ 4,746,045</u>	<u>\$ 4,918,523</u>
Total liabilities	\$ 36,681	\$ 60,215
Total equity	<u>4,709,363</u>	<u>4,858,308</u>
Total liabilities and equity	<u>\$ 4,746,044</u>	<u>\$ 4,918,523</u>
Total operating losses	<u>\$ (148,945)</u>	<u>\$ (273,750)</u>

The Organization's share of earnings for the equity method investment is shown in the consolidated statement of activities under share of losses in equity method investment. Earnings were allocated using the Organization's ownership interest in the underlying partnership. For the year ended June 30, 2025, before the underlying partnership was fully acquired on January 1, 2025, 99.95% of earnings were allocated to the Organization for the period of July 1, 2024 through December 31, 2024 and are presented on the consolidated statement of activities under share of losses in equity method investment. The activities from January 1, 2025 through June 30, 2025 were consolidated into the Organization's respective revenues and expenses. For the year ended June 30, 2024, 99.95% of net earnings were allocated to the Organization.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE E – RELATED LOAN AND INTEREST RECEIVABLES**

The Organization has served as the developer on low-income housing projects and is entitled to a developer's fee. As part of the development agreements, the Organization was required to loan this money back to the limited partnerships. These loans are to be repaid as cash flows permit. Due to the uncertainty that the Organization will receive these payments, these loans are offset with allowance accounts for the same amount. The loans receivable as of June 30, 2025 and 2024 consist of:

	2025	2024
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, 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
	9,069,022	9,069,022
Less allowance for credit losses	(9,069,022)	(9,069,022)
Total related loan receivables	\$ -	\$ -

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

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

The following table summarizes accrued interest receivables associated with the related loans receivable and are reported net in other assets on the consolidated statement of financial position. Accrued interest receivables as of June 30, 2025 and 2024 consist of:

	2025	2024
Audubon Lincolnshire Apartments	\$ 791,866	\$ 680,515
Audubon Lincolnshire North Apartments, LLLP	1,260,961	1,081,339
President’s Place, LLLP	171,959	146,487
Total related interest receivables	2,224,786	1,908,341
Less allowance for credit losses	(2,052,827)	(1,761,854)
Total related interest receivables	\$ 171,959	\$ 146,487

Simple interest on the loans is recognized over the term of the loan. Interest income from the related loans amounted to \$55,472 and \$55,624 for the years ended June 30, 2025 and 2024, respectively.

**NOTE F – ALLOWANCE FOR CREDIT LOSSES**

Changes in the allowance for credit losses during the years ended June 30, 2025 and 2024 were as follows:

	2025		
	Loans Receivable	Accrued Interest Receivable	Total
Balance, beginning of year	\$ (9,069,022)	\$ (1,761,854)	\$ (10,830,876)
Bad debt expense	-	(290,973)	(290,973)
Write-offs	-	-	-
Recoveries	-	-	-
Balance, end of year	\$ (9,069,022)	\$ (2,052,827)	\$ (11,121,849)
	2024		
	Loans Receivable	Accrued Interest Receivable	Total
Balance, beginning of year	\$ (9,069,022)	\$ (1,479,037)	\$ (10,548,059)
Bad debt expense	-	(282,817)	(282,817)
Write-offs	-	-	-
Recoveries	-	-	-
Balance, end of year	\$ (9,069,022)	\$ (1,761,854)	\$ (10,830,876)

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE F – ALLOWANCE FOR CREDIT LOSSES (continued)**

All loans receivable and related interest receivables are from entities classified as low-income housing projects and payments are repaid as cash flows permit. Management has determined that substantially all outstanding receivables are unlikely to be repaid. For the years ended June 30, 2025 and 2024 there have been no changes in accounting policies or changes in methodology for its estimate.

**NOTE G – PARTNERSHIP INVESTMENTS**

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

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

Wholly-owned Subsidiary	Ownership Interest		Partnership
	2025	2024	
Audubon Learning Villa, LLC	NA*	99.95%	The Learning Villa, Ltd
Audubon Independence/Horizon, Inc.	NA*	NA*	Independence Heights, Ltd
Audubon Independence/Horizon, Inc.	NA*	NA*	Independence Heights, Ltd
Audubon ORR, LLC	NA*	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 underlying partnerships were fully acquired by the Organization effectively dissolving the underlying partnerships. The activities have been consolidated into the Organization's financial statements.

During 2025, the Organization’s wholly owned subsidiary, Audubon Learning Villa, LLC, acquired the remaining ownership interest in The Learning Villa, Ltd., which was donated to the Organization. Upon acquisition, the previously recorded equity method investment was derecognized, and the identifiable assets and liabilities were remeasured at fair value. As a result, the results of operations and financial position of The Learning Villa, Ltd. have been consolidated into the Organization’s 2025 consolidated financial statements from the date of acquisition.

Also, during 2025, the Organization’s wholly owned subsidiary, Audubon ORR, LLC, acquired the remaining ownership interests in Owensboro Regional Recovery, Ltd. Accordingly, the results of operations and financial position of Owensboro Regional Recovery, Ltd. have been consolidated into the Organization’s 2025 consolidated financial statements from the date of acquisition.

During 2024, the Organization’s wholly owned subsidiary, Audubon Independence/Horizon, Inc., acquired the remaining ownership interests in the Independence Heights, Ltd. and Horizon Place, Ltd. As a result, the results of operations and financial position of Independence Heights, Ltd. and Horizon Place, Ltd. have been consolidated into the Organization’s 2025 and 2024 consolidated financial statements from the date of acquisition.

Additional information for the 2025 and 2024 business combinations and impact on the consolidated financial statements are discussed further in Note V.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE H – LONG-TERM DEBT**

Long-term debt as of June 30, 2025 and 2024 consisted of the following:

	2025	2024
Building revenue bonds; interest payable monthly, floating rate based on initial fixed rate (4.73% at June 30, 2025 and 2024), principal payable annually in the amount of \$160,000 due January 1, 2029; collateralized by real estate.	\$ 640,000	\$ 800,000
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.	94,826	468,565
Promissory note maturing on September 18, 2024 with a fixed rate of 7%. 179 payments of \$186 are due starting October 18, 2009, a final balloon payment is due September 18, 2024; collateralized by real estate.	-	20,725
Promissory note maturing on September 18, 2039 with a variable interest rate (7.99% initial rate time of refinance on September 18, 2024). 180 monthly payments of \$664 are due starting October 18, 2024, a final balloon payment is due September 18, 2039; collateralized by real estate.	65,978	69,806
Promissory note maturing on November 1, 2038 with a fixed interest rate of 1%. The principal balance and accrued interest are due upon maturity. Interest is only accrued on the outstanding principal balance (simple interest); collateralized by real estate.	835,000	-
Subtotal	1,635,804	1,359,096
Less current portion	(258,591)	(554,464)
Less unamortized debt issuance costs	(51,364)	(59,402)
Long-term debt, net of current portion	\$ 1,325,849	\$ 745,230

The \$835,000 promissory note due was debt assumed in connection with the acquisition of Owensboro Regional Recovery, Ltd. during 2025.

Interest expense was \$60,311 and \$67,219 for the years ended June 30, 2025 and 2024, respectively. Amortization of debt issuance costs was \$8,038 in 2025 and 2024, respectively.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
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**NOTE H – LONG-TERM DEBT (continued)**

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

Year ending June 30,	<u>Amount</u>
2026	\$ 258,591
2027	164,017
2028	164,286
2029	164,573
2030	4,879
Thereafter	<u>879,458</u>
Total	<u>\$ 1,635,804</u>

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

**NOTE I – LINE OF CREDIT**

As of June 30, 2025, the Organization has a \$1,000,000 line of credit with a maturity of February 25, 2027. Bank advances on the credit line are payable on demand with an interest rate of 1.75% over SOFR. As of June 30, 2025, the interest rate was 6.2%. The credit line is secured by substantially all business assets. As of June 30, 2025, the unused portion of the line of credit was \$1,000,000.

