

Northern Kentucky Community Action Commission, Inc.

**Financial Statements with Supplementary Information
June 30, 2024 and 2023, and
Independent Auditors' Report**

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

June 30, 2024 and 2023

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 – 27
Supplementary Information:	
Schedule of Expenditures of Federal Awards	28 – 30
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>	31 – 32
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	33 – 35
Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Audit Findings	37
Other Supplementary Information:	
Head Start:	
Status of Grant	38
Statement of Revenues and Expenses	39
Full Year Part Day Headstart Program PA-22	40
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	
Training and Technical Assistance Headstart Program PA-20	41
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	
Schedule of Property and Equipment	42
CSBG:	
Statement of Financial Participation	43
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	44
Weatherization:	
Weatherization Program - Schedule of Budgeted, Incurred, Questioned and Allowable Costs	45 – 46
LIHEAP:	
Statement of Program Expenses	47
Schedule of Budgeted, Incurred, Questioned and Allowable Costs	48

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, 2024 and 2023, 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, 2024 and 2023, 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.

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 28 – 30, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The other supplementary information on pages 38 – 48 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 30, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northern Kentucky Community Action Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Kentucky Community Action Commission's internal control over financial reporting and compliance.



December 30, 2024
Crestview Hills, Kentucky

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statements of Financial Position
June 30, 2024 and 2023**

	2024	2023
Assets		
Cash and cash equivalents	\$ 778,209	\$ 989,465
Cash and cash equivalents - Ridgewood North	29,191	68,322
Certificates of deposit	204,412	360,985
Government grants receivable	1,747,011	2,090,832
United Way receivable	-	200,000
Other assets	76,938	152,101
Cash restricted for repairs in Harvest Glen (formerly Crittenden)	28,820	24,441
Developer fee receivable	322,250	354,044
Interest rate swap asset	13,622	20,270
Investment in partnerships	948,999	821,915
Property and equipment, net	12,871,131	12,620,857
Right-of-use assets - operating leases	533,819	526,990
	\$ 17,554,402	\$ 18,230,222
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 429,899	\$ 727,615
Accrued expenses	589,826	604,853
Notes payable	1,306,890	1,370,720
Deferred rental income	428,077	436,154
Refundable advances	522,353	749,690
Lease liabilities - operating leases	533,819	526,990
	3,810,864	4,416,022
Net Assets		
Without donor restrictions		
Undesignated	1,861,092	1,755,372
Board designated - Ridgewood North	233,603	429,307
Net investment in property and equipment	11,564,241	11,250,137
	13,658,936	13,434,816
With donor restrictions	84,602	379,384
	13,743,538	13,814,200
	\$ 17,554,402	\$ 18,230,222

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statements of Activities
Years Ended June 30, 2024 and 2023**

	2024	2023
Revenues and other support without donor restrictions:		
Federal grants and contracts	\$ 15,731,496	\$ 19,900,769
State and local grants and contracts	2,349,915	1,385,291
Private grants and contracts	745,124	634,300
In-kind contributions	605,182	712,321
Developer and management fees	78,678	324,848
Rent income	77,608	77,207
Change in fair value of interest rate swap	(6,648)	28,010
Miscellaneous	94,746	156,226
Net assets released from restrictions	379,384	482,089
Total revenues and other support without donor restrictions	20,055,485	23,701,061
Expenses:		
Children's services	8,862,394	8,403,952
Family services	6,639,892	6,864,353
Weatherization and housing services	651,451	497,690
Community development	1,672,248	1,517,455
Administration and finance	2,005,380	2,014,217
Total expenses	19,831,365	19,297,667
Change in net assets without donor restrictions	224,120	4,403,394
Net assets with donor restrictions:		
Private grants	84,602	465,000
Net assets released from restrictions	(379,384)	(482,089)
Change in net assets with donor restrictions	(294,782)	(17,089)
Change in net assets	(70,662)	4,386,305
Net assets, beginning of year	13,814,200	9,427,895
Net assets, end of year	\$ 13,743,538	\$ 13,814,200

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statement of Functional Expenses
Year Ended June 30, 2024**

