

Northern Kentucky Community Action Commission, Inc.

**Financial Statements with Accompanying Information
June 30, 2022 and 2021, and
Independent Auditors' Report**

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

June 30, 2022 and 2021

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 – 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 26
Accompanying Information:	
Schedule of Expenditures of Federal Awards	27 – 29
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 <i>Government Auditing Standards</i>	30 – 31
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	32 – 34
Schedule of Findings and Questioned Costs	35
Summary Schedule of Prior Audit Findings	36
Other Information:	
Head Start:	
Status of Grant	37
Statement of Revenues and Expenses	38
Full Year Part Day Headstart Program PA-22	39
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	
Training and Technical Assistance Headstart Program PA-20	40
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	
Schedule of Property and Equipment	41
CSBG:	
Statement of Financial Participation	42
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	43
Weatherization:	
Weatherization Program - Schedule of Budgeted, Incurred, Questioned and Allowable Costs	44 - 45
LIHEAP:	
Statement of Program Expenses	46
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	47

Independent Auditors' Report

The Board of Directors of the
Northern Kentucky Community Action Commission

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit 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 Northern Kentucky Community Action Commission and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

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

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

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

BARNES DENNIG

Independent Auditors' Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 27-29, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The other information, which is the responsibility of management, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022 on our consideration of Northern Kentucky Community Action Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northern Kentucky Community Action Commission'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 Northern Kentucky Community Action Commission's internal control over financial reporting and compliance.



December 30, 2022
Crestview Hills, Kentucky

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,246,805	\$ 1,115,295
Cash and cash equivalents - Ridgewood North	67,198	67,213
Certificates of deposit	360,548	359,486
Government grants receivable	2,444,508	1,786,156
Other assets	61,713	62,269
Cash restricted for repairs in Harvest Glen (formerly Crittenden)	19,889	15,435
Developer fee receivable	184,477	150,767
Investment in partnerships	550,101	550,101
Property and equipment, net	<u>8,396,133</u>	<u>4,716,717</u>
Total assets	<u><u>\$ 13,331,372</u></u>	<u><u>\$ 8,823,439</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,073,539	\$ 539,961
Accrued expenses	531,070	752,168
Interest rate swap liability	7,740	75,104
Notes payable	1,439,410	3,154,687
Deferred rental income	444,231	452,308
Refundable advance	<u>407,487</u>	<u>290,898</u>
Total liabilities	<u><u>3,903,477</u></u>	<u><u>5,265,126</u></u>
Net Assets		
Without donor restrictions		
Undesignated	1,654,693	1,624,213
Board designated - Ridgewood North	427,746	426,699
Net investment in property and equipment	<u>6,948,983</u>	<u>1,486,926</u>
Total without donor restrictions	<u><u>9,031,422</u></u>	<u><u>3,537,838</u></u>
With donor restrictions	<u>396,473</u>	<u>20,475</u>
Total net assets	<u><u>9,427,895</u></u>	<u><u>3,558,313</u></u>
Total liabilities and net assets	<u><u>\$ 13,331,372</u></u>	<u><u>\$ 8,823,439</u></u>

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statements of Activities
Years Ended June 30, 2022 and 2021

	2022	2021
Revenues and other support without donor restrictions:		
Federal grants and contracts	\$ 20,706,726	\$ 15,881,625
State and local grants and contracts	1,294,977	1,346,620
Private grants and contracts	725,333	522,455
PPP loan forgiveness	1,526,632	-
In-kind contributions	503,055	750,307
Development fee	97,625	100,492
Rent income	75,215	84,268
Change in fair value of interest rate swap	67,364	38,648
Miscellaneous	36,748	35,502
Net assets released from restrictions	<u>9,002</u>	<u>92,521</u>
Total revenues and other support without donor restrictions	<u>25,042,677</u>	<u>18,852,438</u>
Expenses:		
Children's services	8,026,002	8,171,971
Family services	7,988,669	7,033,914
Weatherization and housing services	349,052	216,243
Community development	1,482,754	1,494,823
Administration and finance	<u>1,702,616</u>	<u>1,193,286</u>
Total expenses, excluding expenses allocated to PPP loan	<u>19,549,093</u>	<u>18,110,237</u>
Excess revenues without donor restrictions over expenses, prior to expenses allocated to PPP loan	5,493,584	742,201
Expenses allocated to PPP loan:		
Children's services	-	920,445
Family services	-	130,847
Weatherization and housing services	-	9,003
Community development	-	42,510
Administration and finance	<u>-</u>	<u>423,827</u>
Total expenses allocated to PPP loan	<u>-</u>	<u>1,526,632</u>
Change in net assets without donor restrictions	<u>5,493,584</u>	<u>(784,431)</u>
Net assets with donor restrictions:		
Private grants	385,000	20,475
Net assets released from restrictions	<u>(9,002)</u>	<u>(92,521)</u>
Change in net assets with donor restrictions	<u>375,998</u>	<u>(72,046)</u>
Change in net assets	5,869,582	(856,477)
Net assets, beginning of year	<u>3,558,313</u>	<u>4,414,790</u>
Net assets, end of year	<u>\$ 9,427,895</u>	<u>\$ 3,558,313</u>

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services						Administration and Finance	Total		
	Children's Services		Weatherization and Housing Services		Community Development					
	Family Services	Weatherization and Housing Services	Community Development	Total						
Salaries	\$ 3,508,709	\$ 1,511,181	\$ 49,564	\$ 1,049,245	\$ 6,118,699	\$ 799,005	\$ 6,917,704			
Fringe benefits	1,607,271	664,961	22,257	102,021	2,396,510	328,185	2,724,695			
Contractual	795,735	226,619	218,585	43,236	1,284,175	174,252	1,458,427			
Travel	120,869	36,156	2,387	4,489	163,901	23,759	187,660			
Occupancy and equipment	307,014	359,041	13,838	39,556	719,449	95,433	814,882			
Utilities	70,630	39,999	2,031	6,141	118,801	5,650	124,451			
Supplies	31,435	32,476	393	4,972	69,276	27,590	96,866			
Communication	68,284	77,683	2,284	10,694	158,945	19,963	178,908			
Printing and publications	46,129	49,488	5,566	12,098	113,281	23,838	137,119			
Insurance	44,847	37,646	7,164	7,408	97,065	13,162	110,227			
Client benefits	562,158	4,777,734	(42)	11,819	5,351,669	1,711	5,353,380			
Staff development	104,000	12,940	1,390	8,745	127,075	35,473	162,548			
Legal fees	40,665	-	-	-	40,665	9,718	50,383			
Other costs	191,064	55,734	2,144	21,693	270,635	88,701	359,336			
In-kind expenditures	287,818	58,846	-	156,391	503,055	-	503,055			
Interest	8,998	3,450	1,107	253	13,808	2,154	15,962			
Depreciation	230,376	44,715	20,384	3,993	299,468	54,022	353,490			
Total expenses	8,026,002	7,988,669	349,052	1,482,754	17,846,477	1,702,616	19,549,093			
Allocation of indirect costs	1,001,902	414,313	13,967	22,997	1,453,179	(1,453,179)	-	-		
Total expenses	\$ 9,027,904	\$ 8,402,982	\$ 363,019	\$ 1,505,751	\$ 19,299,656	\$ 249,437	\$ 19,549,093			

