

Northern Kentucky Community Action Commission, Inc.

**Financial Statements with Supplementary Information
June 30, 2023 and 2022, and
Independent Auditors' Report**

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

June 30, 2023 and 2022

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 – 29
Supplementary Information:	
Schedule of Expenditures of Federal Awards	30 – 32
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>	33 – 34
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	35 – 37
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39
Other Supplementary Information:	
Head Start:	
Status of Grant	40
Statement of Revenues and Expenses	41
Full Year Part Day Headstart Program PA-22	42
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	
Training and Technical Assistance Headstart Program PA-20	43
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	
Schedule of Property and Equipment	44
CSBG:	
Statement of Financial Participation	45
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	46
Weatherization:	
Weatherization Program - Schedule of Budgeted, Incurred, Questioned and Allowable Costs	47 – 48
LIHEAP:	
Statement of Program Expenses	49
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	50

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Kentucky Community Action Commission as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, Northern Kentucky Community Action Commission has adopted Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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.

**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 30-32, 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 supplementary information on pages 40-50 as listed in the table of contents, which is the responsibility of management, 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 29, 2023 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 29, 2023
Crestview Hills, Kentucky

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statements of Financial Position
June 30, 2023 and 2022**

	2023	2022
Assets		
Cash and cash equivalents	\$ 989,465	\$ 1,246,805
Cash and cash equivalents - Ridgewood North	68,322	67,198
Certificates of deposit	360,985	360,548
Government grants receivable	2,090,832	2,444,508
United Way receivable	200,000	-
Other assets	152,101	61,713
Cash restricted for repairs in Harvest Glen (formerly Crittenden)	24,441	19,889
Developer fee receivable	354,044	184,477
Interest rate swap asset	20,270	-
Investment in partnerships	821,915	550,101
Property and equipment, net	12,620,857	8,396,133
Right-of-use assets - operating leases	526,990	-
	\$ 18,230,222	\$ 13,331,372
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 727,615	\$ 1,073,539
Accrued expenses	604,853	531,070
Interest rate swap liability	-	7,740
Notes payable	1,370,720	1,439,410
Deferred rental income	436,154	444,231
Refundable advances	749,690	407,487
Lease liabilities - operating leases	526,990	-
	4,416,022	3,903,477
Net Assets		
Without donor restrictions		
Undesignated	1,755,372	1,654,693
Board designated - Ridgewood North	429,307	427,746
Net investment in property and equipment	11,250,137	6,948,983
	13,434,816	9,031,422
With donor restrictions	379,384	396,473
	13,814,200	9,427,895
	\$ 18,230,222	\$ 13,331,372

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statements of Activities
Years Ended June 30, 2023 and 2022**

	2023	2022
Revenues and other support without donor restrictions:		
Federal grants and contracts	\$ 19,900,769	\$ 20,706,726
State and local grants and contracts	1,385,291	1,294,977
Private grants and contracts	634,300	725,333
PPP loan forgiveness	-	1,526,632
In-kind contributions	712,321	503,055
Developer and management fees	324,848	97,625
Rent income	77,207	75,215
Change in fair value of interest rate swap	28,010	67,364
Miscellaneous	156,226	36,748
Net assets released from restrictions	482,089	9,002
Total revenues and other support without donor restrictions	23,701,061	25,042,677
Expenses:		
Children's services	8,403,952	8,026,002
Family services	6,864,353	7,988,669
Weatherization and housing services	497,690	349,052
Community development	1,517,455	1,482,754
Administration and finance	2,014,217	1,702,616
Total expenses	19,297,667	19,549,093
Change in net assets without donor restrictions	4,403,394	5,493,584
Net assets with donor restrictions:		
Private grants	465,000	385,000
Net assets released from restrictions	(482,089)	(9,002)
Change in net assets with donor restrictions	(17,089)	375,998
Change in net assets	4,386,305	5,869,582
Net assets, beginning of year	9,427,895	3,558,313
Net assets, end of year	\$ 13,814,200	\$ 9,427,895