	Program Services				Total	Administration and Finance	Total
	Children's Services	Family Services	Weatherization and Housing Services	Community Development			
Salaries	\$ 3,807,001	\$ 1,609,647	\$ 67,889	\$ 1,149,267	\$ 6,633,804	\$ 1,002,805	\$ 7,636,609
Fringe benefits	1,510,864	638,381	27,765	124,252	2,301,262	443,118	2,744,380
Contractual	1,193,020	525,747	512,320	70,170	2,301,257	178,340	2,479,597
Travel	56,783	95,747	3,226	8,539	164,295	70,057	234,352
Occupancy and equipment	85,526	299,024	4,347	41,075	429,972	-	429,972
Utilities	90,702	50,453	1,326	3,099	145,580	5,656	151,236
Supplies	42,905	45,393	2,299	20,086	110,683	31,072	141,755
Communication	60,798	53,700	1,065	9,060	124,623	19,109	143,732
Printing and publications	89,678	66,536	132	36,000	192,346	17,000	209,346
Insurance	47,070	43,099	9,768	11,865	111,802	13,198	125,000
Client benefits	795,897	2,928,833	-	6,044	3,730,774	13,663	3,744,437
Staff development	158,920	7,647	314	1,515	168,396	59,480	227,876
Legal fees	16,969	915	-	-	17,884	4,922	22,806
Other costs	113,853	51,114	1,437	20,230	186,634	76,646	263,280
In-kind expenditures	271,967	164,791	-	168,424	605,182	-	605,182
Interest	15,650	6,908	645	802	24,005	11,589	35,594
Depreciation	504,791	51,957	18,918	1,820	577,486	58,725	636,211
Total expenses	8,862,394	6,639,892	651,451	1,672,248	17,825,985	2,005,380	19,831,365
Allocation of indirect costs	1,294,337	536,977	23,081	57,701	1,912,096	(1,912,096)	-
Total expenses	\$ 10,156,731	\$ 7,176,869	\$ 674,532	\$ 1,729,949	\$ 19,738,081	\$ 93,284	\$ 19,831,365

See accompanying notes to financial statements

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

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

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

**Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (70,662)	\$ 4,386,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	636,211	513,149
Change in fair value of interest rate swap	6,648	(28,010)
Changes in:		
Government grants receivable	343,821	353,676
United Way receivable	200,000	(200,000)
Other assets	75,163	(90,388)
Developer fee receivable	31,794	(169,567)
Accounts payable	(297,716)	90,884
Accrued expenses	(15,027)	73,783
Deferred rental income	(8,077)	(8,077)
Refundable advances	(227,337)	342,203
Net cash provided by operating activities	674,818	5,263,958
Cash flows from investing activities		
Investment in partnerships	(127,084)	(160,823)
Purchase of property and equipment	(886,485)	(5,285,672)
Net cash used by investing activities	(1,013,569)	(5,446,495)
Cash flows from financing activities		
Purchase of certificates of deposit	156,573	(437)
Principal payments on notes payable	(63,830)	(68,690)
Net cash provided (used) by financing activities	92,743	(69,127)
Net change in cash, cash equivalents and restricted cash	(246,008)	(251,664)
Cash, cash equivalents and restricted cash, beginning of year	1,082,228	1,333,892
Cash, cash equivalents and restricted cash, end of year	\$ 836,220	\$ 1,082,228
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 35,438	\$ 27,156
Purchase of property and equipment in accounts payable	\$ -	\$ 236,296
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization and Operations (Continued)

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

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

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

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

Basis of Presentation

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

	<u>2024</u>	<u>2023</u>
Time restriction	\$ -	\$ 200,000
Lincoln Grant Scholar House renovations	84,602	164,384
Ignite program	<u>-</u>	<u>15,000</u>
Total net assets with donor restrictions	<u>\$ 84,602</u>	<u>\$ 379,384</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2024 and 2023, cash equivalents consists primarily of money market funds. Prior to 2024, NKCAC maintained its cash in bank deposit accounts which, at times, may have exceed federally insured limits. During 2024, NKCAC began utilizing sweep accounts to investment cash into money market funds that are not insured by the Federal Deposit Insurance Corporation (FDIC) and are subject to investment risk. No cash deposit balances at June 30, 2024 exceeded federally insured limits.