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services								
	Children's Services		Weatherization and Housing Services		Community Development			Administration and Finance	
	Children's Services	Family Services	Weatherization and Housing Services	Community Development	Total				
Salaries	\$ 3,722,909	\$ 1,449,797	\$ 75,405	\$ 1,091,056	\$ 6,339,167	\$ 857,805	\$ 7,196,972		
Fringe benefits	1,604,233	595,327	13,897	144,041	2,357,498	297,898	2,655,396		
Contractual	1,193,198	236,283	54,536	34,105	1,518,122	157,775	1,675,897		
Travel	20,399	7,163	370	1,037	28,969	2,461	31,430		
Occupancy and equipment	448,771	316,028	18,761	40,545	824,105	20,398	844,503		
Utilities	58,946	34,383	5,434	4,743	103,506	5,265	108,771		
Supplies	27,918	17,978	1,129	3,446	50,471	29,996	80,467		
Communication	64,673	67,923	2,548	11,840	146,984	21,909	168,893		
Printing and publications	35,692	47,856	3,493	5,128	92,169	20,186	112,355		
Insurance	26,680	27,628	15,164	6,013	75,485	(2,224)	73,261		
Client benefits	741,788	4,177,338	8,421	9,532	4,937,079	1,342	4,938,421		
Staff development	194,900	21,821	234	105	217,060	24,272	241,332		
Legal fees	10,274	5,496	729	234	16,733	21,109	37,842		
Other costs	157,145	61,513	2,697	14,827	236,182	92,621	328,803		
In-kind expenditures	528,945	54,501	-	166,861	750,307	-	750,307		
Interest	9,866	2,988	1,750	309	14,913	576	15,489		
Depreciation	246,079	40,738	20,678	3,511	311,006	65,724	376,730		
Total expenses	9,092,416	7,164,761	225,246	1,537,333	18,019,756	1,617,113	19,636,869		
Allocation of indirect costs	1,059,294	407,263	21,099	29,113	1,516,769	(1,516,769)	-	-	
Total expenses	\$ 10,151,710	\$ 7,572,024	\$ 246,345	\$ 1,566,446	\$ 19,536,525	\$ 100,344	\$ 19,636,869		

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 5,869,582	\$ (856,477)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	353,490	376,730
Change in fair value of interest rate swap	(67,364)	(38,648)
Forgiveness of PPP loan	(1,526,632)	-
Changes in:		
Government grants receivable	(658,352)	(277,452)
Other assets	556	(23,158)
Developer fee receivable	(33,710)	(20,049)
Accounts payable	(250,516)	(249,489)
Accrued expenses	(221,098)	71,476
Deferred rental income	(8,077)	(8,077)
Refundable advance	<u>116,589</u>	<u>209,225</u>
Net cash provided (used) by operating activities	<u>3,574,468</u>	<u>(815,919)</u>
Cash flows from investing activities		
Investment in partnerships	-	(50,001)
Purchase of property and equipment	<u>(3,248,812)</u>	<u>(660,964)</u>
Net cash used by investing activities	<u>(3,248,812)</u>	<u>(710,965)</u>
Cash flows from financing activities		
Purchase of certificates of deposit	(1,062)	(2,273)
Principal payments on notes payable	<u>(188,645)</u>	<u>(79,613)</u>
Net cash used by financing activities	<u>(189,707)</u>	<u>(81,886)</u>
Net change in cash	135,949	(1,608,770)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,197,943</u>	<u>2,806,713</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,333,892</u>	<u>\$ 1,197,943</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 15,604	\$ 15,532
Purchase of property and equipment in accounts payable	\$ 784,094	\$ -

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS

Northern Kentucky Community Action Commission, Inc. (NKCAC) is a non-profit corporation incorporated under the laws of the Commonwealth of Kentucky organized for the purpose of cooperating with and assisting governmental and private agencies in accomplishing the objectives described in the Economic Opportunity Act of 1964. It primarily serves the Northern Kentucky counties of Boone, Campbell, Carroll, Kenton, Gallatin, Grant, Owen, and Pendleton.

Funds to operate the Commission are obtained primarily from the U.S. Department of Health and Human Services, U.S. Department of Energy, U.S. Department of Labor and the Kentucky Cabinet for Families and Children.

Northern Kentucky Community Action Commission's major categories and the programs included in each category are as follows:

Children's Services: Children's Services programs operate a Head Start preschool program and daycare for three- and four-year-old children. Additionally, NKCAC operates an Early Head Start Child Care Partnership that includes five community child care providers that supply eighty partnership daycare slots for infants and toddlers at six different locations in the agency's urban core. The Head Start and Early Head Start programs are funded by the U.S. Department of Health and Human Services. The USDA Child Care Food Program supplements the feeding of the children in the Head Start and Early Head Start programs; the daycare program provides supplemental daycare services for children participating in Head Start classes and is funded by the State of Kentucky and privately by individuals using the services. As a program under Child Development, the Community Collaboration for Children (CCC) program expands and enhances community based and federal initiatives aimed at supporting and strengthening families to reduce the likelihood of child abuse and neglect. The CCC program is funded by the U. S. Department of health and Human Services and passed through the Kentucky Cabinet for Health and Family Services.

Family Services: Family Services programs provide assistance through neighborhood centers in each of the eight counties serviced by NKCAC. Services include rental, prescription, housing, food and utilities assistance vouchers. Several of the centers maintain a food pantry and clothing closet. Center staff also provide child care assistance referrals. Funds to operate the neighborhood programs include U.S. Department of Health and Human Services, Community Service Block Grant funds passed through the Kentucky Cabinet for Families and Children.

At the neighborhood centers, the LIHEAP program provides heating assistance in the form of utility vouchers to low income individuals. Funding for the LIHEAP program is provided by the U.S. Department of Health and Human Services passed through the Kentucky Organization of Community Action Agencies.

Another program operating within neighborhood centers is Application Assisters, a program intended to educate the population about the Health Benefit Exchange under the Affordable Health Care Act. Funded through the Kentucky Cabinet for Health and Family Services, the agency associates provide assistance to Kentuckians about insurance affordability programs and coverage options designed to enable informed decision-making when selecting and enrolling in health plans.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Also, the YouthBuild program, designed for individuals ages 16 to 24, focuses on obtaining a GED and skills training in the construction field. The U.S. Department of Labor is the primary funding source for the YouthBuild program.

Additional programs include emergency assistance and shelter program grants, funded by federal and state funds passed through the Kentucky Housing Corporation, as well as funds provided by county fiscal courts, other organizations and private donors.

Weatherization and Housing Services: Weatherization & Housing programs provide home weatherization and energy efficiency services to lower income homeowners and renters. Funds for this program are passed through the Kentucky Housing Corporation and Kentucky Organization of Community Action Agencies from the U.S. Department of Energy and the U.S. Department of Health and Human Services. Additionally, Housing programs operated by NKCAC include a 60-unit tax-credit funded apartment complex, a 64-unit tax credit funded apartment complex and a Rural Housing Program, which consists of a 10-unit HOME funded low-income apartment development.

Community Development: Community Development programs assist advanced aged individuals and families and consists of two unique programs: 1) The Senior Community Service Employment Program (SCSEP) program offers qualified individuals fifty-five (55) years or older the opportunity to obtain training and learn job skills to get back into the work force. The SCSEP program is funded by the U.S. Department of Health and Human Services, passed through the National Council on Aging. 2.) Three Senior Centers located in Kenton and Grant counties provide senior citizens with health, fitness and wellness programs, social and recreational activities, and information and assistance with public benefit programs.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). NKCAC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions as of June 30 were as follows:

	<u>2022</u>	<u>2021</u>
Youth development	\$ 11,473	\$ 20,475
Lincoln Grant Scholar House renovations	<u>385,000</u>	-
Total net assets with donor restrictions	<u>\$ 396,473</u>	<u>\$ 20,475</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Cash, Cash Equivalents and Restricted Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consists primarily of money market funds. NKCAC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NKCAC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At June 30, 2022, cash and cash equivalents of \$1,246,805 and restricted cash of \$67,198 and \$19,889 reported within the statement of financial position sum to the total of \$1,333,892, which is the total of the cash and restricted cash shown in the statement of cash flows. At June 30, 2021, cash of \$1,115,295 and restricted cash of \$67,213 and \$15,435 reported within the statement of financial position sum to the total of \$1,197,943, which is the total of the cash and restricted cash shown in the statement of cash flows.

Cash and Cash Equivalents – Ridgewood North

Cash and cash equivalents – Ridgewood North includes the developer fee proceeds on a housing development project and is invested in a money market account. These funds are designated by the Board of Directors. Funds will be held until any potential liability associated with the developer fee is reduced to acceptable levels (Note 5).