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Services				Total	Administration and Finance	Total
	Children's Services	Family Services	Weatherization and Housing Services	Community Development			
Salaries	\$ 3,607,813	\$ 1,565,188	\$ 50,229	\$ 1,037,823	\$ 6,261,053	\$ 912,697	\$ 7,173,750
Fringe benefits	1,595,318	677,038	22,508	114,986	2,409,850	407,006	2,816,856
Contractual	856,657	453,232	379,334	68,156	1,757,379	206,540	1,963,919
Travel	72,391	85,981	1,335	5,359	165,066	61,194	226,260
Occupancy and equipment	265,071	361,219	5,199	37,477	668,966	13,421	682,387
Utilities	65,044	48,609	1,947	5,326	120,926	5,053	125,979
Supplies	52,382	51,184	291	5,551	109,408	28,100	137,508
Communication	62,779	49,543	1,512	9,398	123,232	19,403	142,635
Printing and publications	78,650	37,995	716	22,748	140,109	47,345	187,454
Insurance	44,985	40,915	7,491	8,109	101,500	16,843	118,343
Client benefits	715,493	3,099,458	145	1,080	3,816,176	9,795	3,825,971
Staff development	125,652	10,348	3,400	2,784	142,184	58,519	200,703
Legal fees	18,533	-	-	-	18,533	19,663	38,196
Other costs	176,350	55,941	3,539	21,123	256,953	143,408	400,361
In-kind expenditures	291,577	253,147	-	167,597	712,321	-	712,321
Interest	20,813	9,109	969	984	31,875	-	31,875
Depreciation	354,444	65,446	19,075	8,954	447,919	65,230	513,149
Total expenses	8,403,952	6,864,353	497,690	1,517,455	17,283,450	2,014,217	19,297,667
Allocation of indirect costs	1,230,820	534,041	15,409	22,677	1,802,947	(1,802,947)	-
Total expenses	\$ 9,634,772	\$ 7,398,394	\$ 513,099	\$ 1,540,132	\$ 19,086,397	\$ 211,270	\$ 19,297,667

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statement of Functional Expenses
Year Ended June 30, 2022**

	Program Services				Total	Administration and Finance	Total
	Children's Services	Family Services	Weatherization and Housing Services	Community Development			
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.

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 4,386,305	\$ 5,869,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	513,149	353,490
Change in fair value of interest rate swap	(28,010)	(67,364)
Forgiveness of PPP loan	-	(1,526,632)
Changes in:		
Government grants receivable	353,676	(658,352)
United Way receivable	(200,000)	-
Other assets	(90,388)	556
Developer fee receivable	(169,567)	(33,710)
Accounts payable	90,884	(250,516)
Accrued expenses	73,783	(221,098)
Deferred rental income	(8,077)	(8,077)
Refundable advances	342,203	116,589
Net cash provided by operating activities	5,263,958	3,574,468
Cash flows from investing activities		
Investment in partnerships	(160,823)	-
Purchase of property and equipment	(5,285,672)	(3,248,812)
Net cash used by investing activities	(5,446,495)	(3,248,812)
Cash flows from financing activities		
Purchase of certificates of deposit	(437)	(1,062)
Principal payments on notes payable	(68,690)	(188,645)
Net cash used by financing activities	(69,127)	(189,707)
Net change in cash	(251,664)	135,949
Cash, cash equivalents and restricted cash, beginning of year	1,333,892	1,197,943
Cash, cash equivalents and restricted cash, end of year	\$ 1,082,228	\$ 1,333,892
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 27,156	\$ 15,604
Purchase of property and equipment in accounts payable	\$ 236,296	\$ 784,094
Investment in partnerships in accounts payable	\$ 110,991	\$ -
See Note 9 for supplemental cash flow information related to leases		

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 Kynect, 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:

	2023	2022
Time restriction	\$ 200,000	\$ -
Lincoln Grant Scholar House renovations	164,384	385,000
Ignite program	15,000	-
Youth development	-	11,473
Total net assets with donor restrictions	\$ 379,384	\$ 396,473

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Cash, Cash Equivalents and Restricted Cash

NKCAC considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, 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, 2023, cash and cash equivalents of \$989,465 and restricted cash of \$68,322 and \$24,441 reported within the statement of financial position sum to the total of \$1,082,228, which is the total of the cash and restricted cash shown in the statement of cash flows. At June 30, 2022, cash 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.

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, 2023 and 2022.

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

NKCAC 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, 2023, NKCAC had conditional promises to give from various federal and state funding sources of \$2,661,573 to be used for its Head Start Center purchase and construction, Early Head Start, Fatherhood, Foster Grandparent and Tenant Based Rental Assistance programs. 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.

Leases

NKCAC leases facility space in various counties of Kentucky and office equipment. NKCAC determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Leases (Continued)

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, NKCAC uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that NKCAC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NKCAC has lease agreements with lease and non-lease components. NKCAC accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of printing overages, are recognized in operating expenses in the period in which the obligation for those payments was incurred. NKCAC has elected to apply the short-term lease exemption to any lease agreements lasting less than 12 months.

In evaluating contracts to determine if they qualify as a lease, NKCAC considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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 NKCAC personnel.

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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

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

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition on the statement of financial position of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The expense recognition for operating leases remained substantially unchanged and continues to be recognized as lease expense. Additionally, capital leases under FASB ASC 840 are referred to as finance leases under FASB ASC 842, however the classification criteria and expense recognition criteria remained substantially unchanged. Other changes include referring to contingent lease expense as variable lease expense under FASB ASC 842 and providing various practical expedients to ease the burden of complying with the standard. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

NKCAC adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

NKCAC elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, NKCAC recognized on July 1, 2022, a lease liability of \$765,491, which represents the present value of the remaining operating lease payments of \$784,649, discounted using a risk-free rate for a period comparable to the remaining lease term, and a right-of-use asset of \$765,491.