At June 30, 2024, cash and cash equivalents of \$778,209 and restricted cash of \$29,191 and \$28,820 reported within the statement of financial position sum to the total of \$836,220, which is the total of the cash and restricted cash shown in the statement of cash flows. At June 30, 2023, cash 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.

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, 2024 and 2023.

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.

Developer Fee Receivable and Allowance for Credit Losses

Developer fees are state at unpaid balances, less an allowance for credit losses. NKCAC provides an allowance for credit losses on its developer fee receivable based on review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstances of the customer. As of June 30, 2024 and 2023, there is no allowance for credit losses associates with the developer fee receivable.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Partnerships, Including Notes Receivable and Allowance for Credit Losses

NKCAC's investment in partnerships is recorded using the equity method of accounting, where the investment is initially recorded at cost, and NKCAC's pro-rata share of earnings or losses is reflected as income or loss as earned and distributions are credited against the investment when received. Amounts invested are generally not available for use by NKCAC.

NKCAC includes in its investment in partnerships on the statement of financial positions any notes receivable to its partnership investments. NKCAC provides an allowance for credit losses on its notes receivable based on review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstances of the partnership. As of June 30, 2024 and 2023, there is no allowance for credit losses associates with the notes receivable.

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, 2024, NKCAC had conditional promises to give from various federal and state funding sources of \$4,980,003 to be used for its Head Start Center purchase and construction, Tenant Based Rental Assistance, Early Head Start, Emergency Assistance, Fatherhood, Retired and Senior Volunteer program. 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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326), *Current Expected Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with more useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by NKCAC that are subject to the guidance in FASB ASC 326 are the developer fee receivable and notes receivable. The impact of the adoption was not considered material to the financial statements.

Subsequent Events

NKCAC has evaluated subsequent events through December 30, 2024, 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:

	2024	2023
Cash and cash equivalents	\$ 778,209	\$ 989,465
Cash and cash equivalents - Ridgewood North	29,191	68,322
Certificates of deposit	204,412	360,985
Government grants receivable	1,747,011	2,090,832
United Way receivable	-	200,000
Developer fees receivable	322,250	354,044
Total financial assets	3,081,073	4,063,648
Less financial assets not available for operations within one year:		
Developer fees to be received in greater than one year	(322,250)	(354,044)
Net assets with donor purpose restrictions	(84,602)	(179,384)
Board designated funds	(233,603)	(429,307)
Total financial assets available within one year	\$ 2,440,618	\$ 3,100,913

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

As part of 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, 2024 and 2023, which it could draw upon. NKCAC has \$233,603 and \$429,307 as of June 30, 2024 and 2023, 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 \$204,412 and \$360,985 in certificates of deposits as of June 30, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,370,146	\$ 1,329,700
Buildings and improvements	13,470,845	8,890,226
Equipment	1,767,442	1,726,662
Vehicles	247,381	247,381
Leasehold improvements	631,747	689,018
Construction in process	<u>125,852</u>	<u>4,248,208</u>
	17,613,413	17,131,195
Less accumulated depreciation	<u>(4,742,282)</u>	<u>(4,510,338)</u>
	<u>\$ 12,871,131</u>	<u>\$ 12,620,857</u>

Land recorded at \$170,000 at both June 30, 2024 and 2023 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, 2024 and 2023 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, 2024 and 2023. NKCAC received a total developer fee of \$249,600, which was recognized as revenue according to the development services agreement in years prior to 2024 and 2023. 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, 2024 and 2023 the developer fee has been fully collected. In 2024 and 2023, NKCAC recognized \$78,678 and \$81,266, 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 \$428,077 and \$436,154 at June 30, 2024 and 2023, respectively. Lease revenue was \$8,077 for both June 30, 2024 and 2023.