Property and Equipment

Property and equipment are recorded at cost on the date of acquisitions or, if donated, at the approximate fair value at the time of donation. Property and equipment are capitalized and depreciated over the useful life of the asset using the straight-line method. Maintenance and repairs are expensed as incurred and major additions and improvements are capitalized. The threshold to capitalize property and equipment is \$1,000.

In accordance with GAAP, NKCAC assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, NKCAC believes no impairments existed at June 30, 2022 and 2021.

The equipment is owned by NKCAC while used in the program for which it was purchased or in other future authorized programs. The funding sources, however, have a reversionary interest in the equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sales proceeds there from is subject to funding source regulations. In accordance with grant award budgets approved by funding sources, equipment is charged to expenses in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life for grant reporting purposes.

Investment in Partnerships

The investment in partnerships is recorded using the equity method of accounting. The investment is increased by NKCAC's pro-rata share of income and reduced by its pro-rata share of losses and distributions.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Interest Rate Swap Agreement

NKCAC utilizes derivative financial instruments to reduce interest rate risk. NKCAC does not hold or issue derivative financial instruments for trading purposes. Current accounting and reporting standards for derivative instruments and hedging activities require that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of interest rate swap agreements are reported in the accompanying statement of activities.

Recognition of Grant Revenues

Revenues of NKCAC consist primarily of Federal, state, and local cost reimbursable grants. The grants are conditional on NKCAC's incurring allowable expenses in performance of the grants. Grant revenue is recognized as support to the extent that the related expenses are incurred. Grant funds received in excess of expenses incurred result in the recognition of a refundable advance (liability). Allowable expenses incurred in excess of grant funds received result in recognition of grants receivable (asset).

Contributions

The Organization records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulations that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional. At June 30, 2022, NKCAC had conditional promises to give from various federal and state funding sources of \$5,488,961 to be used for its Head Start Disaster Assistance, Early Head Start, Fatherhood, YouthBuild, Foster Grandparent and Community Development Block Grant programs. At June 30, 2021, NKCAC had conditional promises to give from various federal and state funding sources of \$11,043,714 to be used for its Head Start Disaster Assistance, Early Head Start, Fatherhood, YouthBuild, Affordable Housing, Foster Grandparent, Senior Volunteer Program and Community Development Block Grant programs.

Functional Expenses

The costs of providing various programs and other activities have been summarized on functional expenses in the statements of activities. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by NKCAC personnel. The most significant allocations are compensation and related expenses, which were allocated based on estimates of time spent by Organization personnel.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Income Taxes

NKCAC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Kentucky law. However, NKCAC is subject to federal income tax on any unrelated business taxable income.

NKCAC's IRS Form 990 is subject to review and examination by federal and state authorities. NKCAC believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Effect of Adopting New Accounting Standard

During 2022, the Organization adopted FASB (Financial Accounting Standards Board) ASU (Accounting Standards Update) ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, valuation techniques and inputs used to arrive at a fair value measure, and descriptions of any donor-imposed restrictions associated with the contributed nonfinancial assets. The most significant impact of the adoption is expanded disclosures for contributed nonfinancial assets.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for NKCAC's fiscal year ending June 30, 2023.

NKCAC is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Subsequent Events

NKCAC has evaluated subsequent events through December 30, 2022, which is the date the financial statements were available to be used.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of June 30:

	2022	2021
Cash and cash equivalents	\$ 1,246,805	\$ 1,115,295
Cash and cash equivalents - Ridgewood North	67,198	67,213
Certificates of deposit	360,548	359,486
Government grants receivable	2,444,508	1,786,156
Developer fees receivable	<u>184,477</u>	<u>150,767</u>
Total financial assets	<u><u>4,303,536</u></u>	<u><u>3,478,917</u></u>
Less financial assets not available for operations within one year:		
Developer fees to be received in greater than one year	(184,477)	(150,767)
Net assets with donor restrictions	(396,473)	(20,475)
Board designated funds	<u>(427,746)</u>	<u>(426,699)</u>
Total financial assets available within one year	<u><u>\$ 3,294,840</u></u>	<u><u>\$ 2,880,976</u></u>

NKCAC holds cash and cash equivalents in the form of operating cash, money market accounts and certificates of deposit with a maturity date of no more than 12 months. Government grants receivable is typically collected within 30 days of billing.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$350,000 for both June 30, 2022 and 2021, which it could draw upon. The Organization has \$427,746 and \$426,699 as of June 30, 2022 and 2021, respectively, of Board designated funds as part of the cash and cash equivalents. Although the Organization does not intend to spend from its Board designated funds, amounts from its Board designated funds could be made available if necessary.

NOTE 3 CERTIFICATES OF DEPOSIT

The Organization held \$360,548 and \$359,486 in certificates of deposits as of June 30, 2022 and 2021, respectively. The certificates of deposit all have original maturity dates of greater than three months and are recorded at original investment plus accrued interest.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2022	2021
Land	\$ 1,329,700	\$ 1,234,700
Buildings and improvements	5,060,537	5,022,994
Equipment	1,558,107	1,300,793
Vehicles	485,575	485,575
Leasehold improvements	567,696	554,547
Construction in process	<u>3,629,902</u>	-
	12,631,517	8,598,609
Less accumulated depreciation	<u>(4,235,384)</u>	<u>(3,881,892)</u>
	<u>\$ 8,396,133</u>	<u>\$ 4,716,717</u>

Land recorded at \$170,000 at both June 30, 2022 and 2021 is restricted for the development of the Lincoln Grant Scholar House.

NOTE 5 DEFERRED RENTAL INCOME AND INVESTMENT IN PARTNERSHIPS

Ridgewood North L.P.

In 2012, NKCAC became a general partner in a 60-unit low income housing tax credit project called Ridgewood North L.P. (Project). NKCAC's interest in the partnership equity at June 30, 2022 and 2021 is based on its 51% general partnership stake in the 0.01% general partnership interest. No initial investment or future capital investments are required under the partnership agreement and no amounts are recognized as investment in partnerships as of June 30, 2022 and 2021. NKCAC received a total developer fee estimated at \$249,600, which was recognized as revenue according to the development services agreement. In June 30, 2022 and 2021, NKCAC recognized \$63,916 and \$66,786, respectively, as development fee revenue. NKCAC may be required under the partnership agreement to fund operating deficits up to the amount of previously received development fees. At both June 30, 2022 and 2021, \$-0-, of the developer fee remains outstanding.

NKCAC purchased the land for the Project in the amount of \$525,000. However, the land purchase was paid by the Project in the form of a prepayment on a ground lease. NKCAC has an agreement to lease the land to the Project for a term of 65 years. The present value of the future land rent is \$444,231 and \$452,308 at June 30, 2022 and 2021, respectively. Lease revenue was \$8,077 and \$13,907 for June 30, 2022 and 2021, respectively.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 5 DEFERRED RENTAL INCOME AND PARTNERSHIP INVESTMENTS (CONTINUED)

The following is a summary of the financial position and results of operations for Ridgewood North L.P as of December 31:

	<u>2021</u>	<u>2020</u>
Assets - cash, buildings and improvements, other	<u>\$ 7,813,371</u>	<u>\$ 8,062,482</u>
Liabilities	<u>\$ 685,456</u>	<u>\$ 692,856</u>
Members' capital	<u>\$ 7,127,915</u>	<u>\$ 7,369,626</u>
Net loss	<u>\$ (227,164)</u>	<u>\$ (252,969)</u>

Lincoln Grant Scholar House LLLP

In 2016, NKCAC, along with other investors, established a partnership known as Lincoln Grant Scholar House, LLLP. The partnership's purpose is to construct and operate a 45-unit apartment complex and auditorium in Covington, Kentucky (LGS) that qualifies for federal low-income housing tax credits for certain investors. NKCAC's interest in the partnership equity at both June 30, 2022 and 2021 is \$550,101 and is recognized in investment in partnerships on the statement of financial position. The investment is based on its 100% ownership of Lincoln GP, LLC which owns 0.01% of Lincoln Grant Scholar House, LLLP as the general partner. NKCAC provided a \$100 initial investment in Lincoln GP, LLC, which was used to invest in Lincoln Grant Scholar House, LLLP. No future capital investments are required under the partnership agreements for Lincoln GP, LLC or Lincoln Grant Scholar House, LLLP. During 2017, NKCAC provided a zero-interest, \$500,000 note receivable to the partnership, which represents a pass-through of Affordable Housing Program funding and increases NKCAC's equity interest in LGS.