The standard had a material impact on the statement of financial position but did not have a material impact on the statements of activities, functional expenses, and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Recently Issued Accounting Standard

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2024.

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

Subsequent Events

NKCAC has evaluated subsequent events through December 29, 2023, which is the date the financial statements were available to be used.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	\$ 989,465	\$ 1,246,805
Cash and cash equivalents - Ridgewood North	68,322	67,198
Certificates of deposit	360,985	360,548
Government grants receivable	2,090,832	2,444,508
United Way receivable	200,000	-
Developer fees receivable	354,044	184,477
Total financial assets	4,063,648	4,303,536
Less financial assets not available for operations within one year:		
Developer fees to be received in greater than one year	(354,044)	(184,477)
Net assets with donor purpose restrictions	(179,384)	(396,473)
Board designated funds	(429,307)	(427,746)
Total financial assets available within one year	\$ 3,100,913	\$ 3,294,840

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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of NKCAC'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, NKCAC has committed lines of credit in the amount of \$350,000 for both June 30, 2023 and 2022, which it could draw upon. NKCAC has \$429,307 and \$427,746 as of June 30, 2023 and 2022, respectively, of Board designated funds as part of the cash and cash equivalents. Although NKCAC 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

NKCAC held \$360,985 and \$360,548 in certificates of deposits as of June 30, 2023 and 2022, respectively. The certificates of deposit all have original maturity dates of greater than three months and are recorded at original investment plus accrued interest.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2023	2022
Land	\$ 1,329,700	\$ 1,329,700
Buildings and improvements	8,890,226	5,060,537
Equipment	1,726,662	1,558,107
Vehicles	247,381	485,575
Leasehold improvements	689,018	567,696
Construction in process	4,248,208	3,629,902
	17,131,195	12,631,517
Less accumulated depreciation	(4,510,338)	(4,235,384)
	\$ 12,620,857	\$ 8,396,133

Land recorded at \$170,000 at both June 30, 2023 and 2022 is restricted for the development of the Lincoln Grant Scholar House.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

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, 2023 and 2022 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, 2023 and 2022. NKCAC received a total developer fee of \$249,600, which was recognized as revenue according to the development services agreement in years prior to 2023 and 2022. NKCAC may be required under the partnership agreement to fund operating deficits up to the amount of previously received developer fees. At both June 30, 2023 and 2022 the developer fee has been fully collected. In 2023 and 2022, NKCAC recognized \$81,266 and \$63,916, respectively, of revenue from partnership management fees.

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 \$436,154 and \$444,231 at June 30, 2023 and 2022, respectively. Lease revenue was \$8,077 for both June 30, 2023 and 2022.

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

	<u>2022</u>	<u>2021</u>
Assets - cash, buildings and improvements, other	<u>\$ 7,539,742</u>	<u>\$ 7,813,371</u>
Liabilities	<u>\$ 717,070</u>	<u>\$ 685,456</u>
Members' capital	<u>\$ 6,822,672</u>	<u>\$ 7,127,915</u>
Net loss	<u>\$ (291,319)</u>	<u>\$ (227,164)</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 5 DEFERRED RENTAL INCOME AND PARTNERSHIP INVESTMENTS (CONTINUED)

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 (LGSH) that qualifies for federal low-income housing tax credits for certain investors. NKCAC's interest in the partnership equity at June 30, 2023 and 2022 is \$771,914 and \$500,100, respectively, 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 LGSH. This note receivable has a maturity date of December 29, 2045, to be paid in full from any available net cash flows. During 2023, NKCAC provided an unsecured note receivable to the partnership up to \$385,000, which represents a pass-through of private foundation funding and increases NKCAC's equity interest in LGSH. This note receivable incurs interest at a rate of 4.27% per annum with all principal and interest due at the maturity date of December 31, 2052. As of June 30, 2023, \$270,616 has been utilized of the note and the interest receivable on the balance is \$1,198.

NKCAC received a total developer fee estimated at \$270,000, which was recognized as revenue according to the development services agreement in years prior to 2023 and 2022. NKCAC may be required under the partnership agreement to fund operating deficits up to the amount of previously received developer fees. At both June 30, 2023 and 2022, \$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>2022</u>	<u>2021</u>
Assets - cash, buildings and improvements, other	<u>\$ 7,879,849</u>	<u>\$ 8,220,391</u>
Liabilities	<u>\$ 2,129,642</u>	<u>\$ 2,100,145</u>
Partners' equity	<u>\$ 5,750,207</u>	<u>\$ 6,120,246</u>
Net loss	<u>\$ (370,039)</u>	<u>\$ (397,507)</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, 2023 and 2022.