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

	2023	2022
Assets - cash, buildings and improvements, other	\$ 7,304,616	\$ 7,539,742
Liabilities	\$ 644,185	\$ 717,070
Members' capital	\$ 6,660,431	\$ 6,822,672
Net loss	\$ (144,536)	\$ (291,319)

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, 2024 and 2023 is \$100 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 is recognized in investment in partnerships on the statement of financial position. This note receivable has a maturity date of December 29, 2045, to be paid in full from any available net cash flows, and is secured by the property. 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 is recognized in investment in partnerships on the statement of financial position. 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, 2024 and 2023, \$385,000 and \$270,616 has been utilized of the note and the interest receivable on the balance is \$13,898 and \$1,198, respectively, and is recognized in investment in partnerships on the statement of financial position.

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 2024 and 2023. 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, 2024 and 2023, \$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>2023</u>	<u>2022</u>
Assets - cash, buildings and improvements, other	<u>\$ 7,627,903</u>	<u>\$ 7,879,849</u>
Liabilities	<u>\$ 2,365,159</u>	<u>\$ 2,129,642</u>
Partners' equity	<u>\$ 5,262,744</u>	<u>\$ 5,750,207</u>
Net loss	<u>\$ (487,463)</u>	<u>\$ (370,039)</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 on the statement of financial position as of June 30, 2024 and 2023.

NKCAC is to receive a developer fee estimated at \$311,400, which is recognized as revenue according to the development services agreement. In 2024 and 2023, NKCAC recognized \$-0- and \$243,582, 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, 2024 and 2023, \$195,079 and \$235,580, 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:

	<u>2023</u>	<u>2022</u>
Assets - cash, buildings and improvements, other	<u>\$ 12,006,002</u>	<u>\$ 12,377,013</u>
Liabilities	<u>\$ 3,019,368</u>	<u>\$ 3,189,573</u>
Partners' equity	<u>\$ 8,986,634</u>	<u>\$ 9,187,440</u>
Net income	<u>\$ (200,806)</u>	<u>\$ (243,902)</u>

NOTE 6 LINE OF CREDIT

NKCAC has a revolving line of credit agreement for \$350,000 which is renewable annually. The line is collateralized by substantially all of NKCAC's non-federal assets and bears interest at the Daily Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 1.50% (6.91% at June 30, 2024). At June 30, 2024 and 2023 there was no balance outstanding on the line. The line of credit expires in April 2025.

Subsequent to year end, NKCAC drew \$350,000 on the line of credit.

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:

	2024	2023
Kentucky Housing Corporation (Thirty year, 1% loan, maturing on June 1, 2035) (A)	\$ 44,537	\$ 48,299
Kentucky Housing and Homeless Coalition (Twenty year, interest-free loan, maturing on July 1, 2027) (B)	2,880	3,600
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)	741,963	801,311
	\$ 1,306,890	\$ 1,370,720

Aggregate annual maturities of long-term debt at June 30, 2024 are as follows:

2025	\$	66,290
2026		684,752
2027		4,597
2028		4,635
2029		3,955
Thereafter		542,661
	\$	1,306,890

(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, 2024 and 2023 was 5.64% and 5.44%, 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, 2024, the variable interest rate was 5.64% on a notional amount of \$739,129. At June 30, 2023, the variable interest rate was 5.44% on a notional amount of \$801,829. 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, 2024 and 2023, the balance of the deferred AHTF grant was \$58,351 and \$64,182, respectively. NKCAC anticipates the continued use of this property as affordable housing. Other refundable advances of \$464,002 and \$685,508 June 30, 2024 and 2023, respectively, are to be used for child care and will be recognized as revenue as qualifying expenses are incurred.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 9 LEASES

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 years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Operating lease expense	\$ 288,604	\$ 289,047
Short-term lease expense	55,298	-
Variable lease expense	39,630	42,600
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	288,172	287,926
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	110,455	127,939
Weighted-average remaining lease term:		
Operating leases	2.24 years	2.62 years
Weighted-average discount rate:		
Operating leases	3.36%	3.00%

At June 30, 2024, the minimum future lease payments for non-cancelable leases are:

2025	\$ 254,896
2026	232,108
2027	64,668
2028	1,400
	553,072
Total future minimum lease payments	553,072
Less imputed interest	(19,253)
Total	\$ 533,819

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

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 \$43,884 and \$42,505 for June 30, 2024 and 2023, 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, 2024.