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

**NOTE J – SELF-INSURANCE PROGRAM**

At December 31, 2023, the Organization's self-insured health plan ended. The Organization will pay any costs associated with the self-insured health plan through June 30, 2025 (closeout period) for any claims that existed at December 31, 2023. The Organization has set aside a reserve to fund any potential commitments. As of June 30, 2025 and 2024, the estimated accrued self-insurance claims were \$144,882 and \$107,252, respectively.

**NOTE K – CONTRACT LIABILITIES**

Contract liabilities at June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
United Healthcare Catalyst Program	\$ 400,986	\$ 338,486
The American Rescue Plan Act Sustainability Payments	1,732,330	1,723,944
Other	<u>129,319</u>	<u>124,032</u>
	<u>\$ 2,262,635</u>	<u>\$ 2,186,462</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE K – CONTRACT LIABILITIES (continued)**

UnitedHealthcare Catalyst Program

UnitedHealthcare (United) provided funding to the Organization under its UnitedHealthcare Catalyst Program. United describes the program as follows: UnitedHealthcare Catalyst™ is a community integration model designed to cultivate and convene formal collaboration among healthcare and community partners. The model focuses on addressing health disparities and inequities, aligning and expanding community capacity, and improving health outcomes. UnitedHealthcare Catalyst™ integrates data with direct input from community members to identify specific health challenges and supports the development of coordinated, community-based strategies to address those challenges. The approach is grounded in the belief that cross-sector collaboration and engagement with community-based leaders is the most effective way to solve complex health-related issues. Management has reported unused contract funding as a contract liability in accordance with ASC 606, *Revenue from Customer Contracts*.

The American Rescue Plan Act Sustainability Payments

The Organization received sustainability payments funded through the American Rescue Plan Act during the 2022, 2023, and 2024 fiscal years. These payments were provided in response to the COVID-19 pandemic and were intended to support child care providers in sustaining their operations, rebuilding economic capacity, and continuing to provide services to families and children. The sustainability payments are considered payments to beneficiaries of a federal program, consistent with the treatment of child care subsidies received under the Child Care Assistance Program (CCAP) voucher model. Accordingly, providers receiving these payments are not considered subrecipients, as defined in 45 CFR § 75.2. Management has reported unused sustainability funding as a contract liability in accordance with ASC 606, *Revenue from Contracts with Customers*.

**NOTE L – BOARD-DESIGNATED OPERATING RESERVES**

The Organization defines Board-Designated Operating Reserves as the portion of unrestricted net assets that the Board has designated for use in unusual or unforeseen financial emergencies. The general purpose of the Operating Reserve Fund is to help ensure 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, 2025 and 2024, the board designations were as follows:

	2025	2024
Board designated-operating reserve	\$ 2,451,983	\$ 2,451,983
Board designated-insurance reserve	250,000	250,000
Total board-designated net assets without donor restrictions	\$ 2,701,983	\$ 2,701,983

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE L – BOARD-DESIGNATED OPERATING RESERVES (continued)**

The Board granted further approval to the Organization’s management to withdraw up to \$615,889 in 2025 and 2024, respectively, from this fund as needed with the provision that the funds are borrowed for a term of ninety days or less. Any amounts and/or terms outside of this policy’s stipulations would require approval from either the Board or the Executive Committee. At June 30, 2025 and 2024, there were no withdrawals.

**NOTE M – RELATED PARTY TRANSACTIONS**

Loan and Interest Receivables

As discussed in Note E, the Organization has loan and interest receivables from partnerships in which it holds ownership interests of less than 1%. Substantially all of these receivables are offset by an allowance for credit losses.

Management Fees

The Organization provides management services to partnerships in which it holds ownership interests of less than 1%. In addition, the Organization has an affiliate agreement with Audubon Area Community Care Clinic, Inc. to provide management services.

The Organization received \$426,732 and \$442,935 in management fees from related parties and the affiliate for the years ended June 30, 2025 and 2024, respectively. Any related receivables outstanding at year-end were not material to the financial statements.

**NOTE N – IN-KIND CONTRIBUTIONS**

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

In-kind contributions during the years ended June 30, 2025 and 2024 consisted of the following:

<u>June 30, 2025</u>	Early Childhood	Transportation	Housing	Community Services	Total
Space	\$ 1,115,144	\$ -	\$ -	\$ 42,553	\$ 1,157,697
Educational services	2,571,408	-	-	-	2,571,408
Transportation	3,339,656	-	-	-	3,339,656
Investment in real estate venture	-	-	-	2,763,291	2,763,291
Food	-	-	-	478,747	478,747
Other	268,086	-	-	19,250	287,336
<b>Total</b>	<b>\$ 7,294,294</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,303,841</b>	<b>\$ 10,598,135</b>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE N – IN-KIND CONTRIBUTIONS (continued)**

<u>June 30, 2024</u>	<u>Early Childhood</u>	<u>Transportation</u>	<u>Housing</u>	<u>Community Services</u>	<u>Total</u>
Space	\$ 1,146,951	\$ -	\$ -	\$ 49,233	\$ 1,196,184
Educational services	2,853,960	-	-	-	2,853,960
Transportation	3,382,644	-	-	-	3,382,644
Investment in real estate venture	-	-	4,926,371	-	4,926,371
Food	-	-	-	337,035	337,035
Other	216,393	-	-	125,079	341,472
<b>Total</b>	<b>\$ 7,599,948</b>	<b>\$ -</b>	<b>\$ 4,926,371</b>	<b>\$ 511,347</b>	<b>\$ 13,037,666</b>

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, 2025 and 2024, the estimated value per square foot for donated indoor space ranged from \$3.15 to \$12 per square foot. These values were determined based upon certified appraisals. 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 revenue and expense using the per child cost for the related service. For the year ended June 30, 2025, the estimated per child cost for At Risk, Speech, Developmental Delay, and Severe Disability services were \$3,889, \$3,889, \$3,889, and \$7,389, respectively. For the year ended June 30, 2024, the estimated per child cost for At Risk, Speech, Developmental Delay, and Severe Disability services were \$3,937, \$3,937, \$3,937, and \$7,481, respectively.

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, 2025 and 2024, the estimated value per program participant was \$4,324, respectively.

Investment in Real Estate Ventures

*Owensboro Regional Recovery Partnership Acquisition*

In November 2007, the Organization organized a wholly-owned subsidiary (Audubon ORR, LLC), and obtained an interest in a limited partnership (Owensboro Regional Recovery, Ltd.). The partnership was

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE N – IN-KIND CONTRIBUTIONS (continued)**

Investment in Real Estate Ventures (continued)

*Owensboro Regional Recovery Partnership Acquisition (continued)*

formed to construct, own, and operate a 38-unit low-income housing project, which qualified for the low-income housing tax credits as provided in Section 42 of the Internal Revenue Code of 1986, as amended. During 2025, the Organization through its wholly-owned subsidiary purchased all the remaining interests in the partnership. At the time of the purchase, the Organization paid \$406,000 for the remaining interests in the partnership. The agreed upon price was substantially below fair value. Management recorded \$2,763,291 as an inherent contribution to account for the difference between the purchase price and the estimated fair value of the acquired partnership interests. For fair value measurement, an appraisal was obtained to value the underlying real estate.

*Independence Heights and Horizon Place Partnerships Acquisitions*

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

Volunteer Hours

Volunteers have donated over 149,370 hours and 155,761 hours to the Organization's services for the years ended June 30, 2025 and 2024, respectively. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition under Generally Accepted Accounting Principles.