NKCAC is to receive a developer fee estimated at \$311,400, which is recognized as revenue according to the development services agreement. In 2023 and 2022, NKCAC recognized \$243,582 and \$33,709, respectively, as developer 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, 2023 and 2022, \$235,580 and \$57,306, respectively of the developer fee revenue earned remains outstanding.

The following is a summary of the financial position and results of operations for Union Farmview LLLP as of December 31:

	2022	2021
Assets - cash, buildings and improvements, other	\$ 12,377,013	\$ 12,212,158
Liabilities	\$ 3,189,573	\$ 10,348,592
Partners' equity	\$ 9,187,440	\$ 1,863,566
Net income	\$ (243,902)	\$ 5,006

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% (6.67% at June 30, 2023). At June 30, 2023 and 2022 there was no balance outstanding on the line. The line of credit expires in April 2024.

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:

	2023	2022
Kentucky Housing Corporation (Thirty year, 1% loan, maturing on June 1, 2035) (A)	\$ 48,299	\$ 52,025
Kentucky Housing and Homeless Coalition (Twenty year, interest-free loan, maturing on July 1, 2027) (B)	3,600	4,320
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 (Maturing on June 17, 2026) (D)	801,311	858,331
PNC Bank Head Start Equipment Loan (Four year, 5.08% loan, maturing on October 17, 2022) (E)	-	7,224
	\$ 1,370,720	\$ 1,439,410

Aggregate annual maturities of long-term debt at June 30, 2023 are as follows:

2024	\$ 63,830
2025	66,290
2026	684,752
2027	4,597
2028	4,635
Thereafter	546,616
	\$ 1,370,720

- (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.
- (B) Northern Kentucky Housing and Homeless Coalition, Inc. provided a \$16,615 loan through the Nonprofit Housing Production and Repair Program (NHPR). 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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

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

- (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. Principal is payable monthly and varies in amount from \$4,137 to \$5,438 with a balloon payment of approximately \$623,000 due at maturity on June 17, 2026. Prior to November 2022, interest was payable monthly at 79.84% of LIBOR plus 1.38%. Beginning in November 2022, the interest rate was amended to equal the sum of 79.84% of the Secured Overnight Financing Rate (SOFR), as defined in the agreement, plus 1.38%. The rate at June 30, 2023 and 2022 was 5.44% and 2.54%, respectively. The bonds 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 accrued 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 matured on October 17, 2022 and was paid in full.

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). Prior to November 2022, the agreement provides for NKCAC to receive interest from the counterparty at 79.84% of LIBOR plus 1.38% and to pay interest to the counterparty at a fixed rate of 4.007%. Beginning in November 2022, the agreement was amended to receive interest from the counterparty at 79.84% of SOFR plus 1.38%. At June 30, 2023, the variable interest rate was 5.44% on a notional amount of \$801,829. At June 30, 2022, the variable interest rate was 2.54% on a notional amount of \$858,711. Under the agreement, NKCAC pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

NOTE 8 REFUNDABLE ADVANCES

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, 2023 and 2022, the balance of the deferred AHTF grant was \$64,182 and \$70,012, respectively. NKCAC anticipates the continued use of this property as affordable housing. Other refundable advances of \$685,508 and \$337,475 at June 30, 2023 and 2022, respectively, are to be used for child care and will be recognized as revenue as qualifying expenses are incurred.

NOTE 9 LEASES

As discussed in Note 1, NKCAC adopted ASC 842 effective July 1, 2022. Lease disclosures for 2023 are in accordance with ASC 842, while lease disclosures for 2022 are in accordance with ASC 840.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 9 LEASES (CONTINUED)

Leases for the Year Ended June 30, 2023

NKCAC has operating leases for facilities in various counties in Kentucky and office equipment. The leases have remaining lease terms of 1-4 years, some of which may include options to extend the leases for up to 6 years.

A summary of total lease costs and other lease information for the year ended June 30, 2023 is as follows:

Operating lease expense	\$ 289,047
Variable lease expense	42,600
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	287,926
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	127,939
Weighted-average remaining lease term:	
Operating leases	2.62 years
Weighted-average discount rate:	
Operating leases	3.00%

At June 30, 2023, the minimum future lease payments for non-cancelable leases are:

2024	\$ 109,094
2025	201,797
2026	180,708
2027	54,668
2028	1,400
	547,667
Total future minimum lease payments	547,667
Less imputed interest	(20,677)
	\$ 526,990
Total	\$ 526,990

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 9 LEASES (CONTINUED)

Leases for the Year Ended June 30, 2022

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 totaled \$290,698. 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 \$42,505 and \$46,999 for June 30, 2023 and 2022, 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.