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, 2024 and 2023, the year-end of the plan, was 23.34% and 26.79%, respectively, of participating members' compensations. The contribution requirement of NKCAC to the CERS for the years ended June 30, 2024 and 2023 was \$984,765 and \$993,678, respectively. There have been no significant changes that affect comparability of 2024 and 2023 contributions. Based on information as of June 30, 2024 and June 30, 2023, the year-end of the plan, NKCAC's contributions do not represent more than 5 percent of total contributions received by the Plan.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 10 RETIREMENT BENEFITS (CONTINUED)

Multiple-Employer Pension Plan (Continued)

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

	<u>2024</u>	<u>2023</u>
Actuarial value of plan assets	\$ 9,596,244	\$ 8,672,597
Actuarial present value of accumulated plan benefits	15,576,667	15,089,106
Total contributions received by the plan	764,778	697,681
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.

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of June 30, 2024 and 2023, the year end of the plan, was 0% and 3.39% respectively, of participating members' compensations. The contribution requirement of NKCAC to the KRS Insurance Fund for the years ended June 30, 2024 and 2023 was \$-0- and \$181,899, respectively. There have been no significant changes that affect comparability of 2024 and 2023 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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

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 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:

	2024	2023
Level 2		
Assets		
Interest rate swap	\$ 13,622	\$ 20,270

NOTE 13 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Approximately 40% and 51% of all funding in 2024 and 2023, 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 13% and 10% of all funding for 2024 and 2023, 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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 14 GUARANTY AGREEMENTS (CONTINUED)

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, 2024 and 2023. The maximum potential amount of future payments at June 30, 2024 that NKCAC could be required to make under the operating deficit guaranty is \$309,000. As of June 30, 2024, 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, 2024 and 2023 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.

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, 2024 and 2023. The maximum potential amount of future payments at June 30, 2024 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, 2024 that NKCAC could be required to make under all guaranties in total is \$265,000. As of June 30, 2024, 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, 2024 and 2023 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.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Notes to Financial Statements (Continued)

NOTE 14 GUARANTY AGREEMENTS (CONTINUED)

NKCAC has executed guarantee agreements for Union Farmview 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 \$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.

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, 2024 and 2023. 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, 2024 that NKCAC could be required to make under the operating deficit guaranty is \$248,913. As of June 30, 2024, 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, 2024 and 2023 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 \$-0- and \$131,000 remain on these contracts as of June 30, 2024 and 2023, respectively.

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Notes to Financial Statements
(Continued)**

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:

	2024			
	Child Development	Family Services	Community Development	Total
Value of facilities donated	\$ 207,185	\$ 158,658	\$ -	\$ 365,843
Materials and supplies	200	4,290	-	4,490
Contractual	-	1,843	-	1,843
Training	-	-	168,424	168,424
Other	64,582	-	-	64,582
	\$ 271,967	\$ 164,791	\$ 168,424	\$ 605,182
	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