NKCAC earned a developer fee of \$270,000 which is recognized as revenue. NKCAC may be required under the partnership agreement to fund operating deficits up to the amount of previously received development fees. At both June 30, 2022 and 2021, \$127,171 of the developer fee remains outstanding.

The following is a summary of the financial position and results of operations for Lincoln Grant Scholar House LLLP as of December 31:

	<u>2021</u>	<u>2020</u>
Assets - cash, buildings and improvements, other	<u>\$ 8,220,391</u>	<u>\$ 8,638,349</u>
Liabilities	<u>\$ 2,100,145</u>	<u>\$ 2,120,596</u>
Partners' equity	<u>\$ 6,120,246</u>	<u>\$ 6,517,753</u>
Net loss	<u>\$ (397,507)</u>	<u>\$ (449,672)</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 5 DEFERRED RENTAL INCOME AND PARTNERSHIP INVESTMENTS (CONTINUED)

Union Farmview LLLP

In February 2020, NKCAC, along with another investor, established a partnership known as Union Farmview LLLP. The partnership's purpose is to purchase, develop and manage real and other property for investment. NKCAC's interest in the partnership equity at June 30, 2020 is based on its 100% ownership of NKCAC Farmview Apartments LLC, which has a 51% general partnership stake in the 0.01% general partnership interest and a 99.99% limited partner interest in Union Farmview LLLP.

In September 2020, the partnership agreement for Union Farmview LLLP was amended for the purpose of financing, constructing and managing a qualified federal low-income housing tax credit project. The amended agreement replaced NKCAC as the limited partner. No initial investment or future capital investments are required under the partnership agreements for NKCAC Farmview Apartments LLC or Union Farmview LLLP. In 2021 NKCAC invested \$50,001 into the partnership which was recognized as an investment in the partnerships as of June 30, 2022 and 2021.

NKCAC received a total developer fee estimated at \$311,400, which is recognized as revenue according to the development services agreement. In June 30, 2022 and 2021, NKCAC recognized \$33,709 and \$33,706, respectively, as development fee revenue. NKCAC may be required under the partnership agreement to fund operating deficits up to the amount of previously received developer fees. At June 30, 2022 and 2021, \$57,306 and \$23,596, respectively of the development fee revenue earned remains outstanding.

The following is an audited summary as of December 31, 2021 and an unaudited summary as of June 30, 2021 of the financial position and results of operations for Union Farmview LLLP:

	December 31, 2021	June 30, 2021
Assets - cash, buildings and improvements, other	<u>\$ 12,212,158</u>	<u>\$ 6,011,273</u>
Liabilities	<u>\$ 10,348,592</u>	<u>\$ 4,102,712</u>
Partners' equity	<u>\$ 1,863,566</u>	<u>\$ 1,908,561</u>
Net income	<u>\$ 5,006</u>	<u>\$ 50,001</u>

NOTE 6 LINE OF CREDIT

NKCAC has a revolving line of credit agreement for \$350,000 which is renewable annually. The line is collateralized by substantially all of NKCAC's non-federal assets and bears interest at the Daily Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 1.50% (3.08% at June 30, 2022). At June 30, 2022 and 2021 there was no balance outstanding on the line. The line of credit expires in April 2023.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 7 NOTES PAYABLE AND INTEREST RATE SWAP AGREEMENT

Notes payable at June 30 consisted of the following:

		<u>2022</u>	<u>2021</u>
Kentucky Housing Corporation (Thirty year, 1% loan, maturing on June 1, 2035)	(A)	\$ 52,025	\$ 55,713
Kentucky Housing and Homeless Coalition (Twenty year, interest-free loan, maturing on July 1, 2027)	(B)	4,320	5,040
Kentucky Housing Corporation (Thirty year, interest-free loan, maturing on June 1, 2035)	(C)	517,510	517,510
PNC Bank Tax Exempt Industrial Building Revenue Bonds, Series 2019	(D)	858,331	913,115
PNC Bank Head Start Equipment Loan (Four year, 5.08% loan, maturing on October 17, 2022)	(E)	7,224	28,409
Payroll Protection Program Loan (Two year, 1% loan, maturing on 4/22/2022)	(F)	-	1,634,900
		<u>\$ 1,439,410</u>	<u>\$ 3,154,687</u>

Aggregate annual maturities of long-term debt at June 30, 2022 are as follows:

2023	\$ 68,689
2024	63,830
2025	66,290
2026	684,752
2027	4,597
Thereafter	<u>551,252</u>
	<u>\$ 1,439,410</u>

- (A)** The Kentucky Housing Corporation provided a loan from the Affordable Housing Trust Fund (AHTF) in the amount of \$110,000. The loan accrues interest at a rate of one percent (1%) per annum. Principal and interest are due and payable in equal, consecutive annual installments of \$4,246. The final installment in the amount of the unpaid principal balance and all accrued and unpaid interest is due on the maturity date, June 1, 2035.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 7 NOTES PAYABLE AND INTEREST RATE SWAP AGREEMENT (CONTINUED)

- (B)** Northern Kentucky Housing and Homeless Coalition, Inc. provided a \$16,615 loan through the Nonprofit Housing Production and Repair Program (NHP). The loan is interest-free with annual principal payments of \$720. The final installment in the amount of the unpaid principal balance is due on the maturity date, July 1, 2027.
- (C)** The Kentucky Housing Corporation provided funding from the Kentucky Home Investment Partnership Program funds in the amount of \$517,510. This funding is HOME funds passed through from the U.S. Department of Housing and Urban Development. Of the total, \$242,510 of the HOME funds is in the form of a thirty-year deferred payment loan at zero percent per annum that matures on June 1, 2035. The remaining \$275,000 is in the form of a thirty-year deferred forgivable payment at zero percent per annum that matures on June 1, 2035.
- (D)** During 2019, Kenton County, KY issued and sold to PNC Bank \$1,018,775 in tax-exempt Industrial Building Revenue Bonds, Series 2019. Interest is payable monthly at 79.84% of LIBOR plus 1.38%. The rate at June 30, 2022 and 2021 was 2.54% and 1.45%, respectively. The bonds mature in June 2026 and are collateralized by the properties at 717 Madison Avenue, Covington, KY and 1001 Scott Street, Covington, KY, which were the properties acquired from the bonds proceeds.
- (E)** During 2019, NKCAC acquired a loan through PNC in the amount of \$80,000 for Head Start equipment. The loan accrues interest at a fixed rate of 5.08%. Principal and interest are due and payable in equal, consecutive monthly payments of \$1,848. The loan has a maturity date of October 17, 2022.
- (F)** On April 22, 2020, NKCAC qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$1,634,900 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. In 2021 NKCAC was informed by the bank that they received an overfunded amount of PPP loan. This overfunded balance of \$108,268 was paid in full by NKCAC on December 9, 2021. The Organization received forgiveness for the remaining balance of the PPP loan on January 27, 2022. The outstanding balance for this note payable was \$-0- and \$1,634,900 as of June 30, 2022 and 2021, respectively.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, NKCAC entered into an interest rate swap agreement for a portion of its variable rate indebtedness (Item D above). The agreement provides for NKCAC to receive interest from the counterparty at 79.84% of LIBOR plus 1.38% (2.54% and 1.45% at June 30, 2022 and 2021, respectively) and to pay interest to the counterparty at a fixed rate of 4.007% on a notional amount of \$858,711 and \$913,363 at June 30, 2022 and 2021, respectively. Under the agreement, NKCAC pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 8 REFUNDABLE ADVANCE

Conditional grant funds of \$175,000, associated with the Affordable Housing Trust Fund (AHTF), were received during the fiscal year ended June 30, 2004. These grant funds are recorded as deferred revenue and are being recognized over the next 30 years, provided NKCAC continues to meet the grant terms and conditions for affordable housing. At June 30, 2022 and 2021, the balance of the deferred AHTF grant was \$70,012 and \$75,842, respectively. NKCAC anticipates the continued use of this property as affordable housing. Other refundable advances of \$337,475 and \$215,056 at June 30, 2022 and 2021, respectively, are to be used for child care and will be recognized as revenue as qualifying expenses are incurred.