**NOTE O - RETIREMENT BENEFITS**

*Multi-Employer Pension Plan*

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

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE O - RETIREMENT BENEFITS (continued)**

*Multi-Employer Pension Plan (continued)*

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

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

Non-hazardous duty employees were required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their annual creditable compensation, which is withheld by the Organization. The Organization was required to contribute at an actuarially determined rate of 19.71% and 23.34% for the years ended June 30, 2025 and 2024 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 \$3,595,647 and \$4,333,558 for the years ending June 30, 2025 and 2024, respectively. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of 2025 and 2024 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, 2024 and 2023 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2024	2023
Total Pension Liability	\$ 15,576,667	\$ 15,089,106
Plan Fiduciary Net Position	9,596,244	8,672,597
Net Pension Liability	\$ 5,980,423	\$ 6,416,509
Plan Fiduciary Net Position as a Percentage of Total Liability	61.61%	57.48%

The percentage of the Organization's contribution to total employers' contribution is 0.621395% and 0.618059% and the Organization's portion of the net pension liability is \$37,162,054 and \$39,657,808 for June 30, 2024 and 2023, respectively.

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

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

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE O - RETIREMENT BENEFITS (continued)**

*Multi-Employer Pension Plan (continued)*

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, 2025 and 2024 was 0% of participating members' compensations, respectively. There have been no significant changes that affect comparability of 2025 and 2024 contributions.

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2024 and 2023 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

	2024	2023
Total OPEB Liability	\$ 3,534,297	\$ 3,260,308
Plan Fiduciary Net Position	3,707,277	3,398,375
Net OPEB Liability (Asset)	\$ (172,980)	\$ (138,067)
Plan Fiduciary Net Position as a Percentage of Total Liability	104.89%	104.23%

The percentage of the Organization's contribution to total employers' contribution is 0.622017% and 0.618028% and the Organization's portion of the net OPEB liability (asset) is (\$1,075,966) and (\$853,291) for June 30, 2024 and 2023, respectively.

**NOTE P – FAIR VALUE MEASUREMENTS**

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

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE P – FAIR VALUE MEASUREMENTS (continued)**

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

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

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

<u>June 30, 2025</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>Recurring Fair Value Measurements:</u>	<u>Fair Value</u>			
Exchange traded funds	\$ 3,061,011	\$ 3,061,011	\$ -	\$ -
Mutual funds	3,158,311	3,158,311	-	-
Total recurring fair value measurements	<u>\$ 6,219,322</u>	<u>\$ 6,219,322</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Non-Recurring Fair Value Measurements:</u>				
Investment in real estate venture	\$ -	\$ -	\$ -	\$ -
Total non-recurring fair value measurements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fair value measurements using significant unobservable inputs (Level 3):				
Opening balance - June 30, 2024	\$ 4,593,803			
Share of losses in equity method investment	(148,871)			
Derecognition of equity method investment upon consolidation	<u>(4,444,932)</u>			
Closing balance - June 30, 2025	<u>\$ -</u>			

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE P – FAIR VALUE MEASUREMENTS (continued)**

<u>June 30, 2024</u>	<u>Fair Value Measurements at Reporting Date Using:</u>			
		Quoted Prices in Active Markets for Identical Assets/ Liabilities	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring Fair Value Measurements:</u>	<u>Fair Value</u>			
Exchange traded funds	\$ 2,780,730	\$ 2,780,730	\$ -	\$ -
Mutual funds	2,871,180	2,871,180	-	-
Total recurring fair value measurements	<u>\$ 5,651,910</u>	<u>\$ 5,651,910</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Non-Recurring Fair Value Measurements:</u>				
Investment in real estate venture	<u>\$ 4,593,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,593,803</u>
Total non-recurring fair value measurements	<u>\$ 4,593,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,593,803</u>
 Fair value measurements using significant unobservable inputs (Level 3):				
Opening balance - June 30, 2023	\$ 5,134,076			
Share of losses in equity method investment	(273,613)			
Impairment charge	<u>(266,660)</u>			
Closing balance - June 30, 2024	<u>\$ 4,593,803</u>			

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

**NOTE Q – CONCENTRATIONS**

Program Concentrations

A significant portion of the Organization's revenue is derived from its two largest programs: Head Start and GRITS. For the years ended June 30, 2025 and 2024, Head Start revenues comprised approximately 49% and 53% of total revenue, respectively, and GRITS revenues comprised approximately 29% and 27% of total revenue, respectively.

Accordingly, the Organization's operations are dependent upon continued funding and participation in these programs. A significant reduction in funding, loss of contracts, or changes in program eligibility requirements for either program could have a material adverse effect on the Organization's financial position and results of operations.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE Q – CONCENTRATIONS (continued)**

Federal Grants Concentration

A substantial portion of the Organization’s revenue is derived from federal grants, received either directly from federal agencies or indirectly through pass-through entities. For the years ended June 30, 2025 and 2024, federal grant revenue comprised approximately 47% and 48% of total revenue, respectively.

The Organization’s continued operations are dependent upon its ability to obtain and renew federal grant funding. Changes in federal funding levels, legislative priorities, or compliance requirements could significantly impact future operations.

Federal Agency Grant Concentration

A significant portion of the Organization’s grant revenue is received from the U.S. Department of Health and Human Services. For the years ended June 30, 2025 and 2024, revenue from this agency comprised approximately 42% and 45% of total revenue, respectively.

The loss or reduction of funding from this federal agency could have a material adverse effect on the Organization’s programs and financial condition.

Medicaid Concentration

The Organization receives a significant portion of its revenue from Medicaid reimbursements related to transportation services provided through the GRITS program. For the years ended June 30, 2025 and 2024, Medicaid revenue comprised approximately 27% and 26% of total revenue, respectively.

Medicaid funding is subject to state and federal budgetary constraints, reimbursement rate adjustments, and regulatory requirements. Changes in Medicaid funding levels, eligibility criteria, or reimbursement methodologies could adversely affect the Organization’s financial results.

**NOTE R – DISAGGREGATED SUPPORT AND REVENUES**

A summary of disaggregated support (non-exchange transactions) and revenues (exchange transactions) is provided in the following tables:

	For the year ended June 30, 2025					
	Support			Revenues		
	Federal and State Grants	In-Kind Contributions	Local Grants and Contributions	Program Service Fees and Other Revenue	Management Fees	Total
Head Start	\$ 27,357,647	\$ 7,294,294	\$ 17,614	\$ 2,130,408	\$ -	\$ 36,799,963
Transportation	1,046,868	-	27,075	20,749,320	-	21,823,263
Community services	4,700,270	3,242,036	38,148	1,598,909	-	9,579,363
Housing	399,892	-	-	885,129	193,903	1,478,924
Employment	2,211,795	61,805	55,247	-	-	2,328,847
Other	-	-	9,464	159,507	232,829	401,800
<b>Total</b>	<b>\$ 35,716,472</b>	<b>\$ 10,598,135</b>	<b>\$ 147,548</b>	<b>\$ 25,523,273</b>	<b>\$ 426,732</b>	<b>\$ 72,412,160</b>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE R – DISAGGREGATED REVENUES AND SUPPORT (continued)**

	For the year ended June 30, 2024					
	Support			Revenues		
	Federal and State Grants	In-Kind Contributions	Local Grants and Contributions	Program Service Fees and Other Revenue	Management Fees	Total
Head Start	\$ 28,571,906	\$ 7,599,588	\$ 28,901	\$ 2,220,613	\$ -	\$ 38,421,008
Transportation	207,411	-	1,700	19,750,202	-	19,959,313
Community services	4,463,290	444,394	11,082	563,275	-	5,482,041
Housing	338,772	4,926,371	-	418,179	200,592	5,883,914
Employment	2,207,731	67,313	68,708	-	-	2,343,752
Other	-	-	-	89,482	242,343	331,825
<b>Total</b>	<b>\$ 35,789,110</b>	<b>\$ 13,037,666</b>	<b>\$ 110,391</b>	<b>\$ 23,041,751</b>	<b>\$ 442,935</b>	<b>\$ 72,421,853</b>

Program service fees and other revenues include revenues recognized under both ASC 606, *Revenue from Contracts with Customers*, and ASC 842, *Leases*. The table below further disaggregates revenue reported under the respective accounting standards:

	2025	2024
<u>Revenue from Customer Contracts:</u>		
Transportation services	\$ 20,735,588	\$ 19,736,859
Childcare services	2,039,621	2,067,333
Substance abuse recovery services	529,223	-
KYNECTOR services	520,422	436,126
<u>Lease Revenue:</u>		
Housing assistance payments	426,260	38,711
Apartment carrying charges	612,257	201,917
<u>Other Revenue</u>	659,902	560,805
<b>Total Program Service Fees and Other Revenue</b>	<b>\$ 25,523,273</b>	<b>\$ 23,041,751</b>

Fees received for providing management services are also recognized under ASC 606, *Revenue from Contracts Customers*.