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, 2023.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 10 RETIREMENT BENEFITS (CONTINUED)

Multiple-Employer Pension Plan (Continued)

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 the plan years ended June 30, 2023 and 2022, the year-end of the plan, was 26.79% and 26.95%, respectively, of participating members' compensations. The contribution requirement of NKCAC to the CERS for the years ended June 30, 2023 and 2022 was \$993,678 and \$946,226, respectively. There have been no significant changes that affect comparability of 2023 and 2022 contributions. Based on information as of June 30, 2023 and June 30, 2022, 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:

	2023	2022
Actuarial value of plan assets	\$ 8,672,597	\$ 7,963,586
Actuarial present value of accumulated plan benefits	15,089,106	15,192,599
Total contributions received by the plan	697,681	606,807
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.

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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 10 RETIREMENT BENEFITS (CONTINUED)

Multiple-Employer Postretirement Benefits Other than Pension Plans (Continued)

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of June 30, 2023 and 2022, the year end of the plan, was 3.39% and 4.17%, respectively, of participating members' compensations. The contribution requirement of NKCAC to the KRS Insurance Fund for the years ended June 30, 2023 and 2022 was \$181,899 and \$233,370, respectively. There have been no significant changes that affect comparability of 2023 and 2022 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.

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

	2023	2022
Level 2		
Assets		
Interest rate swap	\$ 20,270	\$ -
Liabilities		
Interest rate swap	\$ -	\$ 7,740

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 13 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Approximately 51% and 43% of all funding in 2023 and 2022, 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 10% and 17% of all funding for 2023 and 2022, 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, 2023 and 2022. The maximum potential amount of future payments at June 30, 2023 that NKCAC could be required to make under the operating deficit guaranty is \$309,000. As of June 30, 2023, 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, 2023 and 2022 for any obligations under the guaranty related to Lincoln Grant Scholar House, LLLP as NKCAC has estimated the fair value relating to these guarantees is not material to the financial statements.

NKCAC has executed a guarantee agreement for Ridgewood North L.P. 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 \$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

Guarantee, 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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 14 GUARANTY AGREEMENTS (CONTINUED)

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 Ridgewood North L.P. or individual partners of the partnership in relation to the guaranty agreement in June 30, 2023 and 2022. The maximum potential amount of future payments at June 30, 2023 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, 2023 that NKCAC could be required to make under all guaranties in total is \$265,000. As of June 30, 2023, 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, 2023 and 2022 for any obligations under the guaranty related to Ridgewood North L.P. as NKCAC has estimated the fair value relating to these guarantees is not material to the financial statements.

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

Construction Completion Guaranty

Guarantee, 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

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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 14 GUARANTY AGREEMENTS (CONTINUED)

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, 2023 and 2022. During fiscal year 2023 the construction was completed, and the construction loan was paid in full. As of June 30, 2023, the construction completion guaranty and construction loan guaranty are no longer applicable. The maximum potential amount of future payments at June 30, 2023 that NKCAC could be required to make under the operating deficit guaranty is \$248,913. As of June 30, 2023, NKCAC believes it has a low risk of performance on the guaranties 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, 2023 and 2022 for any obligations under the guaranties related to Union Farmview LLLP as NKCAC has estimated the fair value relating to these guarantees is not material to the financial statements.

NOTE 15 COMMITMENTS

During 2022 NKCAC entered into contracts for the construction and renovation of various Head Start facilities for approximately \$5,389,000. Remaining commitments of approximately \$131,000 and \$2,589,000 remain on these contracts as of June 30, 2023 and 2022, respectively.

NOTE 16 IN-KIND CONTRIBUTIONS

NKCAC 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:

	2023			
	Child Development	Family Services	Community Development	Total
Value of facilities donated	\$ 226,150	\$ 212,107	\$ -	\$ 438,257
Materials and supplies	5,000	-	-	5,000
Contractual	-	36,040	-	36,040
Training	-	-	167,597	167,597
Other	65,427	-	-	65,427
	\$ 296,577	\$ 248,147	\$ 167,597	\$ 712,321

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 16 IN-KIND CONTRIBUTIONS (CONTINUED)

	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	69,791	-	-	69,791
	\$ 346,664	\$ -	\$ 156,391	\$ 503,055

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. NKCAC received technical assistance, program related training, computer services and health consultation services that is reported using current market rates for similar services. NKCAC 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.

NKCAC 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.