NOTE 9 LEASE COMMITMENTS

NKCAC leases several office facilities and equipment under operating leases expiring in various years through 2026. Rental expenses for the office facilities and equipment during the years ended June 30, 2022 and 2021 totaled \$290,698 and \$279,531 respectively. At June 30, 2022, the minimum future lease payments for non-cancelable leases are:

2023	\$ 297,906
2024	251,056
2025	200,526
2026	181,476
2027	<u>32,361</u>
	<u>\$ 963,325</u>

NOTE 10 RETIREMENT BENEFITS

NKCAC formed a defined contribution retirement plan covering substantially all of its employees. The plan provides for a discretionary matching contribution to all participants up to 2% of participant compensation as well as a discretionary employer contribution to the Executive Director. Contributions are determined on a discretionary basis each year. Contribution expense related to the plan was \$46,999 and \$47,464 for June 30, 2022 and 2021, respectively.

Multiple-Employer Pension Plan

NKCAC has elected to participate in the County Employee Retirement System (CERS), employer identification number 61-1431278, pursuant to KRS 78.510 administered by the Board of Trustees of the Kentucky Retirement System. This is a multi-employer public retirement system which covers all eligible, full-time employees and provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature. Benefit contributions and provisions are established by statute.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 10 RETIREMENT BENEFITS (CONTINUED)

Multiple-Employer Pension Plan (Continued)

The risks of a multi-employer plan differ from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers. If NKCAC chooses to stop participating in the multi-employer plan, then it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

The plan is not required to file a Form 5500, therefore certain plan information is not required to be made publicly available. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information from CERS. This report may be obtained by writing to the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124. The most recent public information available for the plan is for the year ended June 30, 2021.

Non-hazardous plan members hired prior to September 1, 2008 are required to contribute 5 percent of annual creditable compensation, whereas those hired after this date are required to contribute 6 percent of annual creditable compensation with 1 percent of that contribution going to the KRS Insurance Fund.

There is an underfunded benefit obligation associated with the plan. Plan sponsors are required to contribute annually at an actuarially determined rate to satisfy the unfunded obligation. The rate for both the plan years ended June 30, 2021 and 2020, the year-end of the plan, was 19.30% of participating members' compensations. The rate for the plan year ending June 30, 2022 has been determined as 21.17%. The contribution requirement of NKCAC to the CERS for the years ended June 30, 2022 and 2021 was \$946,226 and \$665,288, respectively. There have been no significant changes that affect comparability of 2022 and 2021 contributions. Based on information as of June 30, 2021 and June 30, 2020, the year-end of the plan, NKCAC's contributions do not represent more than 5 percent of total contributions received by the Plan.

The following information is based on the financial statements of the Plan as of June 30:

	2021	2020
Actuarial value of plan assets	\$ 8,565,652	\$ 7,027,329
Actuarial present value of accumulated plan benefits	14,941,437	14,697,244
Total contributions received by the plan	472,228	475,416
Indicated level of funding	Less than 65%	Less than 65%

The Kentucky Retirement Systems Board of Directors anticipates an increase in future required pension contributions as a result of changes in actuarial assumptions. An estimate of future increases cannot be made.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 10 RETIREMENT BENEFITS (CONTINUED)

Multiple-Employer Postretirement Benefits Other than Pension Plans

NKCAC 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 judgment, the welfare of the Commonwealth of Kentucky so demands.

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

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of both June 30, 2021 and 2020, the year end of the plan, was 4.76% of participating members' compensations. The rate for the plan year ending June 30, 2022 has been determined as 5.78%. The contribution requirement of NKCAC to the KRS Insurance Fund for the years ended June 30, 2022 and 2021 was \$233,370 and \$164,115, respectively. There have been no significant changes that affect comparability of 2022 and 2021 contributions.

NOTE 11 CONTINGENT LIABILITIES

Expenditures by NKCAC under federal and state grants are subject to audit by funding agencies to determine compliance with grant conditions. Should any expenditure be disallowed, a liability to the funding agency will result, and NKCAC may be required to replace such disallowed expenditures from its non-Federal sources. In the opinion of management, no material grant expenditures were disallowed.

In the opinion of management, there are no pending legal actions for which the ultimate liability will have a material effect on the net assets of NKCAC.

NOTE 12 FAIR VALUE MEASUREMENTS

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

The money market account is valued based upon the net asset value of the account and is classified within Level 2 of the hierarchy. The interest rate swap is valued by a third party utilizing models that use as their basis readily observable market parameters and is classified within Level 2 of the valuation hierarchy. There were no valuations using Level 1 or 3 inputs.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of financial assets and liabilities measured on a recurring basis as of June 30 are as following:

	2022	2021
Level 2		
Liabilities		

Interest rate swap **\$ 7,740** **\$ 75,104**

NOTE 13 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Approximately 43% and 41% of all funding in 2022 and 2021, respectively, was received from the U.S. Department of Health and Human Services for the Head Start Program. Community Action Kentucky funding for the Low Income Home Energy Assistance Program accounted for 17% and 19% of all funding for 2022 and 2021, respectively.

NOTE 14 GUARANTY AGREEMENTS

NKCAC has executed a guarantee agreement for Lincoln Grant Scholar House, LLLP that includes the following terms:

Operating Deficit Guaranty

Guarantee, jointly and severally with the general partner, whereby the general partner shall be obligated to provide up to \$309,000 to satisfy any operating deficits during the operating guarantee period, as defined in the agreement. The amounts advanced shall be treated as a non-interest bearing loan and be payable as cash flow permits, as determined by the partnership agreement.

NKCAC does not receive a fee for providing the guaranty and no amounts have been paid, accrued, or loaned to Lincoln Grant Scholar House, LLLP or individual partners of the partnership in relation to the guaranty agreement in June 30, 2022 and 2021. The maximum potential amount of future payments at June 30, 2022 that NKCAC could be required to make under the operating deficit guaranty is \$309,000. As of June 30, 2022, NKCAC believes it has a low risk of performance on the guaranty in relation to Lincoln Grant Scholar House, LLLP due to its experience with similar tax credit partnerships as well as the progress of the project in accordance with projections. There is no liability recorded at June 30, 2022 and 2021 for any obligations under the guaranty related to Lincoln Grant Scholar House, LLLP.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 14 GUARANTY AGREEMENTS (CONTINUED)

NKCAC has executed a guarantee agreement for Ridgewood North L.P that includes the following terms:

Operating Deficit Guaranty

Guaranteee, jointly and severally with the general partner, whereby the general partner shall be obligated to provide up to \$176,941 to satisfy any operating deficits during the operating guarantee period, as defined in the agreement. The amounts advanced shall be treated as a non-interest bearing loan and be payable as cash flow permits, as determined by the partnership agreement.

Development Fee Guaranty

Guaranteee, jointly and severally with the general partner, to make development fee advances to pay any unpaid developer fees. Such funding shall be treated as a non-interest bearing loan and be payable as cash flow permits, as determined by the partnership agreement.

Tax Credit Guaranty

Guaranteee, jointly and severally with the general partner, to the limited partner to provide a credit reduction payment if the total amount of tax credits obtained are less than projected, if there is a timing difference from projections of available tax credits, or if there is a recapture of credits previously claimed. The limited partner shall reduce its required future equity contributions by the amount of the shortfall, as defined in the partnership agreement. In the event that the limited partner's future equity contribution installments cannot be reduced, the general partner will pay the partnership the required amount to cause the partnership to distribute to the limited partner amounts necessary for the credits lost with no limitation for this liability. Any amount paid by the general partner shall be treated as a non-interest bearing loan and be payable as cash flow permits, as determined by the partnership agreement.