**NOTE S – COMMITMENTS AND CONTINGENCIES**

Grant Programs

The Organization participates in various federal and state grant programs that are subject to audit and review by the respective grantor agencies. Costs charged to these programs are subject to examination and adjustment by the grantor agencies. If expenditures are determined to be unallowable or noncompliant with grant requirements, the Organization may be required to reimburse the grantor for such amounts, and any related receivables may be reduced accordingly.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE S – COMMITMENTS AND CONTINGENCIES (continued)**

Grant Programs (continued)

Management believes the Organization is in compliance with the applicable requirements of its grant programs. However, the ultimate determination of allowable costs is subject to audit. As of June 30, 2025 and 2024, no amounts have been accrued in the accompanying financial statements related to potential disallowances, as management does not consider any such matters to be probable.

Indirect Cost Rate

The Organization applies indirect costs to certain federal programs based on a provisional indirect cost rate approved by the Division of Cost Allocation. For the years ended June 30, 2025 and 2024, the Organization used an approved provisional rate of 14.5%.

Final indirect cost rates for fiscal years 2025 and 2024 have not yet been determined by the Division of Cost Allocation. If the final negotiated rates are lower than the provisional rate applied, the Organization may be required to reimburse a portion of indirect costs previously recognized. Management is unable to determine the outcome of this matter at this time; however, no amounts have been accrued in the accompanying financial statements.

During fiscal year 2024, final indirect cost rates were received for fiscal years 2023 and 2022. In both years, the final negotiated rates exceeded the provisional rates applied. Accordingly, no liability exists related to those prior periods.

**NOTE T – RISK MANAGEMENT**

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE U – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	2025	2024
Financial assets, at year end:		
Cash and cash equivalents	\$ 13,570,311	\$ 12,350,201
Contracts and grants receivable	4,029,799	3,914,012
Accounts receivable	145,294	180,057
Due from related organizations	30,736	131,877
Investments	6,219,322	5,651,910
Investment in real estate venture	-	4,593,803
Interest receivable - related	171,959	146,487
 Total financial assets, at year end	 24,167,421	 26,968,347
 Less those unavailable for general expenditure within one year, due to		
Contractual or donor-imposed restrictions:		
Restricted cash	(1,129,599)	(294,138)
Investment in real estate venture	-	(4,593,803)
Interest receivable - related	(171,959)	(146,487)
Board designations:		
Board designated-operating reserve	(2,451,983)	(2,451,983)
Board designated-insurance reserve	(250,000)	(250,000)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 20,163,880	 \$ 19,231,936

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

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

As of June 30, 2024, the availability of the investment in real estate venture is limited by the contractual obligations of the underlying partnership agreement.

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE V – BUSINESS COMBINATIONS**

2025 Acquisitions

*Owensboro Regional Recovery Partnership Acquisition*

On July 31, 2024, the Organization acquired the remaining ownership interests in Owensboro Regional Recovery, Ltd. by purchasing the 99.9% limited partnership interest held by National City Community Development Corporation and the 0.005% general partnership interest held by Lighthouse Recovery Services, Inc. Prior to the acquisition, the Organization held a 0.005% partnership interest through its wholly owned subsidiary, Audubon ORR, LLC.

As a result of this transaction, the Organization obtained 100% ownership and control of Owensboro Regional Recovery, Ltd. The Organization intends to continue the acquired entity's mission of operating a substance abuse recovery center.

The following table summarizes the consideration transferred and the amounts recognized for the assets acquired and liabilities assumed as of July 31, 2024:

Consideration:	
Cash	<u>\$ 406,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and restricted cash	\$ 124,911
Receivables	240,381
Prepaid expense	20,714
Land, building, and vehicle	<u>3,951,000</u>
Total identifiable assets	4,337,006
Accounts payable	136,948
Accrued expenses	73,996
Accrued interest	121,771
Long-term debt	<u>835,000</u>
Total identifiable liabilities	<u>1,167,715</u>
Total identifiable net assets	3,169,291
Inherent contribution received	<u>2,763,291</u>
	<u>\$ 406,000</u>

As part of the acquisition, the Organization recognized an inherent contribution related to the excess of the fair value of the net assets acquired over the consideration paid. This amount is reported as an in-kind contribution in the accompanying consolidated statement of activities.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE V – BUSINESS COMBINATIONS (continued)**

2025 Acquisitions (continued)

*Learning Villa Partnership Acquisition*

As of June 30, 2024, the Organization held a 99.95% interest in The Learning Villa, Ltd., which was accounted for using the equity method. While the Organization did not have control, it had the ability to exercise significant influence through active participation in management pursuant to the partnership agreement.

On January 1, 2025, the remaining 0.05% interest was donated to the Organization, resulting in 100% ownership and consolidation of the partnership's financial statements.

The following table summarizes the consideration transferred and the amounts recognized for the assets acquired and liabilities assumed as of January 1, 2025:

Reconciliation of equity method investment to consolidated basis:

Equity method investment, June 30, 2024	\$ 4,593,803
Share of equity method losses (July 1, 2024 - December 31, 2024)	<u>(148,871)</u>
Equity method investment, December 31, 2024	4,444,932
Remeasurement to fair value upon donation of remaining interest	<u>120,089</u>
Net assets consolidated at fair market value	<u><u>\$ 4,565,021</u></u>

Identifiable assets and liabilities consolidated at fair value:

Cash and restricted cash	\$ 616,832
Receivables	9,513
Prepaid expense	25,357
Land and building	<u>3,950,000</u>
Total identifiable assets	4,601,702
Accounts payable	2,439
Unearned revenue	20,892
Tenant security deposits	<u>13,350</u>
Total identifiable liabilities	<u>36,681</u>
Net assets consolidated at fair market value	<u><u>\$ 4,565,021</u></u>

Upon obtaining full ownership, the Organization recognized a gain on remeasurement of previously held interest of \$120,089 in the consolidated statement of activities. This gain represents the excess of the fair value of the previously held 99.95% equity interest over its carrying value immediately prior to the donation.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE V – BUSINESS COMBINATIONS (continued)**

2024 Acquisitions:

*Independence Heights Partnership Acquisition*

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

The following table summarizes the consideration transferred and the amounts recognized for the assets acquired and liabilities assumed as of December 31, 2023:

Consideration:	
Cash	\$ 2,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and restricted cash	\$ 194,370
Prepaid expenses	8,355
Land and building	1,925,000
Accounts payable	(14,727)
Long-term debt	(21,105)
	<hr/>
Total identifiable net assets	2,091,893
Inherent contribution received	2,089,893
	<hr/>
	\$ 2,000
	<hr/>

As part of the acquisition, the Organization recognized an inherent contribution related to the excess of the fair value of the net assets acquired over the consideration paid. This amount is reported as an in-kind contribution in the accompanying consolidated statement of activities.

*Horizon Place Partnership Acquisition*

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE V – BUSINESS COMBINATIONS (continued)**

2024 Acquisitions (continued):

*Horizon Place Partnership Acquisition (continued)*

The following table summarizes the consideration transferred and the amounts recognized for the assets acquired and liabilities assumed as of December 31, 2023:

Consideration:	
Cash	\$ 2,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and restricted cash	\$ 212,123
Other	13,162
Land and building	2,700,000
Accounts payable	(19,047)
Long-term debt	(71,760)
	2,834,478
Total identifiable net assets	2,834,478
Inherent contribution received	2,832,478
	\$ 2,000

As part of the acquisition, the Organization recognized an inherent contribution related to the excess of the fair value of the net assets acquired over the consideration paid. This amount is reported as an in-kind contribution in the accompanying consolidated statement of activities.