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

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

SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Expenditures of Federal Awards and Accompanying Notes
Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Agreement Number	Total Federal Expenditure	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
<i>Direct Program</i>				
Head Start Cluster				
Head Start	93.600	04CH010592-05-02	\$ 6,005,951	\$ -
Early Head Start	93.600	04HP000426-03-01	1,237,758	-
Head Start Disaster Phase I	93.356	04TD000154-01-00	103,194	-
Head Start Disaster Minor Reno	93.356	04TD000189-01-001	240,259	-
Head Start Disaster Boone	93.356	04TD000213-01-00	1,484,387	-
Head Start Disaster Newport	93.356	04TD000215-01-00	2,508,845	-
Head Start ARPA CRRSA	93.600	04HE001100-01-01	654,725	-
Total Head Start Cluster			12,235,119	-
<i>Direct Program</i>				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZJ0049	632,556	-
<i>Passed through Kentucky Association of Community Action Agencies</i>				
Low Income Energy Assistance (LIHEAP)	93.568	736-2200003098-1 Subcontract #LIHEAP 019	2,296,837	-
<i>Passed through Kentucky Housing Corporation</i>				
Low Income Energy Assistance -Weatherization (LIHEAP)	93.568	LH23-0616-02 Subcontract #LHWX-018	277,305	-
Total 93.568			2,574,142	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Community Collaboration for Children (CCC)	93.590	PON 3736-2200000045	373,378	-
<i>Passed through Kentucky Cabinet for Health and Family Services Community Services Block Grant Cluster</i>				
Snap 50/50	93.569	PON2736-2300000386	14,396	-
Community Services Block Grant	93.569	PON2736-2200002045	718,780	-
COVID-19 - Community Services Block Grant	93.569	PON2736-2200002045	69,694	-
Total Community Services Block Grant Cluster			802,870	-
Total U.S. Department of Health and Human Services			16,618,065	-
U.S. Department of Labor				
<i>Direct Program</i>				
YouthBuild	17.274	YB-34283-19-60-A-21	231,416	-
<i>Passed through National Council on Aging, Inc.</i>				
Senior Community Service Employment Program	17.235	AD-38320-22-60-A-51 Subcontract 49	1,299,605	-
Total U.S. Department of Labor			1,531,021	-
U.S. Department of Agriculture				
<i>Passed through State of Kentucky</i>				
Child Food Care	10.558	019M40999-11499	235,582	-
Total U.S. Department of Agriculture			235,582	-

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Expenditures of Federal Awards and Accompanying Notes
Year Ended June 30, 2023
(Continued)**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Listing Number	Agreement Number	Federal Expenditure	Through to Subrecipients
<u>U.S. Department of Energy</u>				
<i>Passed through Kentucky Housing Corporation</i>				
Weatherization Assistance for Low Income Persons	81.042	WX23-0616-02 Subcontract DOEWX-018	159,656	-
Total U.S Department of Energy			159,656	-
<u>Corporation for National and Community Service</u>				
<i>Direct Program</i>				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011	21SFCKY002	261,258	-
<i>Direct Program</i>				
Retired Senior Volunteer Program	94.002	21SRCKY007	419,996	-
<i>Passed through YouthBuild USA</i>				
YouthBuild of Northern Kentucky - Americorps	94.006	19NDHMA0030015	42,509	-
YouthBuild of Northern Kentucky - Americorps	94.006	22NDFMA0090012	5,752	-
Total 94.006			48,261	-
Total Corporation for National and Community Service			729,515	-
<u>U.S. Department of Justice</u>				
<i>Passed through YouthBuild USA</i>				
Juvenile Mentoring Program	16.726	2019-JU-FX-0005	8,578	-
Total U.S. Department of Justice			8,578	-
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Kentucky Housing Corporation</i>				
Home Investment Partnerships	14.239	TB22-0616-01	151,971	-
<i>Passed through Northern Kentucky Area Development District</i>				
Community Development Block Grant - State's Program				
COVID-19 - Utility Assistance Program	14.228	PON2-112-2200000441	171,711	-
<i>Passed through City of Covington</i>				
Community Development Block Grant - State's Program				
COVID-19 - Utility Assistance Program	14.228	NA	190,807	-
Total 14.228			362,518	-
Total U.S. Department of Housing and Urban Development			514,489	-
<u>U.S. Department of Treasury</u>				
<i>Passed through City of Covington</i>				
City of Covington ARPA	21.027	NA	103,863	-
Total U.S. Department of Treasury			103,863	-
Total Expenditures of Federal Awards			\$ 19,900,769	\$ -

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Expenditures of Federal Awards and Accompanying Notes
Year Ended June 30, 2023**

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, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2023.

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 minimus 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, 2023, 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 29, 2023.

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 considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

**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, Denning & Co., Ltd.

December 29, 2023
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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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 29, 2023
Crestview Hills, Kentucky

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

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>ALN Number</u>	<u>Name of Federal Programs or Clusters</u>
93.600 / 93.356	Head Start Cluster

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, 2023**

Reference Number	Summary of Finding	Status
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No matters are reportable.