NKCAC does not receive a fee for providing the guaranty and no amounts have been paid, accrued, or loaned to Ridgewood North L.P or individual partners of the partnership in relation to the guaranty agreement in June 30, 2022 and 2021. The maximum potential amount of future payments at June 30, 2022 that NKCAC could be required to make under the operating deficit guaranty is \$176,941. The maximum potential amount of future payments at June 30, 2022 that NKCAC could be required to make under all guaranties in total is \$265,000. As of June 30, 2022, NKCAC believes it has a low risk of performance on the guaranty in relation to Ridgewood North L.P due to its experience with similar tax credit partnerships as well as the progress of the project in accordance with projections. There is no liability recorded at June 30, 2022 and 2021 for any obligations under the guaranty related to Ridgewood North L.P.

NKCAC has executed guarantee agreements for Union Farmview LLLP that includes the following terms:

Construction Completion Guaranty

Guaranteee, jointly and severally with the general partner, to fund any reduction in the principal amount or interest rate of the permanent financing necessary and all excess development costs. Such funding shall be treated as a non-interest-bearing loan and be payable as cash flow permit, as determined by the partnership agreement

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 14 GUARANTY AGREEMENTS (CONTINUED)

Operating Deficit Guaranty

Guarantee, jointly and severally with the general partner, whereby the general partner shall be obligated to provide up to \$248,913 to satisfy any operating deficits during the operating guarantee period, as defined in the agreement. The amounts advanced shall be treated as a non-interest-bearing loan and be payable as cash flow permits, as determined by the partnership agreement.

Loan Guaranty

Guarantee, jointly and severally with the general partner, for the full principal and interest amount of the construction loan agreement. NKCAC's obligation for this guaranty is limited to the developer fee payable to NKCAC, the cash flow from the project and other profits from the project. NKCAC would be obligated in the event the Union Farmville LLLP were unable to meet principal or interest payments when they become due.

Tax Credit Guaranty

Guarantee, jointly and severally with the general partner, to the limited partner to provide a credit reduction payment if the total amount of tax credits obtained are less than projected, if there is a timing difference from projections of available tax credits, or if there is a recapture of credits previously claimed. The limited partner shall reduce its required future equity contributions by the amount of the shortfall, as defined in the partnership agreement. In the event that the limited partner's future equity contribution installments cannot be reduced, the general partner will pay the partnership the required amount to cause the partnership to distribute to the limited partner amounts necessary for the credits lost with no limitation for this liability. Any amount paid by the general partner shall be treated as a non-interest-bearing loan and be payable as cash flow permits, as determined by the partnership agreement.

NKCAC does not receive a fee for providing the guaranty and no amounts have been paid, accrued, or loaned to Union Farmview LLLP or individual partners of the partnership in relation to the guaranty agreement in June 30, 2022 and 2021. The maximum potential amount of future payments at June 30, 2022 that NKCAC could be required to make under the construction completion guaranty is not estimable due to the unlimited nature of the guaranty agreement noted above. The maximum potential amount of future payments at June 30, 2022 that NKCAC could be required to make under the operating deficit guaranty is \$248,913. The maximum potential amount of future payments at June 30, 2022 that NKCAC could be required to make under the loan guaranty is \$311,400, which represents its share of the development fee payable in connection with the project. As of June 30, 2022, NKCAC believes it has a low risk of performance on the guarantees in relation to Union Farmview LLLP due to its experience with similar tax credit partnerships as well as the progress of the project in accordance with projections. There is no liability recorded at June 30, 2022 and 2021 for any obligations under the guarantees related to Union Farmview LLLP.

NOTE 15 COMMITMENTS

During 2022 the Organization entered into contracts for the construction and renovation of various Head Start facilities for approximately \$5,389,000. Remaining commitments of approximately \$2,589,000 remain on these contracts as of June 30, 2022.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 16 IN-KIND CONTRIBUTIONS

The Organization received the following contributions of nonfinancial assets that are recognized within revenues and expenses on the statement of activities for the years ending June 30:

	2022			
	Child Development	Family Services	Community Development	Total
Value of facilities donated	\$ 212,752	\$ -	\$ -	\$ 212,752
Materials and supplies	9,974	-	-	9,974
Contractual	54,147	-	-	54,147
Training	-	-	156,391	156,391
Other	<u>69,791</u>	<u>-</u>	<u>-</u>	<u>69,791</u>
	<u><u>\$ 346,664</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 156,391</u></u>	<u><u>\$ 503,055</u></u>

	2021			
	Child Development	Family Services	Community Development	Total
Value of facilities donated	\$ 386,646	\$ -	\$ -	\$ 386,646
Materials and supplies	57,085	7,500	-	64,585
Contractual	19,554	44,951	-	64,505
Training	-	-	166,861	166,861
Other	<u>65,660</u>	<u>2,050</u>	<u>-</u>	<u>67,710</u>
	<u><u>\$ 528,945</u></u>	<u><u>\$ 54,501</u></u>	<u><u>\$ 166,861</u></u>	<u><u>\$ 750,307</u></u>

Contributed services, reported as contractual and training services, are recognized at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Organization received technical assistance, program related training, computer services and health consultation services that is reported using current market rates for similar services. The Organization also received services from unpaid volunteers who assist in the Head Start Program and Community Services Programs. No amounts have been recognized in the statement of activities for these volunteer services because the criteria for recognition have not been satisfied.

The Organization estimated the fair value of classroom materials and supplies and other contributed nonfinancial assets on the basis of wholesale values that would be received for selling similar products in the United States.

The Organization received space for their Head Start and Early Head Start facilities at below market value. The Organization uses current market rate rent of similar properties to estimate and report the value of donated facilities.

All contributed nonfinancial assets are used in the Organization's programs and do not have donor restrictions.

ACCOMPANYING INFORMATION

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Total Federal Expenditure</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Direct Program</i>				
Head Start Cluster				
Head Start	93.600	04CH010592-04	\$ 5,740,100	\$ -
Early Head Start	93.600	04HP000426-02-00	1,036,713	-
Head Start Disaster Phase I	93.600	04TD000154-01-00	231,379	-
Head Start Disaster Minor Reno	93.600	04TD000189-01-001	333,513	-
Head Start Disaster Boone	93.600	04TD000213-01-00	2,146,719	-
Head Start Disaster Newport	93.600	04TD000215-01-00	1,244,671	-
Head Start ARPA CRRSA	93.600	04HE001100-01-01	138,934	-
Early Head Start - COVID-19	93.600	04HP000426-02-00	30,420	-
Total 93.600			10,902,449	-
<i>Direct Program</i>				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZJ0049-01-00	495,989	-
<i>Passed through Kentucky Association of Community Action Agencies</i>				
Low Income Energy Assistance (LIHEAP)	93.568	736-2000001642 Subcontract #LIHEAP 019	4,401,484	-
<i>Passed through Kentucky Housing Corporation</i>				
Low Income Energy Assistance -Weatherization (LIHEAP)	93.568	LH22-0616-022 Subcontract #LHWX-018	262,169	-
Total 93.568			4,663,653	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Community Collaboration for Children (CCC)	93.590	PON 2736-2000002665	303,341	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Community Services Block Grant Cluster				
Snap 50/50	93.569	PON2736-2300000386	16,855	
Community Services Block Grant	93.569	PON2736-2100001639	594,218	
Community Services Block Grant - COVID-19 Cares	93.569	PON2736-2100001639	427,166	-
Total 93.569			1,038,239	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
CCDF Cluster				
Child Care and Development Block Grant - Cares Stipend	93.575	Public Law 116-136	469,336	-
Total U.S. Department of Health and Human Services			17,873,007	-
<u>U.S. Department of Labor</u>				
<i>Direct Program</i>				
YouthBuild	17.274	YB-34283-19-60-A-21	451,967	-
<i>Passed through National Council on Aging, Inc.</i>				
Senior Community Service Employment Program	17.235	AD-35218-20-60-A-51 Subcontract 49	1,291,621	-
<i>Passed through Northern Kentucky Workforce Investment Board</i>				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	258CV20 Sub: NEG COVID19 - 488-0688	31,185	-
Total U.S. Department of Labor			1,774,773	-
<u>U.S. Department of Agriculture</u>				
<i>Passed through State of Kentucky</i>				
Child Food Care	10.558	019M40999-11499	174,710	-
Total U.S. Department of Agriculture			174,710	-