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, 2024**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Agreement Number	Total Federal Expenditure	Passed Through to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
<i>Direct Program</i>				
Head Start Cluster				
Head Start	93.600	04CH012301-01-02	\$ 6,332,851	\$ -
Head Start	93.600	04CH010592-05-02	131,000	-
Early Head Start	93.600	04HP000426-04-01	1,193,833	-
Head Start Falmouth	93.600	04WH000019-01	130,852	-
Head Start Disaster Minor Reno	93.356	04TD000189-01-001	16,016	-
Head Start Disaster Boone	93.356	04TD000213-01-00	142,301	-
Head Start Disaster Newport	93.356	04TD000215-01-00	40,662	-
Total Head Start Cluster			7,987,515	-
<i>Direct Program</i>				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZJ0049	555,518	-
<i>Direct Program</i>				
Affordable Housing	93.647	90EAH0007	60,317	-
<i>Direct Program</i>				
CED Planning Grant	93.570	90EE1349	61,033	-
<i>Passed through Kentucky Association of Community Action Agencies</i>				
Low Income Energy Assistance (LIHEAP)	93.568	736-2200003098		
		Subcontract #LIHEAP 019	2,531,446	-
<i>Passed through Kentucky Housing Corporation</i>				
Low Income Energy Assistance -Weatherization (LIHEAP)	93.568	LH23-0616-02		
		Subcontract #LHWX-019	375,019	-
Total 93.568			2,906,465	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Community Collaboration for Children (CCC)	93.590	PON 3736-2200000045	400,545	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Community Services Block Grant	93.569	PON2736-2300001896	673,997	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Health Equity	93.391	PON2728-2300003782	61,860	-
Total U.S. Department of Health and Human Services			12,707,250	-
<u>U.S. Department of Labor</u>				
<i>Passed through National Council on Aging, Inc.</i>				
Senior Community Service Employment Program	17.235	23A60AD000067-01-00		
		Subcontract 49	1,336,102	-
Total U.S. Department of Labor			1,336,102	-
<u>U.S. Department of Agriculture</u>				
<i>Passed through State of Kentucky</i>				
Child Food Care	10.558	019M40999-11499	296,576	-
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Snap 50/50	10.561	PON2736-2300000386	27,901	-
Total U.S. Department of Agriculture			324,477	-

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Expenditures of Federal Awards and Accompanying Notes
Year Ended June 30, 2024
(Continued)**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Total Federal Expenditure</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Energy</u>				
<i>Passed through Kentucky Housing Corporation</i>				
Weatherization Assistance for Low Income Persons	81.042	WX24-0616-02 Subcontract DOEWX-019	192,209	-
Total U.S Department of Energy			<u>192,209</u>	<u>-</u>
<u>Corporation for National and Community Service</u>				
<i>Direct Program</i>				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011	21SFCKY002	308,687	-
<i>Direct Program</i>				
Retired Senior Volunteer Program	94.002	21SRCKY007	322,338	-
<i>Direct Program</i>				
Retired Senior Volunteer Program	94.017	23SDCKY001	162,704	-
<i>Passed through YouthBuild USA</i>				
YouthBuild of Northern Kentucky - Americorps	94.006	22NDFMA0090012	75,000	-
YouthBuild of Northern Kentucky - Americorps	94.006	NA	57,890	-
YouthBuild of Northern Kentucky - Americorps	94.006	NA	5,759	-
Total 94.006			<u>138,649</u>	<u>-</u>
Total Corporation for National and Community Service			<u>932,378</u>	<u>-</u>
<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	175,228	-
<i>Passed through City of Covington</i>				
Community Development Block Grant - State's Program				
COVID-19 - Utility Assistance Program	14.228	NA	63,852	-
Total U.S. Department of Housing and Urban Development			<u>239,080</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,731,496</u>	<u>\$ -</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Expenditures of Federal Awards and Accompanying Notes
Year Ended June 30, 2024**

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, 2024. 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, 2024.

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, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2024.

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.



December 30, 2024
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, 2024. 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, 2024.

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.



December 30, 2024
Crestview Hills, Kentucky

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

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>Assistance Listing Number</u>	<u>Name of Federal Programs or Clusters</u>
17.235	Senior Community Service Employment Program
93.568	Low Income Energy Assistance (LIHEAP)

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, 2024**

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-012301-01-02
Head Start Program Budget
Year Ended June 30, 2024
(Unaudited)**

	Total		PA22-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	\$ 6,332,851	\$ -	\$ 6,285,665	\$ -	\$ 47,186	\$ -
Expenditures Reported	6,332,851	-	\$ 6,285,665	-	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>	
contributions received compared to required contributions		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
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-012301-01-02
Head Start Program
Year Ended June 30, 2024
(Unaudited)**