**NOTE W – INSURANCE RECOVERIES**

On March 15, 2025, a severe hailstorm caused significant damage to the Organization’s structures and vehicles. During the year ended June 30, 2025, the Organization received insurance recoveries totaling \$1,108,674 for damaged structures.

As of June 30, 2025, the Organization was working with its insurance providers to finalize claims and anticipates additional recoveries related to the hailstorm.

The Organization had not incurred significant repair costs for the damaged assets as of June 30, 2025. Management expects to incur substantial repair and restoration costs subsequent to the balance sheet date. Known contractual commitments for repairs that existed as of the report date are described in Note Y.

**NOTE X – IMPAIRMENT CHARGES**

In 2025, the Organization recognized an impairment charge of \$153,657 to write down the carrying value of GRITS vehicles damaged in the hailstorm discussed in Note W. The impairment charge represents the excess of the vehicles’ carrying amounts over their estimated fair values or expected recoverable amounts

In 2024, the Organization recognized an impairment loss of \$266,660 related to its equity method investment. The loss was determined based on a review of an updated appraisal of the investee, which indicated that the carrying value of the investment exceeded its fair value.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2025 and 2024**

**NOTE Y – SUBSEQUENT EVENTS**

Commitments to Contractors for Hailstorm Repairs

As discussed in Note W, the Organization experienced a severe hailstorm on March 15, 2025, which damaged several buildings and vehicles. Subsequent to June 30, 2025, the Organization entered into contracts with contractors to perform repairs to the damaged structures.

The following summarizes the contractual commitments for building repairs as of the date of these financial statements:

<u>Contract Date</u>	<u>Property</u>	<u>Contract Amount</u>
September 2, 2025	2002 West 2nd Street	\$ 305,453
September 3, 2025	800 West 5th Street - West End Head Start	96,135
September 3, 2025	2401 McConnell Avenue - Head Start	655,501
September 3, 2025	1800 West 4th Street	117,545
September 3, 2025	900 Walnut Street - Killan Center	112,806
September 4, 2025	1416 West 9th Street	103,486
October 31, 2025	1700 West 5th Street	429,441
Total commitments to contractors for hailstorm repairs		<u>\$ 1,820,367</u>

Early Retirement of Long-Term Debt

The reported long-term debt balance of \$640,000 (disclosed in Note H) as of June 30, 2025, was retired subsequently. The obligation was paid in full on February 27, 2026, prior to its original maturity of January 1, 2029. Grant funds were used to fund the early retirement.

The Organization did not have any other subsequent events through March 24, 2026, 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, 2025.

**SUPPLEMENTARY INFORMATION**

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**HEAD START**  
**CONTRACT NUMBER 04CH012398**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period December 1, 2023 through November 30, 2024

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>REVENUE</b>			
Contract or grant	\$ 24,798,807	\$ 23,578,115	\$ 1,220,692
Local sources	10,000	16,808	(6,808)
Grantee's contribution	6,190,487	6,388,732	(198,245)
<b>TOTAL REVENUE</b>	<u>30,999,294</u>	<u>29,983,655</u>	<u>1,015,639</u>
<b>EXPENSES</b>			
Administration for Children and Families Share: Head Start Full-Year/ Part-Day (CAN G044122)			
Direct Costs			
Personnel	8,546,671	8,159,065	387,606
Fringe benefits	3,088,888	3,474,203	(385,315)
Travel	158,500	2,788	155,712
Occupancy	327,041	272,718	54,323
Program supplies	1,538,379	1,102,605	435,774
Other	3,098,995	2,609,390	489,605
Total Direct Costs	16,758,474	15,620,769	1,137,705
Indirect Costs	1,193,240	1,138,279	54,961
Total	<u>17,951,714</u>	<u>16,759,048</u>	<u>1,192,666</u>
Early Head Start (CAN G044125)			
Direct Costs			
Personnel	3,748,760	3,587,087	161,673
Fringe benefits	1,712,949	1,812,970	(100,021)
Travel	7,000	1,836	5,164
Occupancy	99,496	93,840	5,656
Program supplies	192,526	244,205	(51,679)
Other	300,148	346,237	(46,089)
Total Direct Costs	6,060,879	6,086,175	(25,296)
Indirect Costs	525,121	497,393	27,728
Total	<u>6,586,000</u>	<u>6,583,568</u>	<u>2,432</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**HEAD START**  
**CONTRACT NUMBER 04CH012398**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period December 1, 2023 through November 30, 2024

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>EXPENSES (continued)</b>			
Head Start T & TA - CDA (CAN G044120 and G044121)			
Direct Costs			
Travel	\$ 181,200	\$ 83,830	\$ 97,370
Supplies	22,043	45,379	(23,336)
Other	57,850	131,884	(74,034)
	<u>261,093</u>	<u>261,093</u>	<u>-</u>
 Total Expenses - Administration for Children and Families	 24,798,807	 23,603,709	 1,195,098
 Grantee's Share Head Start Full-Year/Part-Day and Early Head Start Grantee	    <u>6,190,487</u>	    <u>6,388,732</u>	    <u>(198,245)</u>
 <b>TOTAL EXPENSES</b>	 <u>30,989,294</u>	 <u>29,992,441</u>	 <u>996,853</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 <u>\$ 10,000</u>	 <u>(8,786)</u>	 <u>\$ 18,786</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**EARLY HEAD START**  
**CONTRACT NUMBER 04HP000356**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period September 1, 2023 through August 31, 2024

<b>REVENUE</b>	
Contract or grant	\$ 2,071,330
Program income	207,089
Grantee's contribution	<u>157,310</u>
<b>TOTAL REVENUE</b>	<u>2,435,729</u>
<b>EXPENSES</b>	
Administration for Children and Families Share: Early Head Start (CAN G049128)	
Direct Costs	
Personnel	1,003,755
Fringe benefits	414,949
Travel	144
Occupancy	19,789
Program supplies	36,848
Other	<u>640,491</u>
Total Direct Costs	2,115,976
Indirect Costs	<u>139,450</u>
Total	<u>2,255,426</u>
Early Head Start T & TA (CAN G049121)	
Direct Costs	
Personnel	8,940
Fringe benefits	3,536
Travel	4,751
Supplies	11,722
Other	<u>7,939</u>
Total Direct Costs	<u>36,888</u>
Indirect Costs	<u>1,249</u>
Total	<u>38,137</u>
Total Expenses - Administration for Children and Families	2,293,563
Grantee's Share: Early Head Start Grantee	
	<u>157,310</u>
<b>TOTAL EXPENSES</b>	<u>2,450,873</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ (15,144)</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, 2023 through October 31, 2024

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>REVENUE</b>			
Contract or grant	\$ 670,088	\$ 647,447	\$ 22,641
Grantee's contribution	<u>-</u>	<u>125,078</u>	<u>(125,078)</u>
<b>TOTAL REVENUE</b>	<u>670,088</u>	<u>772,525</u>	<u>(102,437)</u>
<b>EXPENSES</b>			
Western Kentucky University:			
Head Start Full-Year/Part Day (Program Account 22)			
Direct Costs			
Personnel	257,387	282,870	(25,483)
Fringe benefits	113,129	123,529	(10,400)
Occupancy	25,999	9,742	16,257
Program supplies	131,923	105,266	26,657
Other	<u>116,282</u>	<u>71,891</u>	<u>44,391</u>
Total Direct Costs	644,720	593,298	51,422
Indirect Cost	<u>36,034</u>	<u>39,693</u>	<u>(3,659)</u>
Total	<u>680,754</u>	<u>632,991</u>	<u>47,763</u>
Head Start CDA Training (Program Account 20) Direct Costs			
Travel	2,100	1,139	961
Supplies	970	253	717
Other	<u>721</u>	<u>2,399</u>	<u>(1,678)</u>
Total	<u>3,791</u>	<u>3,791</u>	<u>-</u>
Total Expenses - Western Kentucky University	<u>684,545</u>	<u>636,782</u>	<u>47,763</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, 2023 through October 31, 2024