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended June 30, 2022 (Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Total Federal Expenditure</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Energy</u>				
<i>Passed through Kentucky Housing Corporation</i>				
Weatherization Assistance for Low Income Persons	81.042	WX22-0616-02 Subcontract DOEWX-018	52,396	-
Total U.S Department of Energy			52,396	-
<u>Corporation for National and Community Service</u>				
<i>Direct Program</i>				
<i>Foster Grandparent/Senior Companion Cluster</i>				
Foster Grandparent Program	94.011	21SFCKY002	136,328	-
<i>Direct Program</i>				
Retired Senior Volunteer Program	94.002	21SRCKY007	270,993	-
<i>Passed through YouthBuild USA</i>				
YouthBuild of Northern Kentucky - Americorps	94.006	19NDHMA0030008	24,333	-
YouthBuild of Northern Kentucky - Americorps	94.006	19NDHMA0030015	29,030	-
Total 94.006			53,363	-
Total Corporation for National and Community Service			460,684	-
<u>U.S. Department of Justice</u>				
<i>Passed through YouthBuild USA</i>				
Juvenile Mentoring Program	16.726	2019-JU-FX-0005	22,908	-
Total U.S. Department of Justice			22,908	-
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Kentucky Housing Corporation</i>				
Housing Counseling	14.169	HC20-0441-003	2,043	-
Housing Assistance	14.169	GW20-0042-01	13,425	-
Total 14.169			15,468	-
<i>Passed through Kentucky Housing Corporation</i>				
Emergency Solutions	14.231	CV-ES20-0616-01	32,725	-
<i>Passed through Kentucky Housing Corporation</i>				
Home Investment Partnerships	14.239	TB20-0616-01	115,508	-
<i>Passed through Kentucky Department for Local Government</i>				
Community Development Block Grants-Entitlement Grants Cluster				
Emergency Solutions	14.218	PON2-112-2200000441	184,547	-
Total U.S. Department of Housing and Urban Development			348,248	-
Total Expenditures of Federal Awards			\$ 20,706,726	\$ -

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended June 30, 2022

NOTE 1: BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Northern Kentucky Community Action Commission for the year ended June 30, 2022. 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). Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. There were no awards passed through to subrecipients for the year ended June 30, 2022.

In accordance with grant award budgets approved by funding sources, equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life for grant reporting purposes. As a result, the expenses reflected on the schedule of expenditures of federal awards include the cost of equipment purchased or leased during the year, rather than a provision for depreciation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 3: INDIRECT COST RATE

Northern Kentucky Community Action Commission has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

**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**

The Board of Directors
Northern Kentucky Community Action Commission
Covington, Kentucky

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 Northern Kentucky Community Action Commission (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

BARNES DENNIG

**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
(CONTINUED)**

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.

Barnes, Dennig & Co., Ltd.

December 30, 2022
Crestview Hills, Kentucky

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

The Board of Directors
Northern Kentucky Community Action Commission
Covington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northern Kentucky Community Action Commission's ("a nonprofit organization") 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 the Organization's major federal programs for the year ended June 30, 2022. The Organization'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, Northern Kentucky Community Action Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Northern Kentucky Community Action Commission 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 Northern Kentucky Community Action Commission'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 Northern Kentucky Community Action Commission's federal programs.

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

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 Northern Kentucky Community Action Commission'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 Northern Kentucky Community Action Commission'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 Northern Kentucky Community Action Commission'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 Northern Kentucky Community Action Commission'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 Northern Kentucky Community Action Commission'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 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.

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

Report on Internal Control over Compliance (Continued)

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.

Barnes, Dennig & Co., Ltd.

December 30, 2022
Crestview Hills, Kentucky

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards:

Internal control over major programs

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)? _____ Yes X No

Identification of Major Program(s):

<u>CFDA Number</u>	<u>Name of Federal Programs or Clusters</u>
93.600	Head Start/Early Head Start
17.235	Senior Community Service Employment Program (SCSEP)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

No matters are reportable

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022**

Reference Number	Summary of Finding	Status
No matters are reportable.		

OTHER INFORMATION

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Status of Grant
Grant 04 CH-010592-04
Head Start Program
Year Ended June 30, 2022
(Unaudited)

	Total		PA-22 Full Year Part Day		PA-20 Training and Technical Assistance	
	Federal Funds	Non-Federal Funds	Federal Funds	Non-Federal Funds	Federal Funds	Non-Federal Funds
Contributions approved						
Current year grant action	\$ 5,740,100	\$ -	\$ 5,692,914	\$ -	\$ 47,186	\$ -
Expenditures reported	5,740,100	-	5,692,914	-	47,186	-
In-kind contributions received and applied	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess/(deficit) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess/(deficit) of contributions received compared to required contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess/(deficit) of contributions received compared to 20% of total costs (Note 1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: The Commission is subject to Federal audit examination of the current year to determine compliance with grant conditions. Should any Federal expenditures be disallowed, a liability to the United States could result and the Commission may be required to replace such disallowed expenses from non-Federal sources.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statement of Revenues and Expenses
Grant 04 CH-010592-04
Head Start Program
Year Ended June 30, 2022
(Unaudited)

	Total	PA-22 Full Year Part Day Head Start	PA-20 Training and Technical Assistance
Revenues			
Current year federal funds awarded	\$ 5,740,100	\$ 5,692,914	\$ 47,186
Non-federal revenue	-	-	-
Total revenues	5,740,100	5,692,914	47,186
 Expenses			
Federal share:			
Personnel	2,673,025	2,673,025	-
Fringe benefits	1,233,869	1,233,869	-
Travel	67,230	65,562	1,668
Equipment	-	-	-
Supplies	26,912	26,527	385
Contractual services	176,718	176,718	-
Facilities/construction	171,605	171,605	-
Other	623,583	578,450	45,133
Indirect costs	767,158	767,158	-
Total federal share of expenses	5,740,100	5,692,914	47,186
 Non-federal share:			
Personnel	-	-	-
Other	-	-	-
Total non-federal share of expenses	-	-	-
 Total expenses	5,740,100	5,692,914	47,186
 Excess/(deficiency) of revenues over expenses	\$ -	\$ -	\$ -

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Grant 04 CH-010592-04
Full Year Part Day Head Start Program PA-22
Year Ended June 30, 2022
(Unaudited)

	Approved Budget	Total Incurred Costs	Questioned Costs	Total Allowable Costs	Actual (Over)/Under Budget
Budgeted categories					
Federal share:					
Personnel	\$ 2,753,415	\$ 2,673,025	\$ -	\$ 2,673,025	\$ 80,390
Fringe benefits	1,504,759	1,233,869	-	1,233,869	270,890
Travel	5,000	38,871	-	38,871	(33,871)
Equipment	-	-	-	-	-
Supplies	83,305	128,624	-	128,624	(45,319)
Contractual services	258,460	238,539	-	238,539	19,921
Facilities/construction	-	-	-	-	-
Other	297,575	613,008	-	613,008	(315,433)
Indirect costs	790,400	766,978	-	766,978	23,422
Total federal share of expenses	<u>5,692,914</u>	<u>5,692,914</u>	-	<u>5,692,914</u>	-
Percentages	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>
Non-federal share:					
Personnel	-	-	-	-	-
Other	-	-	-	-	-
Total non-federal share of expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentages	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Grand totals	<u>\$ 5,692,914</u>	<u>\$ 5,692,914</u>	<u>\$ -</u>	<u>\$ 5,692,914</u>	<u>\$ -</u>
Percentages	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Grant 04 CH-010592-04
Training and Technical Assistance Head Start Program PA-20
Year Ended June 30, 2022
(Unaudited)

