

**AUDUBON AREA COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2020 and 2019**

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Contents**  
**June 30, 2020 and 2019**

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3-4
Statement of Activities	5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to the Financial Statements	9-25
<b>Supplementary Information:</b>	
<b>Statement of Revenue and Expenses and Changes in Fund Balance</b>	
Head Start Contract Number 04CH01073001	26-27
Head Start – Delegate Agency Contract Number 04CH4776	28-29
<b>Statement of Revenues and Expenses</b>	
Early Head Start Contract Number 04HP0029-04-01	30
Migrant Head Start Contract Number 90CM9820	31
Child and Adult Care Food Program Contract Number 11381	32
Community Services Block Grant Contract Number 736-1900004189	33
Family Preservation Program Contract Number 736-1800001966	34
Kentucky Works Contract Number 736-1900004341	35
Low-Income Home Energy Assistance Program Contract Number 736-19000039643	36
LIHEAP Weatherization Program Contract Number LHWX-001	37
Senior Community Services Employment Program Contract 725-1900001139	38
Imagination Library	39
Green River Intra-County Transit System	40

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Contents (continued)**  
**June 30, 2020**

	<u>Page</u>
<b>Statement of Revenues and Expenses (continued)</b>	
Wintercare Program	41
Weatherization Program Contract Number DOE WX-001	42
Senior Companion Program Contract Number 18SCSKY003	43
Foster Grandparent Program Contract Number 18SFSKY002	44
Retired and Senior Volunteer Program Contract Number 18SRSKY004	45
Energy Cares Program	46
Kynector Program	47
VISTA Program	48
Schedule of Expenditures of Federal Awards	49-51
Notes to Schedule of Expenditures of Federal Awards	52
<b>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></b>	53-54
<b>Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance</b>	55-56
Schedule of Findings and Questioned Costs	57-58



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note S to the financial statements, during the year ended June 30, 2020, the Organization adopted new accounting guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* as amended, as well as ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Area Community Services, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 26 through 48 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 49 through 51, 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 also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of Audubon Area Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Audubon Area Community Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Audubon Area Community Services, Inc.'s internal control over financial reporting and compliance.



Owensboro, Kentucky  
March 15, 2021

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,915,924	\$ 3,023,618
Restricted cash	6,075	3,539
Grants receivable	4,354,851	5,024,107
Accounts receivable	883,343	2,783,820
Promises to give	53	214
Due from related organizations	261,626	164,378
Investments	4,110,868	3,787,796
Prepaid expenses	250,236	216,184
	<b>17,782,976</b>	<b>15,003,656</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,147,668	1,177,668
Land improvements	535,450	548,474
Buildings	18,277,258	18,497,260
Buildings improvements	6,324,012	5,500,194
Furniture and furnishings	261,405	199,521
Equipment	4,624,575	4,262,855
Vehicles	10,144,774	9,604,344
Construction in progress	1,002,545	556,827
	42,317,687	40,347,143
Less accumulated depreciation	(18,602,781)	(17,664,406)
	<b>23,714,906</b>	<b>22,682,737</b>
<b>OTHER ASSETS</b>		
Interest receivable - related	435,524	353,876
	<b>435,524</b>	<b>353,876</b>
<b>TOTAL ASSETS</b>	<b>\$ 41,933,406</b>	<b>\$ 38,040,269</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,807,668	\$ 2,855,696
Accrued payroll	1,475,714	1,193,524
Deferred revenue	4,378	259
Due to related organizations	146,490	127,570
Payroll withholdings	433,775	380,204
Accrued compensated absences	675,400	565,407
Accrued interest	8,084	11,216
Accrued workers' compensation surplus liability	79,524	69,306
Accrued self-insurance claims	261,677	88,031
Current portion of capital lease obligations	317,500	302,500
Current portion of long-term debt	160,000	160,000
	<b>5,370,210</b>	<b>5,753,713</b>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligations, less current maturities	1,484,419	1,816,028
Long-term debt, net of current portion	1,236,472	1,391,636
	<b>2,720,891</b>	<b>3,207,664</b>
	<b>8,091,101</b>	<b>8,961,377</b>
<b>NET ASSETS</b>		
Without donor restrictions	33,842,305	29,078,892
	<b>\$ 41,933,406</b>	<b>\$ 38,040,269</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Statements of Activities**  
**Year ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES AND SUPPORT</b>		
Grants	\$ 45,667,497	\$ 42,942,457
Contributions (in-kind)	5,406,967	4,824,404
Local sources	1,379,509	1,319,614
Program income	1,685,175	1,662,018
Fundraising	25,216	27,203
Gain on sale of capital assets	37,534	41,780
Investment income, net	272,623	432,969
<b>TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>	<b>54,474,521</b>	<b>51,250,445</b>
<b>EXPENSES</b>		
Program Services:		
Early childhood	27,039,559	25,785,698
Social support	4,518,318	4,024,021
Transportation	12,264,759	14,287,284
Employment	1,378,863	1,321,986
Housing	801,354	816,934
Community Services	1,263,901	1,198,780
Total program services	47,266,754	47,434,703
Supporting Services:		
Management and general	2,437,676	2,525,323
Fundraising	6,678	1,000
Total supporting services	2,444,354	2,526,323
<b>TOTAL EXPENSES</b>	<b>49,711,108</b>	<b>49,961,026</b>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>4,763,413</b>	<b>1,289,419</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>29,078,892</b>	<b>27,789,473</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 33,842,305</b>	<b>\$ 29,078,892</b>