OTHER SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Status of Grant Budget
Grant 04 CH-010592-05
Head Start Program
Year Ended June 30, 2023
(Unaudited)**

	Total		PA-22 Full Year Part Day Head Start		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	\$ 6,136,951	\$ -	\$ 6,089,765	\$ -	\$ 47,186	\$ -
Expenditures reported	6,136,951	-	6,089,765	-	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>	
Excess/(deficit) of contributions received compared to required contributions		<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>

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-010592-05
Head Start Program
Year Ended June 30, 2023
(Unaudited)**

	<u>Total</u>	<u>PA-22 Full Year Part Day Head Start</u>	<u>PA-20 Training and Technical Assistance</u>
Revenues			
Current year federal funds awarded	\$ 6,136,951	\$ 6,089,765	\$ 47,186
Non-federal revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,136,951</u>	<u>6,089,765</u>	<u>47,186</u>
Expenses			
Federal share:			
Personnel	2,496,732	2,496,732	-
Fringe benefits	1,165,064	1,165,064	-
Travel	16,015	14,347	1,668
Equipment	-	-	-
Supplies	124,459	124,074	385
Contractual services	394,169	394,169	-
Facilities/construction	-	-	-
Other	955,009	909,876	45,133
Indirect costs	<u>854,503</u>	<u>854,503</u>	<u>-</u>
Total federal share of expenses	<u>6,005,951</u>	<u>5,958,765</u>	<u>47,186</u>
Non-federal share:			
Personnel	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total non-federal share of expenses	-	-	-
Total expenses	<u>6,005,951</u>	<u>5,958,765</u>	<u>47,186</u>
Excess/(deficiency) of revenues over expenses	<u>\$ 131,000</u>	<u>\$ 131,000</u>	<u>\$ -</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Grant 04 CH-010592-05**

**Full Year Part Day Head Start Program PA-22
Year Ended June 30, 2023
(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>
Budgeted categories					
Federal share:					
Personnel	\$ 2,822,676	\$ 2,496,732	\$ -	\$ 2,496,732	\$ 325,944
Fringe benefits	1,465,579	1,165,064	-	1,165,064	300,515
Travel	27,186	16,015	-	16,015	11,171
Equipment	-	-	-	-	-
Supplies	68,750	124,459	-	124,459	(55,709)
Contractual services	345,156	394,169	-	394,169	(49,013)
Facilities/construction	-	-	-	-	-
Other	597,496	955,009	-	955,009	(357,513)
Indirect costs	810,108	854,503	-	854,503	(44,395)
Total federal share of expenses	<u>6,136,951</u>	<u>6,005,951</u>	<u>-</u>	<u>6,005,951</u>	<u>131,000</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>\$ 6,136,951</u>	<u>\$ 6,005,951</u>	<u>\$ -</u>	<u>\$ 6,005,951</u>	<u>\$ 131,000</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-010592-05
Training and Technical Assistance Head Start Program PA-20
Year Ended June 30, 2023
(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>-</u>	<u>47,186</u>	<u>-</u>
Percentages	<u>100%</u>	<u>100%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>
Non-federal share:					
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>\$ 47,186</u>	<u>\$ 47,186</u>	<u>\$ -</u>	<u>\$ 47,186</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 Property and Equipment – Head Start
Grant 04 CH-010592-05
Year Ended June 30, 2023
(Unaudited)**

	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Land and buildings	\$ 2,558,997	\$ 34,693	\$ -	\$ 2,593,690
Furniture and equipment	745,647	303,164	-	1,048,811
Bus and auto	280,506	-	238,194	42,312
Leasehold improvements	562,380	9,050	-	571,430
Totals	\$ 4,147,530	\$ 346,907	\$ 238,194	\$ 4,256,243

Note 1: Asset additions consist of IT infrastructure (\$4,239), landscaping and concrete replacement (9,080), general improvements including new signage, blinds, doors and lighting fixtures (\$35,671), renovation design and management (\$21,374), classroom furniture (\$57,241), playground equipment (\$181,836), gas generator (\$34,681) and water heaters (\$2,785).

Note 2: Asset disposals consist of old vans and buses that were fully depreciated.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statement of Financial Participation
Community Service Block Grant Program (CSBG)
Year Ended June 30, 2023
(Unaudited)**

	<u>CSBG</u>	<u>Total</u>
Obligated funds:		
Total contract ceiling	<u>\$ 862,512</u>	<u>\$ 862,512</u>
CSBG financial participation (80%)	<u>718,780</u>	<u>718,780</u>
Total financial participation	718,780	718,780
Less total allowable expenses from funding source	<u>718,780</u>	<u>718,780</u>
Total obligated funds	<u>\$ -</u>	<u>\$ -</u>
(Over)/under payment:		
Total allowable expenses from funding source	\$ 718,780	\$ 718,780
Less contract payments received	<u>718,780</u>	<u>718,780</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>\$ 862,512</u>	<u>\$ 862,512</u>
Local match requirement 20%	143,732	143,732
Less local in-kind match provided	<u>143,732</u>	<u>143,732</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, 2023
(Unaudited)**