	Approved Budget	Total Incurred Costs	Questioned Costs	Total Incurred Costs	Actual (Over)/Under Budget
Budgeted categories					
Federal share:					
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe benefits	-	-	-	-	-
Travel	22,186	1,668	-	1,668	20,518
Equipment	-	-	-	-	-
Supplies	-	385	-	385	(385)
Contractual services	-	-	-	-	-
Facilities/construction	-	-	-	-	-
Other	25,000	45,133	-	45,133	(20,133)
Indirect costs	-	-	-	-	-
Total federal share of expenses	<u>47,186</u>	<u>47,186</u>	-	<u>47,186</u>	-
Percentages	100%	100%	0%	100%	0%
Non-federal share:					
Other	-	-	-	-	-
Total non-federal share of expenses	-	-	-	-	-
Percentages	0%	0%	0%	0%	0%
Grand totals	<u>\$ 47,186</u>	<u>\$ 47,186</u>	<u>\$ -</u>	<u>\$ 47,186</u>	<u>\$ -</u>
Percentages	100%	100%	0%	100%	0%

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Property and Equipment – Head Start
Grant 04 CH-010592-04
Year Ended June 30, 2022
(Unaudited)**

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2022</u>
Land and buildings	\$ 2,452,015	\$ 106,982	\$ -	\$ 2,558,997
Furniture and equipment	662,672	82,975	-	745,647
Bus and auto	280,506	-	-	280,506
Leasehold improvements	<u>554,547</u>	<u>7,833</u>	<u>-</u>	<u>562,380</u>
Totals	<u>\$ 3,949,740</u>	<u>\$ 197,790</u>	<u>\$ -</u>	<u>\$ 4,147,530</u>

Notes: (1) Asset additions consist of the purchase of land for the Boone Head Start facility (\$95,000), new drain pipe and cabling for the Newport Head Start facility (\$11,982), bollards and fencing (\$7,833), computer and equipment (\$28,506), furniture and fixtures (\$28,917) and playground equipment (\$25,552).

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statement of Financial Participation
Community Service Block Grant Program (CSBG)
Year Ended June 30, 2022
(Unaudited)**

	CSBG	Total
Obligated funds:		
Total contract ceiling	<u>\$ 742,835</u>	<u>\$ 742,835</u>
CSBG financial participation (80%)	<u>594,268</u>	<u>594,268</u>
Total financial participation	594,268	594,268
Less total allowable expenses from funding source	<u>594,268</u>	<u>594,268</u>
Total obligated funds	<u>\$ -</u>	<u>\$ -</u>
(Over)/under payment:		
Total allowable expenses from funding source	\$ 594,268	\$ 594,268
Less contract payments received	<u>594,268</u>	<u>594,268</u>
Total (over)/under payment	<u>\$ -</u>	<u>\$ -</u>
CSBG local match requirement:		
CSBG allowable expenses from funding source; funding level restated at 100%	<u>\$ 742,835</u>	<u>\$ 742,835</u>
Local match requirement 20%	148,567	148,567
Less local in-kind match provided	<u>148,567</u>	<u>148,567</u>
Total excess local match provided	<u>\$ -</u>	<u>\$ -</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Community Service Block Grant Program (CSBG)
Year Ended June 30, 2022
(Unaudited)**

	Approved Budget	Total Incurred Costs	Questioned Costs	Total Allowable Costs	Actual (Over)/Under Budget
Expenses					
CSBG program:					
Salaries/wages	\$ 242,319	\$ 251,601	\$ -	\$ 251,601	\$ (9,282)
Fringe benefits	144,084	89,931	-	89,931	54,153
Consultants	20,000	20,000	-	20,000	-
Space costs	80,387	80,387	-	80,387	-
Equipment	2,000	2,000	-	2,000	-
Consumable supplies	4,600	4,600	-	4,600	-
Utilities	36,000	36,000	-	36,000	-
Transportation/travel	11,000	7,056	-	7,056	3,944
Other costs	36,762	30,483	-	30,483	6,279
Indirect costs	70,587	72,210	-	72,210	(1,623)
Total CSBG expenses	<u>\$ 647,739</u>	<u>\$ 594,268</u>	<u>\$ -</u>	<u>\$ 594,268</u>	<u>\$ 53,471</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Weatherization Program – Contract No. WX-22-0616-02; Sub Contract DOE WX018
Year Ended June 30, 2022
(Unaudited)**

	<u>Approved Budget</u>	<u>Total Incurred Costs</u>	<u>Questioned Costs</u>	<u>Total Allowable Costs</u>	<u>Actual (Over)/Under Budget</u>
Expenses					
Administration	\$ 44,543	\$ 43,034	\$ -	\$ 43,034	\$ 1,509
Program operations	165,866	4,413	-	4,413	161,453
Health and safety	24,597	3,395	-	3,395	21,202
Vehicles and equipment	-	-	-	-	-
Liability insurance	4,565	649	-	649	3,916
Financial audit	3,913	680	-	680	3,233
Training	51,884	225	-	225	51,659
Total	\$ 295,368	\$ 52,396	\$ -	\$ 52,396	\$ 242,972
Less contract payments - Kentucky Housing Corporation				\$ 52,396	
Total program revenue				52,396	
Under/(over) payment				\$ -	

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Weatherization Program – LIHEAP – Contract No. LH22-0616-02; Sub Contract LHWX-018
Year Ended June 30, 2022
(Unaudited)

	Approved Budget	Total Incurred Costs	Questioned Costs	Total Allowable Costs	Actual (Over)/Under Budget
Expenses					
Administration	\$ 29,939	\$ 6,392	\$ -	\$ 6,392	\$ 23,547
Program operations	386,248	227,265	-	227,265	158,983
Health and safety	57,937	28,341	-	28,341	29,596
Vehicles and equipment	-	-	-	-	-
Liability insurance	3,121	171	-	171	2,950
Financial audit	-	-	-	-	-
Training	<u>52,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,214</u>
Total	<u>\$ 529,459</u>	<u>\$ 262,169</u>	<u>\$ -</u>	<u>\$ 262,169</u>	<u>\$ 267,290</u>
Less contract payments - Kentucky Housing Corporation				<u>262,169</u>	
Total program revenue				262,169	
Under/(over) payment				<u>\$ -</u>	

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statement of Program Expenses
LIHEAP Program – Contract No. 736-20000016585 Subcontract No. 019
Year Ended June 30, 2022
(Unaudited)

Expenses

Administration:

Staff wages	\$ 199,821
Staff fringe	64,151
Staff travel	62
Postage	-
Utilities	5,237
Equipment costs	3,053
Office supplies	304
Miscellaneous	-
Shared costs	57,617
Other	21,721
Single audit	<hr/>
Total administrative expenses	\$ 351,966

Benefits:

Summer crisis benefits	709,552
Summer subsidy benefits	1,055,900
Subsidy benefits	269,350
Crisis benefits	1,195,296
Spring subsidy benefits	229,800
Client education	<hr/> 59,765
Total benefits expenses	<hr/> 3,519,663
Total allowable expenses	3,871,629
Less contract payments received	<hr/> (3,871,629)
Under/(over) payment	<hr/> \$ -

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
LIHEAP Program – Contract No. 736-20000016585 Subcontract No. 019
Year Ended June 30, 2022
(Unaudited)**

	<u>Approved Budget</u>	<u>Total Incurred Costs</u>	<u>Questioned Costs</u>	<u>Total Allowable Costs</u>	<u>Actual (Over)/Under Budget</u>
Expenses					
Administration	\$ 351,966	\$ 351,966	\$ -	\$ 351,966	\$ -
Benefits					
Summer crisis	\$ 709,552	\$ 709,552	\$ -	\$ 709,552	\$ -
Summer subsidy	1,055,900	1,055,900	-	1,055,900	-
Subsidy	269,350	269,350	-	269,350	-
Crisis	1,195,296	1,195,296	-	1,195,296	-
Spring subsidy	229,800	229,800	-	229,800	-
Client education	59,765	59,765	-	59,765	-
Total benefits expenses	<u>\$ 3,519,663</u>	<u>\$ 3,519,663</u>	<u>\$ -</u>	<u>\$ 3,519,663</u>	<u>\$ -</u>