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2020**

	Program Services							Supporting Services			Totals
	Early Childhood	Social Support	Transportation	Employment	Housing	Community Service	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 10,739,368	\$ 1,248,619	\$ 2,355,457	\$ 904,598	\$ 329,528	\$ 263,577	\$ 15,841,147	\$ 903,190	\$ -	\$ 903,190	\$ 16,744,337
Payroll taxes	769,565	90,798	169,541	66,090	24,332	18,983	1,139,309	64,391	-	64,391	1,203,700
Employee benefits	3,387,411	361,225	779,669	208,859	98,302	104,510	4,939,976	240,155	-	240,155	5,180,131
Accounting and auditing	-	-	-	-	-	-	-	99,285	-	99,285	99,285
Travel	138,806	44,030	9,817	46,551	6,883	5,244	251,331	11,971	-	11,971	263,302
Training	112,192	13,970	13,578	2,685	952	6,294	149,671	13,261	-	13,261	162,932
Occupancy	1,596,074	108,343	120,556	17,627	25,477	49,883	1,917,960	58,764	-	58,764	1,976,724
Office expense	225,625	37,152	136,331	6,018	9,382	12,172	426,680	176,300	6,678	182,978	609,658
Direct assistance	82,107	1,905,920	-	93,763	-	56,433	2,138,223	-	-	-	2,138,223
Participant support costs	84,149	145,432	-	-	-	-	229,581	-	-	-	229,581
Materials and supplies	3,540,558	113,516	578,207	13,429	130,985	678,412	5,055,107	30,221	-	30,221	5,085,328
Contracts and consultants	4,536,305	21,962	6,872,211	6,552	111,807	27,638	11,576,475	496,449	-	496,449	12,072,924
Insurance	199,739	659	182,647	184	9,556	2,462	395,247	48,406	-	48,406	443,653
Repairs and maintenance	320,690	2,388	70,117	-	31,381	6,476	431,052	3,394	-	3,394	434,446
Stipends	-	374,243	-	-	-	-	374,243	-	-	-	374,243
Telephone	132,137	40,838	123,454	11,652	22,709	17,548	348,338	7,360	-	7,360	355,698
Postage	9,811	4,632	3,309	855	60	494	19,161	3,400	-	3,400	22,561
Advertising	3,608	1,509	-	-	-	-	5,117	3,307	-	3,307	8,424
Donations	38,651	-	-	-	-	-	38,651	1,000	-	1,000	39,651
Interest	78,160	-	-	-	-	-	78,160	146,298	-	146,298	224,458
Depreciation	1,044,603	3,082	849,865	-	-	13,775	1,911,325	130,524	-	130,524	2,041,849
	<u>\$ 27,039,559</u>	<u>\$ 4,518,318</u>	<u>\$ 12,264,759</u>	<u>\$ 1,378,863</u>	<u>\$ 801,354</u>	<u>\$ 1,263,901</u>	<u>\$ 47,266,754</u>	<u>\$ 2,437,676</u>	<u>\$ 6,678</u>	<u>\$ 2,444,354</u>	<u>\$ 49,711,108</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Statement of Functional Expenses**  
**Year ended June 30, 2019**