	<u>Total</u>	<u>PA22-Full Year Part Day Head Start</u>	<u>Training and Technical Assistance</u>
Revenues			
Current year federal funds awarded	\$ 6,332,851	\$ 6,285,665	\$ 47,186
Non-federal revenue	-	-	-
Total revenues	<u>6,332,851</u>	<u>6,285,665</u>	<u>47,186</u>
Expenses			
Federal share			
Personnel	2,756,143	2,756,143	-
Fringe benefits	1,102,981	1,102,981	-
Travel	36,185	33,799	2,386
Equipment	-	-	-
Supplies	107,918	107,918	-
Contractual services	519,346	519,346	-
Facilities/Construction	-	-	-
Other	873,189	828,389	44,800
Indirect Costs	937,089	937,089	-
Total federal share of expenses	<u>6,332,851</u>	<u>6,285,665</u>	<u>47,186</u>
Non-federal share			
Personnel	-	-	-
Other	-	-	-
Total non-federal share of expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>6,332,851</u>	<u>6,285,665</u>	<u>47,186</u>
Unliquidated Obligations on extension at 6/30/24	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Grant 04 CH-012301-01-02**

Full Year Part Day Head Start Program PA-22

Year Ended June 30, 2024

(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	\$ 2,838,977	\$ 2,756,143	\$ -	\$ 2,756,143	\$ 82,834
Fringe benefits	1,061,689	1,102,981	-	1,102,981	(41,292)
Travel	58,886	33,799	-	33,799	25,087
Equipment	-	-	-	-	-
Supplies	121,757	107,918	-	107,918	13,839
Contractual services	359,500	519,346	-	519,346	(159,846)
Facilities/Construction	-	-	-	-	-
Other	928,051	828,389	-	828,389	99,662
Indirect Costs	963,991	937,089	-	937,089	26,902
Total federal share of expenses	<u>6,332,851</u>	<u>6,285,665</u>	<u>-</u>	<u>6,285,665</u>	<u>47,186</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><u>\$ 6,332,851</u></u>	<u><u>\$ 6,285,665</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,285,665</u></u>	<u><u>\$ (47,186)</u></u>
Percentages	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>0%</u></u>	<u><u>100%</u></u>	<u><u>0%</u></u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
Grant 04 CH-012301-01-02
Training and Technical Assistance Head Start Program PA-20
Year Ended June 30, 2024
(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	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe benefits	-	-	-	-	-
Travel	22,186	2,386	-	2,386	19,800
Equipment	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Facilities/Construction	-	-	-	-	-
Other	25,000	44,800	-	44,800	(19,800)
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-012301-01-02
Year Ended June 30, 2024
(Unaudited)**

	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2024</u>
Land and buildings	\$ 2,593,690	\$ -	\$ -	\$ 2,593,690
Furniture and equipment	1,048,811	-	-	1,048,811
Bus and auto	42,312	-	-	42,312
Leasehold improvements	571,430	-	-	571,430
Totals	<u>\$ 4,256,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,256,243</u>

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Statement of Financial Participation
Community Service Block Grant Program (CSBG)
Year Ended June 30, 2024
(Unaudited)**