	<b>Approved Budget</b>	<b>Actual</b>	<b>COB Balance Current Year</b>
<b>EXPENSES (continued)</b>			
Delegate Agency's Share:			
Head Start Full-Year/Part Day (Program Account 22)			
Delegate Agency	\$ <u>          -</u>	\$ <u>      125,078</u>	\$ <u>      (125,078)</u>
<b>TOTAL EXPENSES</b>	<u>      684,545</u>	<u>      761,860</u>	<u>      (77,315)</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>      (14,457)</u>	<u>      10,665</u>	<u>      (25,122)</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**CHILD AND ADULT CARE FOOD PROGRAM**  
**CONTRACT NUMBER 11381**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period October 1, 2023 through September 30, 2024

<b>REVENUE</b>	
USDA - Special food service program	\$ <u>872,657</u>
<b>EXPENSES</b>	
Food	<u>878,029</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	\$ <u><u>(5,372)</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**COMMUNITY SERVICES BLOCK GRANT**  
**CONTRACT NUMBER 736-2400003312**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

**REVENUE**

Kentucky Cabinet for Health & Family Services	\$	567,648
In-kind		481,053

<b>TOTAL REVENUE</b>		<u>1,048,701</u>
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**EXPENSES**

Salaries		283,636
Fringes		119,253
Travel		11,945
Space costs		43,370
Office supplies		11,217
Direct assistance		7,166
Telephone		21,917
Other		29,294
Indirect costs		<u>39,850</u>

Total expense - Kentucky Cabinet for Health & Family Services		567,648
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Non-federal in-kind		<u>481,053</u>
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<b>TOTAL EXPENSES</b>		<u>1,048,701</u>
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<b>REVENUE OVER (UNDER) EXPENSES</b>	\$	<u><u>-</u></u>
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**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**FAMILY PRESERVATION PROGRAM**  
**CONTRACT NUMBER 736-2400001755**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

**REVENUE**

Kentucky Cabinet for Health and Family Services	\$ <u>1,222,530</u>
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**EXPENSES**

Salaries	635,978
Fringes	282,579
Travel	32,768
Space costs	8,361
Office supplies	7,323
Direct assistance	52,624
Telephone	23,518
Other	91,236
Indirect costs	<u>88,143</u>

<b>TOTAL EXPENSES</b>	<u>1,222,530</u>
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<b>REVENUE OVER (UNDER) EXPENSES</b>	\$ <u><u>-</u></u>
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**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**KENTUCKY WORKS**  
**CONTRACT NUMBER 736-2400001872**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

**REVENUE**

Kentucky Cabinet for Health & Family Services	\$ <u>1,088,320</u>
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**EXPENSES**

Salaries	601,862
Fringes	244,730
Travel	48,810
Space costs	2,320
Wage subsidy	67,696
Supplies	11,785
Other	28,076
Indirect	<u>83,041</u>

<b>TOTAL EXPENSES</b>	<u>1,088,320</u>
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<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>
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**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**SNAP E&T**  
**CONTRACT NUMBER 736-2400001872**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Kentucky Cabinet for Health & Family Services	\$ <u>185,000</u>
 <b>EXPENSES</b>	
Salaries	116,370
Fringes	48,467
Travel	3,556
Space costs	394
Supplies	21
Other	10
Indirect	<u>16,182</u>
 <b>TOTAL EXPENSES</b>	 <u>185,000</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**LOW-INCOME HOME ENERGY ASISTANCE PROGRAM**  
**CONTRACT NUMBER 736-2400001811**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>2,720,091</u>
<b>EXPENSES</b>	
Salaries	139,004
Fringes	25,775
Direct assistance	2,516,675
Other	19,342
Indirect costs	19,295
<b>TOTAL EXPENSES</b>	<b>2,720,091</b>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ -</b>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**LIHEAP WEATHERIZATION PROGRAM**  
**CONTRACT NUMBER LHWX-001**  
**STATEMENT OF REVENUE AND EXPENSES**  
 For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>229,985</u>
 <b>EXPENSES</b>	
Administration	1,354
WX materials & labor	45,759
WX support	147,517
H&S materials & labor	35,018
Liability insurance	<u>337</u>
 <b>TOTAL EXPENSES</b>	 <u>229,985</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM**  
**CONTRACT NUMBER 725-240000010**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Grant revenue	\$ 312,021
In-kind	<u>138,523</u>
<b>TOTAL REVENUE</b>	<u>450,544</u>
 <b>EXPENSES</b>	
Salaries	266,690
Fringes	19,977
Travel	7,275
Other	<u>18,079</u>
Total expenses - grant	312,021
Non-federal in-kind expense	<u>138,523</u>
<b>TOTAL EXPENSES</b>	<u>450,544</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**GREEN RIVER INTRA-COUNTY TRANSIT SYSTEM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

**REVENUE**

Kentucky Transportation Cabinet	\$ 21,452,531
Program income	388,600
Local sources	40,807

<b>TOTAL REVENUE</b>	<b>21,881,938</b>
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**EXPENSES**

Salaries	3,576,405
Fringes	1,496,602
Travel	40,629
Space costs	99,326
Office supplies	52,377
Fuel	610,772
Parts & maintenance	248,448
Vehicles & equipment	948,257
Contractual & consulting	14,367,176
Vehicle insurance	314,701
Telephone	172,676
Other	462,507
Indirect	496,394

<b>TOTAL EXPENSES</b>	<b>22,886,270</b>
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<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ (1,004,332)</b>
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**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**WINTERCARE PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

**REVENUE**

Grant revenue \$                     -

**EXPENSES**

Direct assistance                     -

**REVENUE OVER (UNDER) EXPENSES**

\$                     -

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**WEATHERIZATION PROGRAM**  
**CONTRACT NUMBER DOE WX-001**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>161,464</u>
 <b>EXPENSES</b>	
Administration	18,990
WX materials & labor	28,717
WX support	76,903
WX ready	7,800
H&S materials & labor	16,245
Liability insurance	3,087
Training	<u>9,722</u>
 <b>TOTAL EXPENSES</b>	 <u>161,464</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**WEATHERIZATION PROGRAM**  
**CONTRACT NUMBER WX DOE BIL 25**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>8,444</u>
<b>EXPENSES</b>	
WX materials & labor	7,145
H&S materials & labor	<u>1,299</u>
<b>TOTAL EXPENSES</b>	<u>8,444</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	\$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**SENIOR COMPANION PROGRAM**  
**CONTRACT NUMBER 24SCCKY002**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Grant revenue	\$ 305,854
Local sources	26,494
In-kind	14,287
	346,635
<b>TOTAL REVENUE</b>	<b>346,635</b>
 <b>EXPENSES</b>	
Federal:	
Salaries	65,000
Fringe benefits	23,157
Occupancy	6,106
Volunteer travel	23,510
Volunteer stipends	149,962
Other expenses	29,073
Indirect costs	9,046
	305,854
Total expenses - grant	305,854
Non-federal:	
Volunteer travel	9,267
Other expenses	922
In-kind - services and other	14,287
	24,476
Total expenses - non-federal	24,476
<b>TOTAL EXPENSES</b>	<b>330,330</b>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ 16,305</b>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**FOSTER GRANDPARENT PROGRAM**  
**CONTRACT NUMBER 24SFCKY004**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Grant revenue	\$ 191,663
Local sources	15,452
In-kind	<u>19,758</u>
<b>TOTAL REVENUE</b>	<u>226,873</u>
<b>EXPENSES</b>	
Federal:	
Salaries	44,533
Fringe benefits	25,640
Volunteer travel	4,138
Volunteer stipends	89,715
Other expenses	21,364
Indirect costs	<u>6,273</u>
Total expenses - grant	<u>191,663</u>
Non-federal:	
Volunteer travel	6,200
Other expenses	2,104
In-kind - services and other	<u>19,758</u>
Total expenses - non-federal	<u>28,062</u>
<b>TOTAL EXPENSES</b>	<u>219,725</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ 7,148</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.  
 RETIRED AND SENIOR VOLUNTEER PROGRAM  
 CONTRACT NUMBER 24SRCKY005  
 STATEMENT OF REVENUE AND EXPENSES  
 For the period April 1, 2024 through March 31, 2025**