	Program Services						Supporting Services			Totals	
	Early Childhood	Social Support	Transportation	Employment	Housing	Community Service	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 10,033,374	\$ 1,076,230	\$ 2,564,099	\$ 853,800	\$ 277,109	\$ 301,551	\$ 15,106,163	\$ 864,799	\$ -	\$ 864,799	\$ 15,970,962
Payroll taxes	749,703	80,432	185,993	62,512	20,475	21,555	1,120,670	62,174	-	62,174	1,182,844
Employee benefits	3,089,436	302,777	790,718	201,316	79,676	109,098	4,573,021	299,253	-	299,253	4,872,274
Accounting and auditing	-	-	-	-	-	-	-	113,400	-	113,400	113,400
Travel	141,049	79,631	3,886	61,760	1,392	15,639	303,357	24,601	-	24,601	327,958
Training	73,284	11,951	15,027	1,394	963	12,563	115,182	19,415	-	19,415	134,597
Occupancy	1,339,540	94,018	137,472	16,834	21,064	52,600	1,661,528	47,158	-	47,158	1,708,686
Office expense	282,929	31,409	198,930	5,711	10,169	8,382	537,530	135,385	-	135,385	673,915
Direct assistance	38,190	1,641,276	-	75,060	-	46,224	1,800,750	-	1,000	136,385	1,937,135
Participant support costs	75,797	149,668	6,012	-	-	-	231,477	-	-	-	231,477
Materials and supplies	3,797,886	132,099	439,065	15,571	115,488	584,613	5,084,722	39,316	-	39,316	5,124,038
Contracts and consultants	4,384,715	20,320	8,855,062	14,054	152,482	11,053	13,437,686	514,175	-	514,175	13,951,861
Insurance	187,559	54	154,370	304	8,941	2,400	353,628	55,726	-	55,726	409,354
Repairs and maintenance	363,821	2,136	99,865	-	110,181	152	576,155	26,680	-	26,680	602,835
Stipends	-	355,210	-	-	-	900	356,110	-	-	-	356,110
Telephone	121,621	39,816	181,210	11,299	18,586	17,488	390,020	17,974	-	17,974	407,994
Postage	8,554	3,912	3,173	914	181	358	17,092	3,682	-	3,682	20,774
Advertising	6,476	-	95	1,457	227	-	8,255	9,920	-	9,920	18,175
Donations	11,901	-	-	-	-	-	11,901	2,000	-	2,000	13,901
Interest	95,604	-	-	-	-	-	95,604	166,863	-	166,863	262,467
Depreciation	984,259	3,082	652,307	-	-	14,204	1,653,852	122,802	-	122,802	1,776,654
	<u>\$ 25,785,698</u>	<u>\$ 4,024,021</u>	<u>\$ 14,287,284</u>	<u>\$ 1,321,986</u>	<u>\$ 816,934</u>	<u>\$ 1,198,780</u>	<u>\$ 47,434,703</u>	<u>\$ 2,525,323</u>	<u>\$ 1,000</u>	<u>\$ 2,526,323</u>	<u>\$ 49,961,026</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Statements of Cash Flows**  
**Year ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets without donor restrictions	\$ 4,763,413	\$ 1,289,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,041,849	1,776,654
Unrealized (gain) loss on investments	153,249	(118,229)
Gain on sale of investments	(135,819)	(1,579)
Gain from sale of capital assets	(37,534)	(41,780)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	1,900,477	(423,678)
Promise to give	161	2,204
Contracts and grants receivable	669,256	(380,991)
Due from related organizations	(97,248)	3,416
Prepaid expenses	(34,052)	27,188
Interest receivable-related	(81,648)	(34,777)
Increase (decrease) in:		
Accounts payable	(1,048,028)	560,047
Accrued payroll and withholdings	335,761	(227,171)
Deferred revenue	4,119	(93,396)
Accrued compensated absences	109,993	(4,621)
Accrued interest	(3,132)	3,383
Due to related organizations	18,920	(18,765)
Accrued workers' compensation and surplus liability	10,218	50,566
Accrued self-insurance claims	173,646	(175,749)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,743,601</b>	<b>2,192,141</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,300,441)	(3,164,695)
Receipts from sale of capital assets	263,957	50,279
Receipts from sale of investments	1,419,203	284,385
Purchases of investments	(1,759,705)	(381,118)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,376,986)</b>	<b>(3,211,149)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term borrowings	(471,773)	(447,301)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(471,773)</b>	<b>(447,301)</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>4,894,842</b>	<b>(1,466,309)</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>3,027,157</b>	<b>4,493,466</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 7,921,999</b>	<b>\$ 3,027,157</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during year for interest	\$ 227,590	\$ 259,084