	<u>CSBG</u>	<u>Total</u>
Obligated funds		
Total contract ceiling	<u>\$ 842,497</u>	<u>\$ 842,497</u>
CSBG financial participation (80%)	<u>673,997</u>	<u>673,997</u>
Total financial participation	<u>673,997</u>	<u>673,997</u>
Less: total allowable expenses from funding source	<u>673,997</u>	<u>673,997</u>
Total obligated funds	<u>\$ -</u>	<u>\$ -</u>
 (Over)/under payment		
Total allowable expenses from funding source	<u>\$ 673,997</u>	<u>\$ 673,997</u>
Less: contract payments received	<u>673,997</u>	<u>673,997</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>\$ 842,497</u>	<u>\$ 842,497</u>
Local match requirement 20%	<u>168,500</u>	<u>168,500</u>
Less: local in-kind match provided	<u>168,500</u>	<u>168,500</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, 2024
(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					
CSBG program					
Salaries / wages	\$ 267,000	\$ 267,000	\$ -	\$ 267,000	\$ -
Fringe benefits	106,000	106,000	-	106,000	-
Consultants	40,000	40,000	-	40,000	-
Space costs	94,400	94,400	-	94,400	-
Equipment	3,000	3,000	-	3,000	-
Consumable supplies	4,600	4,600	-	4,600	-
Utilities	33,370	33,370	-	33,370	-
Transportation / travel	11,000	11,000	-	11,000	-
Other costs	38,572	38,572	-	38,572	-
Indirect costs	76,055	76,055	-	76,055	-
Total CSBG expenses	<u>\$ 673,997</u>	<u>\$ 673,997</u>	<u>\$ -</u>	<u>\$ 673,997</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, 2024
(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	\$ 34,615	\$ 34,615	\$ -	\$ 34,615	\$ -
Program Operations	140,018	111,649	-	111,649	28,369
Health and Safety	21,003	20,742	-	20,742	261
Vehicles & Equipment	-	-	-	-	-
Liability insurance	4,565	434	-	434	4,131
Financial audit	3,913	1,273	-	1,273	2,640
Training	22,973	7,859	-	7,859	15,114
Weatherization Ready	30,683	15,637	-	15,637	15,046
Total	<u>\$ 257,770</u>	<u>\$192,209</u>	<u>\$ -</u>	<u>\$ 192,209</u>	<u>\$ 65,561</u>
Less: Contract Payments - Kentucky Housing Corporation				<u>192,209</u>	
Total Program Revenue				192,209	
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, 2024
(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	\$ 20,946	\$ 20,946	\$ -	\$ 20,946	\$ -
Program Operations	238,810	234,805	-	234,805	4,005
Health and Safety	122,072	119,265	-	119,265	2,807
Vehicles & Equipment	-	-	-	-	-
Liability insurance	3,121	3	-	3	3,118
Financial audit	-	-	-	-	-
Training	11,486	-	-	-	11,486
Total Expenses	<u>\$ 396,435</u>	<u>\$ 375,019</u>	<u>\$ -</u>	<u>\$ 375,019</u>	<u>\$ 21,416</u>
Less: Contract Payments - Kentucky Housing Corporation				<u>375,019</u>	
Total Program Revenue				375,019	
Under/(over) payment				<u>\$ -</u>	

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

Statement of Program Expenses
LIHEAP Program – Contract No. 736-2300001736-1 Subcontract No. 019
Year Ended June 30, 2024
(Unaudited)

Expenses		
Administration		
Staff wages	\$ 99,134	
Staff fringe	33,476	
Staff travel	3,482	
Postage	-	
Utilities	11,324	
Equipment costs	1,530	
Office supplies	271	
Miscellaneous	-	
Shared costs	18,190	
Other	62,886	
Single audit	-	
Total administration expenses	-	\$ 230,293
Benefits		
Summer Crisis benefits	-	
Summer Subsidy benefits	456,105	
Subsidy benefits	295,994	
Crisis benefits	1,144,453	
Spring Subsidy benefits	287,746	
Client Education	116,855	
Total benefits expenses	116,855	2,301,153
Total allowable expenses		2,531,446
Less: contract payments received		(2,531,446)
Under/(over) payment		\$ -

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

**Schedule of Budgeted, Incurred, Questioned and Allowable Costs
LIHEAP Program – Contract No. 736-2300001736-1 Subcontract No. 019
Year Ended June 30, 2024
(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>\$ 230,293</u>	<u>\$ 230,293</u>	<u>\$ -</u>	<u>\$ 230,293</u>	<u>\$ -</u>
Benefits					
Summer Crisis	\$ -	\$ -	-	-	-
Summer Subsidy	456,105	456,105	-	456,105	-
Subsidy	295,994	295,994	-	295,994	-
Crisis	1,144,453	1,144,453	-	1,144,453	-
Spring Subsidy	287,746	287,746	-	287,746	-
Client Education	116,855	116,855	-	116,855	-
Total benefits expenses	<u>\$ 2,301,153</u>	<u>\$ 2,301,153</u>	<u>\$ -</u>	<u>\$ 2,301,153</u>	<u>\$ -</u>