<b>REVENUE</b>	
Grant revenue	\$ 134,799
Local sources	17,998
In-kind	<u>27,910</u>
<b>TOTAL REVENUE</b>	<u>180,707</u>
 <b>EXPENSES</b>	
Federal:	
Salaries	53,027
Fringe benefits	20,755
Volunteer travel	30,896
Other expenses	22,535
Indirect costs	<u>7,585</u>
Total expenses - grant	<u>134,798</u>
Non-federal:	
Volunteer travel	12,593
Other expenses	5,406
In-kind - services and other	<u>27,910</u>
Total expenses - non-federal	<u>45,909</u>
<b>TOTAL EXPENSES</b>	<u>180,707</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**ENERGY CARES PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period January 1, 2024 through December 31, 2024

<b>REVENUE</b>	
Atmos Energy	\$ -
Donations	-
	-
<b>TOTAL REVENUE</b>	-
 <b>EXPENSES</b>	
Materials and supplies	13,401
Contract labor	12,785
Overhead expense	6,030
	32,216
<b>TOTAL EXPENSES</b>	32,216
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ (32,216)

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**KYNECTOR PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>	
Grant revenue	\$ 520,422
Local sources	<u>50</u>
<b>TOTAL REVENUE</b>	<u>520,472</u>
<b>EXPENSES</b>	
Salaries	286,043
Fringes	120,747
Travel	15,979
Space costs	4,048
Other	54,544
Indirect costs	<u>39,061</u>
<b>TOTAL EXPENSES</b>	<u>520,422</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ 50</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**VISTA PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2024 through June 30, 2025

<b>REVENUE</b>		
Grant revenue	\$	-
Local sources		-
		<hr/>
<b>TOTAL REVENUE</b>		<hr/> -
<b>EXPENSES</b>		
Contractual & consulting		-
		<hr/>
<b>TOTAL EXPENSES</b>		<hr/> -
<b>REVENUE OVER (UNDER) EXPENSES</b>	\$	<hr/> <hr/> -

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**AUDUBON AREA OWENSBORO REGIONAL RECOVERY**  
**STATEMENT OF REVENUE AND EXPENSES**

For the period August 1, 2024 through June 30, 2025

**REVENUE**

Grant revenue	\$ 719,223
Program income	433,978
Local sources	<u>89,917</u>

**TOTAL REVENUE** 1,243,118

**EXPENSES**

Salaries	383,676
Fringes	167,554
Space costs	104,262
Materials and supplies	219,940
Insurance	72,554
Telephone	8,751
Stipends	15,751
Depreciation	89,790
Interest	7,654
Other	133,632
Indirect	<u>53,143</u>

**TOTAL EXPENSES** 1,256,707

**REVENUE OVER (UNDER) EXPENSES** \$ (13,589)

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Passed through Kentucky Department of Education:				
Child and Adult Care Food Program	10.558	11381	\$ -	\$ 184,272
Child and Adult Care Food Program	10.558	11381	-	685,754
	Total 10.558		-	870,026
SNAP Cluster:				
Passed through Kentucky Cabinet for Health and Family Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	PON 2 736-2400001872	-	185,000
	Total SNAP Cluster		-	185,000
	<b>Total U.S. Department of Agriculture</b>		-	<b>1,055,026</b>
<b><u>U.S. Department of Health and Human Services</u></b>				
Head Start Cluster:				
Direct:				
Head Start	93.600	04CH012398-02	-	13,573,335
Head Start	93.600	04CH012398-01	-	10,309,308
Head Start	93.600	04HP000632-01	-	1,633,564
Head Start	93.600	04HP000356-05	-	355,482
Passed through Western Kentucky University:				
Head Start	93.600	525174-25-001	-	219,520
Head Start	93.600	525168/69-001	-	228,974
	Total 93.600		-	26,320,183
	Total Head Start Cluster		-	26,320,183
Passed through Kentucky Cabinet for Health and Family Services:				
Community Services Block Grant	93.569	PON2 736-2400003312	-	567,649

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, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Passed through Kentucky Cabinet for Health and Family Services: Temporary Assistance for Needy Families (TANF) State Programs	93.558	PON2 736-2400001872	\$ -	\$ 1,088,320
Passed through Kentucky Cabinet for Health and Family Services: Title IV-E Prevention Program	93.472	PON2 736-2400001755	-	530,952
Passed through Kentucky Cabinet for Health and Family Services: MaryLee Allen Promoting Safe and Stable Families Program	93.556	PON2 736-2400001755	-	87,077
Passed through Kentucky Housing Corporation: Low-Income Home Energy Assistance Program	93.568	LHWX-001; LH25-0598-02	-	229,985
Passed through Community Action Kentucky: Low-Income Home Energy Assistance Program	93.568	LIHEAP-001; 736-2400001811	-	2,720,091
	Total 93.568		-	2,950,076
<b>Total U.S. Department of Health and Human Services</b>			<b>-</b>	<b>31,544,257</b>
<b><u>U.S. Department of Labor</u></b>				
Passed through the Kentucky Department for Aging and Independent Living: Senior Community Service Employment Program	17.235	DO 725-2500007406	-	312,021
<b>Total U.S. Department of Labor</b>			<b>-</b>	<b>312,021</b>
<b><u>U.S. Department of Transportation</u></b>				
Transit Services Programs Cluster:				
Passed through Kentucky Transportation Cabinet: Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	KY-2021-027-01; KY-2021-027-00	-	456,600
Total Transit Services Programs Cluster			-	456,600

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, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Federal Transit Cluster:				
Passed through Kentucky Transportation Cabinet:				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	KY-2018-021-03	\$ -	\$ 452,228
Total Federal Transit Cluster			-	452,228
Passed through Kentucky Transportation Cabinet:				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	SC-6192500001833	-	23,890
<b>Total U.S. Department of Transportation</b>			-	<b>932,718</b>
<b><u>U.S. Department of Energy</u></b>				
Passed through Kentucky Housing Corporation:				
Weatherization Assistance for Low-Income Persons	81.042	DOEWX-001; WX25-0598-02	-	161,464
Weatherization Assistance for Low-Income Persons	81.042	BIL25-0598-02	-	8,444
Total 81.042			-	169,908
<b>Total U.S. Department of Energy</b>			-	<b>169,908</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed through Daviess County Fiscal Court:				
Community Development Block Grants/State's Program	14.228	Fiscal Court Contract; PON2 112-2500001870	-	190,000
<b>Total U.S. Department of Housing and Urban Development</b>			-	<b>190,000</b>

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, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>Corporation for National and Community Service</b>				
Foster Grandparent/Senior Companion Cluster:				
Direct:				
AmeriCorps Seniors Foster Grandparent Program (FGP)	94.011	24SFCKY004	\$ -	\$ 191,663
AmeriCorps Seniors Senior Companion Program (SCP)	94.016	24SCCKY002	-	<u>305,854</u>
Total Foster Grandparent/Senior Companion Cluster			<u>-</u>	<u>497,517</u>
Direct:				
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002	24SRCKY005	-	<u>128,938</u>
<b>Total Corporation for National and Community Service</b>			<u>-</u>	<u><b>626,455</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ -</u></u>	<u><u><b>\$ 34,830,385</b></u></u>

See accompanying notes to schedule of expenditures of federal awards.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2025**

**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, 2025. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Audubon Area Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Audubon Area Community Services, Inc.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – OTHER FEDERAL AWARDS**

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

**NOTE D – INDIRECT COST RATE**

Audubon Area Community Services, Inc., has a negotiated indirect rate and therefore does not use the 10% de minimis indirect cost rate or 15% de minimis indirect cost rate (April 2024 revision). The indirect rate is approved by the U.S. Department of Health and Human Services (DHHS). As of June 30, 2025, Audubon Area Community Services, Inc. was using an approved provisional rate of 14.5%.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2026.