See accompanying notes.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

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

The Organization conducts activities primarily in over 70 different counties. It is the mission of Audubon Area Community Services, Inc. to serve as a multi-county operations vehicle for the development and delivery of quality services focusing on human development and self-sufficiency.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may be maintained temporarily or permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Management Estimates

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

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

Property and Equipment (continued)

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

Property and equipment acquired by the Organization are considered to be owned by Audubon Area Community Services, Inc. However, Federal and State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal and State agencies have a reversionary interest in those assets purchased with funds which cost \$5,000 and \$500 or more, respectively, and have an estimated useful life of at least two years. Depreciation expense was \$2,041,849 and \$1,776,654 for the years ended June 30, 2020 and 2019.

Accounts Receivable

Accounts receivable are stated at their outstanding principal. Accounts receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of borrowers, the estimated value of the any underlying collateral and current economic conditions. Based on management's assessment of the credit history and current, the Organization, believes realization of losses, if any, will be immaterial. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Receivables from Grantor Agencies

Reimbursement procedures used for grants and contracts may result in timing difference between program reimbursements and expenses as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year-end.

Deferred Revenue

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

Compensated Absences

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

Revenues – Exchange and Non-Exchange Transactions

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

Program service fees are recognized as services are provided. The performance obligations of delivering daycare services for Head Start and providing transportation services for GRITS are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as daycare and transportation services are provided.

Investments and Investment Return

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

Contributed Goods and Services

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

Cash, Cash Equivalents and Restricted Cash

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

At June 30, 2020, the Organization's bank balances totaled \$8,309,076; of that amount \$250,000 was covered by federal depository insurance and \$8,059,076 was covered by collateral held by Branch Banking Trust Company (BB&T). The Organization keeps separate bank accounts for programs when required by the grantors.

At June 30, 2019, the Organization's bank balances totaled \$3,121,898; of that amount \$250,000 was covered by federal depository insurance and \$2,871,898 was covered by collateral held by Branch Banking Trust Company (BB&T).

Employees are encouraged to make voluntary contributions each pay period to the Employee Fund Raising Account. The purpose of this account is to enable the Organization to participate, along with other Kentucky Community Action Agencies, in national, state and local legislative initiatives on behalf of the Organization's programs serving low-income children, families and seniors. The amounts in the Employee Fund Raising Account at June 30, 2020 and 2019 are \$6,075 and \$3,539, respectively and are considered restricted.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

Cash, Cash Equivalents and Restricted Cash (continued)

	2020	2019
Cash and cash equivalents	\$ 7,915,924	\$ 3,023,618
Restricted cash	6,075	3,539
Total cash, cash equivalents and restricted cash	\$ 7,921,999	\$ 3,027,157

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fundraising, management and general expenses or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Programs and Support Services

The agency maintains expenses for programs and support services as follows:

*Early Childhood Services*

Head Start, Early Head Start and the Migrant Head Start programs promote school readiness for at-risk children from birth to five years of age by providing child and family centered services that promote healthy development of children through health, education and family services.

USDA provides food service program for eligible children and adults.

*Social Support Services*

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

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

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

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

Programs and Support Services (continued)

*Social Support Services (continued)*

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

*Transportation Services*

The Green River Intra-county Transit System (GRITS) provides clean, safe and reliable public transportation at little or no cost to anyone in the seven county areas (Davies, McLean, Henderson, Union, Webster, Hancock and Ohio). Medicaid eligible clients without a vehicle in their home are provided transportation to Medicaid approved appointments at cost. GRITS provides para-transit services for wheelchair bound clients. The general public may also ride with GRITS on a fee per mile basis regardless of income level, age or disability in the Green River area.