	Approved Budget	Total Incurred Costs	Questioned Costs	Total Allowable Costs	Actual (Over)/Under Budget
Expenses					
CSBG program:					
Salaries/wages	\$ 280,111	\$ 280,111	\$ -	\$ 280,111	\$ -
Fringe benefits	107,140	107,140	-	107,140	-
Consultants	44,155	44,155	-	44,155	-
Space costs	105,206	105,206	-	105,206	-
Equipment	3,606	3,606	-	3,606	-
Consumable supplies	5,289	5,289	-	5,289	-
Utilities	36,792	36,792	-	36,792	-
Transportation/travel	11,726	11,726	-	11,726	-
Other costs	45,012	45,012	-	45,012	-
Indirect costs	79,743	79,743	-	79,743	-
	<u>718,780</u>	<u>718,780</u>	<u>-</u>	<u>718,780</u>	<u>-</u>
Total CSBG expenses	<u>\$ 718,780</u>	<u>\$ 718,780</u>	<u>\$ -</u>	<u>\$ 718,780</u>	<u>\$ -</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Weatherization Program – Contract No. WX-23-0616-02; Sub Contract DOE WX018
Year Ended June 30, 2023
(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	\$ 34,300	\$ 33,755	\$ -	\$ 33,755	\$ 545
Program operations	129,197	103,015	-	103,015	26,182
Health and safety	19,380	19,110	-	19,110	270
Vehicles and equipment	-	-	-	-	-
Liability insurance	4,565	101	-	101	4,464
Financial audit	3,913	745	-	745	3,168
Training	9,283	2,930	-	2,930	6,353
	<u>\$ 200,638</u>	<u>\$ 159,656</u>	<u>\$ -</u>	<u>\$ 159,656</u>	<u>\$ 40,982</u>
				<u>\$ 159,656</u>	
Less contract payments - Kentucky Housing Corporation				<u>\$ 159,656</u>	
Total program revenue				159,656	
Under/(over) payment				<u>\$ -</u>	

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Weatherization Program – LIHEAP – Contract No. LH23-0616-02; Sub Contract LHWX-018
Year Ended June 30, 2023
(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	\$ 20,162	\$ 11,559	\$ -	\$ 11,559	\$ 8,603
Program operations	188,588	183,702	-	183,702	4,886
Health and safety	82,338	81,812	-	81,812	526
Vehicles and equipment	-	-	-	-	-
Liability insurance	3,121	232	-	232	2,889
Financial audit	-	-	-	-	-
Training	55,266	-	-	-	55,266
	<u>\$ 349,475</u>	<u>\$ 277,305</u>	<u>\$ -</u>	<u>\$ 277,305</u>	<u>\$ 72,170</u>
				<u>277,305</u>	
Less contract payments - Kentucky Housing Corporation				<u>277,305</u>	
Total program revenue				277,305	
Under/(over) payment				<u>\$ -</u>	

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statement of Program Expenses
LIHEAP Program – Contract No. 736-2200003098-1 Subcontract No. 019
Year Ended June 30, 2023
(Unaudited)

Expenses		
Administration:		
Staff wages	\$ 104,419	
Staff fringe	49,185	
Staff travel	2	
Postage	-	
Utilities	2,727	
Equipment costs	-	
Office supplies	30	
Miscellaneous	-	
Shared costs	28,696	
Other	23,745	
Single audit	-	
	<hr/>	
Total administrative expenses		\$ 208,804
Benefits:		
Summer crisis benefits	171,009	
Summer subsidy benefits	243,600	
Subsidy benefits	253,064	
Crisis benefits	1,071,439	
Spring subsidy benefits	261,115	
Client education	87,806	
	<hr/>	
Total benefits expenses		<u>2,088,033</u>
Total allowable expenses		2,296,837
Less contract payments received		<u>(2,296,837)</u>
Under/(over) payment		<u>\$ -</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
LIHEAP Program – Contract No. 736-220003098-1 Subcontract No. 019
Year Ended June 30, 2023
(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	<u>\$ 208,804</u>	<u>\$ 208,804</u>	<u>\$ -</u>	<u>\$ 208,804</u>	<u>\$ -</u>
Benefits					
Summer crisis	\$ 171,009	\$ 171,009	\$ -	\$ 171,009	\$ -
Summer subsidy	243,600	243,600	-	243,600	-
Subsidy	253,064	253,064	-	253,064	-
Crisis	1,071,439	1,071,439	-	1,071,439	-
Spring subsidy	261,115	261,115	-	261,115	-
Client education	<u>87,806</u>	<u>87,806</u>	<u>-</u>	<u>87,806</u>	<u>-</u>
Total benefits expenses	<u>\$ 2,088,033</u>	<u>\$ 2,088,033</u>	<u>\$ -</u>	<u>\$ 2,088,033</u>	<u>\$ -</u>