### **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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be significant deficiency.

### **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*.

**Audubon Area Community Services, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Audubon Area Community Services, Inc.'s response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

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

A handwritten signature in cursive script that reads "Altaden & Company CPAs PSC".

Owensboro, Kentucky  
March 24, 2026



## **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, 2025. 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, 2025.

#### ***Basis for Opinion on Each Major Federal Program***

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

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

#### ***Responsibilities of Management for Compliance***

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

#### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

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

#### **Report on Internal Control over Compliance**

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

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

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

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



Owensboro, Kentucky  
March 24, 2026

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Findings and Questioned Costs**  
**Year Ended June 30, 2025**

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

93.356; 93.600 Head Start Cluster
8. The threshold for distinguishing Types A and B programs was \$1,044,912.
9. The Organization was determined to be a low-risk auditee.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

Significant Deficiency

2025-001                      Adjusting Journal Entries

*Condition:* During our audit, we identified material corrections necessary to ensure the financial statements were presented in accordance with GAAP. These corrections indicate that the Organization's financial reporting process did not identify certain material misstatements prior to audit. The corrections included matters related to technical accounting matters and the omission of in-kind transportation as follows:

- Accrued Estimated Hailstorm Repairs — Management recorded an accrual for estimated hailstorm repairs of \$1,245,451; however, the related costs had not been incurred as of June 30, 2025.
- Owensboro Regional Recovery, Ltd. (Partnership) Acquisition — During audit procedures, we reviewed the July 31, 2024 acquisition of the Partnership. Following the acquisition, the accounting records reflected beginning net assets of \$781,087. Since the Partnership was acquired, the pre-acquisition equity balances should not carry forward to the post-acquisition records.
- In-Kind Transportation Services — During audit procedures, we noted that certain in-kind transportation services meeting GAAP recognition criteria had not been fully recorded of \$1,074,091.

*Criteria:* Management is responsible for maintaining internal controls that provide reasonable assurance that transactions are properly recorded and financial statements are fairly presented in accordance with GAAP.

*Cause:* The adjustments occurred because:

- Accrued Estimated Hailstorm Repairs: The accounting treatment involved technical GAAP considerations, and Management's interpretation differed from the applicable guidance.
- Owensboro Regional Recovery, Ltd. (Partnership) Acquisition: The accounting for the acquisition involved complexities related to system configuration and differences between the fiscal years of the acquired Partnership and the Organization.
- In-Kind Transportation Services: The recording was inadvertently overlooked during year-end processing.

*Effect:* The financial statements contained material misstatements.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**FINDINGS - FINANCIAL STATEMENT AUDIT (continued)**

*Recommendations:*

Certain adjustments identified during the audit related to complex, unusual, or infrequent transactions that required technical GAAP interpretation. The Organization has established an Audit Review Committee to provide oversight of financial reporting matters. For the Audit Review Committee, the Organization may want to consider including individuals with advanced financial reporting experience, such as a Certified Public Accountant, to consult on such matters as they arise.

We also recommend a focused review of in-kind during the year-end financial reporting process to ensure all routine and material in-kind transactions meeting GAAP recognition criteria are properly identified and recorded.

*Views of Responsible Officials and Planned Corrective Action:*

The agency's board and management are committed to ensuring that its fiscal policies and procedures achieve efficient and accurate fiscal reports for all agency stakeholders. While the following matters are not indicative of a breakdown of the agency's overall internal control system, management acknowledges that certain adjustments identified during the audit were related to complex and infrequent transactions requiring technical accounting interpretation that need corrective action. Regarding the accounting treatment of the hailstorm event, management requested and received technical guidance from its audit firm to consider the accounting treatment for events of this nature. Initially, management did conclude with a differing interpretation of the technical guidance. However, after much consideration, management does concur with and will incorporate the auditor's interpretation into its policies and procedures for future events of this nature. Accordingly, the board and management plan to adopt revisions of its policies and procedures to address the accounting of events of this nature during the planned board meeting in June 2026.

The adjustment to the consolidation of our Owensboro Regional Recovery services into the agency's financials stemmed from an error in coding of a portion of the consolidation transaction. The agency employs accountants and seasoned veterans in its finance staff, which enhances the overall performance of its financial activity. In rare events such as this consolidation, management will seek advice from experts in the field to evaluate and provide technical guidance beyond the expertise within its operations. Furthermore, management has determined a need to adopt a revision to its policies and procedures to effectively address the accounting treatment of this complex transaction. Management will submit its proposed revision during the planned board meeting in June 2026.

The board and management acknowledge the importance and value of meeting the agency's funding sources' cost sharing and matching requirements. For this audit period, the agency met its cost sharing and matching requirements of its funding sources, and those results were properly recorded and reported to its funding stakeholders during the period audited. The matter identified during the audit has to do with excess in-kind that the agency received during the period. While not needed for meeting the requirements and reporting to its funding sources, the excess in-kind of this nature should be reported in the financial statements of the agency. Management acknowledges and agrees with auditor's finding and has implemented an enhanced review process of all in-kind during the year-end financial reporting process to ensure all routine and material in-kind transactions meeting GAAP

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**FINDINGS - FINANCIAL STATEMENT AUDIT (continued)**

*Views of Responsible Officials and Planned Corrective Action: (continued)*

recognition criteria are properly identified and recorded. The effective date of this enhanced review process was established in March 2026.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**NONE**

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2025**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**NONE**

**FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Other Matter

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

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

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

*Current Status:* Resolved. The federal portion for the funding agreement above was correctly reported on the current year SEFA.

Other Matter

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

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

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

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2025**

**FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (continued)**

*Current Status:* Resolved. The errors were communicated to the CFO and FFR preparer December 17, 2024. We acknowledged the errors communicated by the auditor and have strengthened our internal controls over FFR preparation, including a thorough review of underlying documentation during the preparation and review of FFRs.

**CORRECTIVE ACTION PLAN**  
**March 24, 2026**

Department of Health and Human Services

Audubon Area Community Services, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2025.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2025

The findings from the June 30, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

Significant Deficiency

2025-001                      Adjusting Journal Entries

*Recommendations:*

Certain adjustments identified during the audit related to complex, unusual, or infrequent transactions that required technical GAAP interpretation. The Organization has an established an Audit Review Committee to provide oversight of financial reporting matters. For the Audit Review Committee, the Organization may want to consider including individuals with advanced financial reporting experience, such as a Certified Public Accountant, to consult on such matters as they arise.

We also recommend a focused review of in-kind during the year-end financial reporting process to ensure all routine and material in-kind transactions meeting GAAP recognition criteria are properly identified and recorded.

*Action Taken:*

The agency's board and management are committed to ensuring that its fiscal policies and procedures achieve efficient and accurate fiscal reports for all agency stakeholders. While the following matters are not indicative of a breakdown of the agency's overall internal control system, management acknowledges that certain adjustments identified during the audit were related to complex and infrequent transactions requiring technical accounting interpretation that need corrective action. Regarding the accounting treatment of the hailstorm event, management requested and received technical guidance from its audit firm to consider the accounting treatment for events of this nature. Initially, management did conclude with a differing interpretation of the technical guidance. However, after much consideration,

## FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

management does concur with and will incorporate the auditor's interpretation into its policies and procedures for future events of this nature. Accordingly, the board and management plan to adopt revisions of its policies and procedures to address the accounting of events of this nature during the planned board meeting in June 2026.

The adjustment to the consolidation of our Owensboro Regional Recovery services into the agency's financials stemmed from an error in coding of a portion of the consolidation transaction. The agency employs accountants and seasoned veterans in its finance staff, which enhances the overall performance of its financial activity. In rare events such as this consolidation, management will seek advice from experts in the field to evaluate and provide technical guidance beyond the expertise within its operations. Furthermore, management has determined a need to adopt a revision to its policies and procedures to effectively address the accounting treatment of this complex transaction. Management will submit its proposed revision during the planned board meeting in June 2026.

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

Sincerely yours,



Brandon Harley

Chief Executive Officer

Audubon Area Community Services, Inc.