*Employment Services*

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

*Housing Services*

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

*Community Service Block Grant (CSBG)*

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

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves and employment ads. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2020 and 2019 was \$8,424 and \$18,175, respectfully.

Tax Status

Audubon Area Community Services, Inc. has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3) and as a public charity qualified for charitable contributions under Internal Revenue Code Section 170.

The Organization did not pay any interest or penalties as a result of its tax position. The tax years 2017 through 2019 remain subject to examination by the Internal Revenue Service.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. These amendments are effective for entities other than public business entities, certain non-profit entities, and certain employee benefit plans for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. These effective dates have been extended one year due to COVID-19. Application is to be applied using a modified retrospective approach with optional practical expedients and other special transition provisions. Early adoption is permitted. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

**NOTE B – CONTRACTS AND GRANTS RECEIVABLE**

Grants receivable consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
U.S. Department of Health and Human Services	\$1,993,272	\$1,661,993
Kentucky Transportation Cabinet	1,339,878	2,281,488
Kentucky Cabinet for Health and Family Services	436,491	639,168
Community Action Kentucky	330,059	155,565
Community Action Council	-	29,160
Other	255,151	256,733
	<u>\$4,354,851</u>	<u>\$5,024,107</u>

**NOTE C – PROMISES TO GIVE**

Unconditional promises to give as of June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 53	\$ 214
Receivable in one to five years	-	-
Receivable in more than five years	-	-
	<u>\$ 53</u>	<u>\$ 214</u>

**NOTE D - INVESTMENTS**

Investments at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ -	\$ -	\$ 150,802	\$ 234,057
Exchange Traded & Closed End Funds	1,694,746	1,745,708	1,373,956	1,443,193
Mutual Funds	2,251,445	2,365,160	1,945,096	2,110,546
	<u>\$3,946,191</u>	<u>\$4,110,868</u>	<u>\$3,469,854</u>	<u>\$3,787,796</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE D - INVESTMENTS (continued)**

The following schedule summarizes the net investment income and its classification in the statement of activities for the years ended June 30, 2020 and 2019.

	2020	2019
Interest income	\$ 168,280	\$ 188,202
Dividend income	121,773	124,959
Unrealized gain (loss) on investments	(153,249)	118,229
Gain on sale of investments	135,819	1,579
Net investment income	\$ 272,623	\$ 432,969

**NOTE E – RELATED LOAN RECEIVABLES**

The Organization has served as the developer on low income housing projects and is entitled to a developer's fee. As of June 30, 2020 and 2019, fees in the amount of \$10,159,522 had been earned. As part of the development agreements, the Organization was required to loan this money back to the limited partnerships. These loans are to be repaid as cash flows permit. Due to the questionability that the Organization will receive these payments, these loans are offset with allowance accounts for the same amount. The loan receivables as of June 30, 2020 and 2019 consist of:

	2020	2019
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	\$ 2,358,671	\$ 2,358,671
Loan receivable, Audubon Lincolnshire Apartments, LLLP, 2.6% interest rate; principal and interest due September 29, 2039, secured by real property.	1,192,783	1,192,783
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	3,548,567	3,548,567
Loan receivable, Audubon Lincolnshire North Apartments, LLLP, 3% interest rate; principal and interest due September 29, 2039, secured by real property.	1,275,595	1,275,595
Loan receivable, The Learning Villa, Ltd., 5% interest rate; principal and interest due Friday 5, 2038, secured by real property.	1,090,500	1,090,500
Loan receivable, President's Place, LLLP, 8% interest rate; principal and interest due February 1, 2045, secured by real property.	93,526	93,526
Loan receivable, President's Place, LLLP, 8% interest rate; principal and interest due February 1, 2045, secured by real property.	599,880	599,880
	10,159,522	10,159,522
Less allowance for doubtful accounts	10,159,522	10,159,522
Total related loan receivables	\$ -	\$ -

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

Simple interest on the loans is recognized over the term of the loan. Interest income from the related loans amounted to \$121,648 and \$118,752 for the years ended June 30, 2020 and June 30, 2019, respectfully. Interest receivable from the related loans less allowance amounted to \$435,524 and \$353,876 for the years ended June 30, 2020 and June 30, 2019, respectfully.

**NOTE F – PARTNERSHIP INVESTMENTS**

The Organization has wholly-owned subsidiaries that are general partners in low income housing project partnerships. These subsidiaries each own 0.1% or less of the related partnership interest and do not have controlling financial interest of the partnerships. The Organization's wholly-owned subsidiaries and the percentage ownership interest of the related partnership are listed as follows:

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

**NOTE G – LONG-TERM DEBT**

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

	<u>2020</u>	<u>2019</u>
Building revenue bonds; interest payable monthly, floating rate based on initial fixed rate (4.73% at June 30, 2020 and 2019), principal payable annually in the amount of \$160,000 due January 1, 2029; collateralized by real estate.	\$ 1,440,000	\$ 1,600,000
Less current portion	(160,000)	(160,000)
Less unamortized debt issuance costs	(43,528)	(48,364)
Long-term debt, net of current portion	<u>\$ 1,236,472</u>	<u>\$ 1,391,636</u>

The Organization reports amortization of debt issuance costs of \$4,836 in 2020 and 2019 as interest expense.

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE G – LONG-TERM DEBT (continued)**

Year ending June 30,	<u>Amount</u>
2021	\$ 160,000
2022	160,000
2023	160,000
2024	160,000
2025	160,000
Thereafter	<u>640,000</u>
	<u>\$ 1,440,000</u>

**NOTE H – CAPITAL LEASE**

The Organization leases its administrative building from Daviess County Public Improvement Corporation under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased asset included in buildings as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building	\$ 4,588,981	\$ 4,588,981
Less accumulated depreciation	<u>(1,746,362)</u>	<u>(1,593,396)</u>
	<u>\$ 2,842,619</u>	<u>\$ 2,995,585</u>
Lease payable to corporation, interest rate 4.75%, payable in monthly payments of \$37,500 including interest, due January 1, 2028, secured by building, includes financial covenant.	\$ 1,801,919	\$ 2,118,528
Less current portion	<u>(317,500)</u>	<u>(302,500)</u>
Capital lease obligation less current portion	<u>\$ 1,484,419</u>	<u>\$ 1,816,028</u>

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2020:

Year Ending June 30,	<u>Amount</u>
2021	450,165
2022	450,084
2023	449,290
2024	450,284
Thereafter	<u>1,575,926</u>
Total minimum lease payments	<u>3,375,749</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE H – CAPITAL LEASE (continued)**

Less amount representing interest	595,749
Less Sinking Fund to be applied to balance	526,227
Less Debt Reserve Fund to be applied to balance	451,854
 Present value of minimum lease payments	 \$ 1,801,919

When the balance of the capital lease reaches the balances remaining in total of the Sinking Fund and Debt Reserve Fund, those funds will be applied to the remaining capital lease balance.

Amortization of assets held under capital leases is included with depreciation expense.

**NOTE I – SELF-INSURANCE PROGRAM**

The Organization has a self-insured health plan for its eligible employees and their eligible dependents. The Organization has purchased stop-loss insurance in order to limit its exposure. It provides for the reimbursement to the Organization for claims per insured exceeding \$75,000 with an aggregate excess loss amount, which varies based on plan participants is currently set at \$2,188,137 and was \$2,093,229 at June 30, 2020 and 2019, respectfully.

The Organization maintains a self-insurance fund to pay actual claims. Self-insurance costs are accrued based on claims reported as of June 30. The total accrued liability for self-insurance costs was \$261,677 and \$88,031 as of June 30, 2020 and June 30, 2019, respectfully.

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

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

The long-term goal of the Board is to attain and maintain an Operating Reserve Fund balance that represents approximately 25% of the annual operating expenses or about three months of select operating expenses on average. Annually, the Board will designate an amount of available unrestricted net assets for the Operating Reserve Fund.

For the 2020 and 2019 fiscal years, the Board designated \$1,897,835, and \$1,647,835 of which \$1,397,835 is for operational needs, \$250,000 is reserved for the agency’s self-insurance fund and for 2020 included \$250,000 to invest into the agency’s investment portfolio, of the net assets without donor restrictions as the Board-Designated Operating Reserve Fund. The Board granted further approval to the organization’s management to draw up to \$209,675 in 2020 and 2019 from this fund as needed with the provision that the funds are borrowed for a term of ninety days or less. Any amounts and/or terms outside of this policy’s stipulations would require approval from either the Board or the Executive Committee.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE K – RELATED PARTY TRANSACTIONS**

The Organization is related to several entities through ownership/partnership relationships, or through control from sharing the same board members as the Organization. The Organization provides management services to several of these related parties. The Organization received \$183,638 and \$179,803 in management fees from related parties for the years ended June 30, 2020 and June 30, 2019, respectfully. Receivables in the amount of \$16,874 and \$28,575 were due to the Organization from these related parties as of June 30, 2020 and June 30, 2019, respectfully. Payables in the amount of \$1,123 and \$874 were due to related parties as of June 30, 2020 and June 30, 2019, respectfully.

**NOTE L - IN-KIND/MATCHING**

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value of the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by entities or individuals possessing those skills, and would typically need to be purchased if not donated. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. The following tables illustrate how the in-kind contributions were used in the Organization during 2020 and 2019:

June 30, 2020

	Early Childhood	Transportation	Social Support	Community Service	Total
Space	\$ 1,227,321	\$ 36,600	\$ 39,831	\$ 11,675	\$ 1,315,427
Professional services	167,856	-	2,918	-	170,774
Transportation	1,086,152	-	-	-	1,086,152
Other	2,139,390	-	24,925	670,299	2,834,614
<b>Total</b>	<b>\$ 4,620,719</b>	<b>\$ 36,600</b>	<b>\$ 67,674</b>	<b>\$ 681,974</b>	<b>\$ 5,406,967</b>

June 30, 2019

	Early Childhood	Transportation	Social Support	Community Service	Total
Space	\$ 967,460	\$ 36,600	\$ 43,481	\$ 588,158	\$ 1,635,699
Professional services	116,011	-	8,331	-	124,342
Transportation	1,144,048	-	-	-	1,144,048
Other	1,915,357	-	4,958	-	1,920,315
<b>Total</b>	<b>\$ 4,142,876</b>	<b>\$ 36,600</b>	<b>\$ 56,770</b>	<b>\$ 588,158</b>	<b>\$ 4,824,404</b>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE L - IN-KIND/MATCHING (continued)**

In addition, a number of volunteers have donated over 222,036 hours and 214,427 hours to the Organization's services for the years ended June 30, 2020 and June 30, 2019, respectively. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

**NOTE M - RETIREMENT BENEFITS**

*Multi-Employer Pension Plan*

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

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

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

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

Non-hazardous duty employees were required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their annual creditable compensation, which is withheld by the Organization. The Organization was required to contribute at an actuarially determined rate of 19.3% and 16.22% for the years ended June 30, 2020 and June 30, 2019 of participating non-hazardous duty employees' annual creditable compensation. Normal compensation and past service contribution rates are determined in accordance with KRS 61.565 (3) on the basis of an annual valuation.

The Organization contributed \$2,696,991 and \$2,223,632 for the years ending June 30, 2020 and June 30, 2019. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

All required contributions were paid at year-end or within thirty (30) days thereafter.

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2020 and 2019 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

*Multi-Employer Pension Plan (continued)*

	2019	2018
Total Pension Liability	\$14,192,966	\$13,109,268
Fiduciary Net Pension	7,159,921	7,018,963
Net Pension Liability	\$ 7,033,045	\$ 6,090,305
Level of funding	50.45%	53.54%

The percentage of the Organization's contribution to total employees' contribution is .557699% and .559615% and the Organization's portion of the net pension liability is \$39,223,222 and \$34,082,260 for June 30, 2020 and June 30, 2019, respectively.

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

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

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

Form 5500 is not required for this plan.

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

The Organization has elected to participate in the Kentucky Retirement Systems Insurance Fund (KRS Insurance Fund), which is administered by the Board of Trustees of the Kentucky Retirement System. This is a multi-employer public post-retirement system established to provide hospital and medical insurance for members receiving benefits from CERS and other state-backed retirement systems. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The dollar amount is subject to adjustment annually based on the retiree COLA and the Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth of Kentucky so demands.

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

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of June 30, 2020 and 2019, the year end of the plan, was 4.76% and 5.26%, respectively, of participating members' compensations. The contribution requirement of the Organization to the KRS Insurance Fund for the years ended June 30, 2020 and 2019 was \$665,165 and \$721,104, respectively. There have been no significant changes that affect comparability of 2020 and 2019 contributions.

All required contributions were paid at year-end or within thirty (30) days thereafter.

Based on latest annual actuarial valuation from KRS for fiscal years ended June 30, 2020 and 2019 for CERS Non-Hazardous employee group are as follows (\$ in Thousands):

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

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

	2019	2018
Total OPEB Liability	\$ 4,251,466	\$ 4,189,606
Plan Fiduciary Net Position	2,569,511	2,414,126
Net OPEB Liability	\$ 1,681,955	\$ 1,775,480
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	60.44%	57.62%

The percentage of the Organization's contribution to total employees' contribution is .557699% and .559615% and the Organization's portion of the net OPEB liability is \$9,379,001 and \$9,935,764 for June 30, 2020 and June 30, 2019, respectively.

**NOTE N – FAIR VALUE MEASUREMENTS**

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

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

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

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

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

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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

		Fair Value Measurements at Reporting Date Using		
June 30, 2020	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Common stock	\$ -	\$ -	\$ -	\$ -
ETCE funds	1,745,708	1,745,708	-	-
Mutual funds	2,365,160	2,365,160	-	-
<b>Total Assets</b>	<b>\$ 4,110,868</b>	<b>\$ 4,110,868</b>	<b>\$ -</b>	<b>\$ -</b>

		Fair Value Measurements at Reporting Date Using		
June 30, 2019	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Common stock	\$ 234,057	\$ 234,057	\$ -	\$ -
ETCE funds	1,443,193	1,443,193	-	-
Mutual funds	2,110,546	2,110,546	-	-
<b>Total Assets</b>	<b>\$ 3,787,796</b>	<b>\$ 3,787,796</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE O – CONCENTRATIONS OF CREDIT RISK**

The Organization's major source of funds is revenue from grants received directly or indirectly from federal sources. The Organization's two largest programs are the Head Start Program which is funded by the U.S. Department of Health and Human Services and the Green River Intra-county Transit System funded by the Kentucky Transportation Cabinet. During the year ended June 30, 2020, \$23,086,190 or 42.3% and \$14,947,317 or 27.4% of the Organization's total support was from these programs respectively. During the

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE O – CONCENTRATIONS OF CREDIT RISK (continued)**

year ended June 30, 2019, \$21,215,780 or 41.4% and \$14,255,311 or 27.8% of the Organization's total support was from these programs respectively. The Organization's market is concentrated in the geographic area of western Kentucky.

**NOTE P – COMMITMENTS AND CONTINGENCIES**

Grant Programs

The Organization participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of Management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Indirect Cost Rate

The Division of Cost Allocation assigned a provisional rate to the Organization and the Organization actually bills an indirect cost rate as follows:

June 30	Provisional Rate	Actual Rate
2018	15.10%	15.00%
2019	15.00%	15.00%
2020	15.20%	15.00%

A contingent liability may exist when the Division of Cost Allocation assigns a final indirect cost rate less than the actual rate used by the Organization.

**NOTE Q – RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization continues to carry commercial insurance for general liability, workers' compensation and all others risks of loss, including errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2020	2019
Cash and cash equivalents	\$ 7,921,999	\$ 3,027,157
Contracts and grants receivable	4,354,851	5,024,107
Accounts receivable	883,343	2,783,820
Investments	4,110,868	3,787,796
	\$ 17,271,061	\$ 14,622,880

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

**NOTE R – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

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

**NOTE S – NEW ACCOUNTING STANDARDS**

During 2020, the Organization implemented Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The Organization has some transactions that fall under Topic 606, such as program income and advertising income. The timing of these revenues will not be recognized differently under the new guidance.

The Organization's grant agreements are considered conditional contributions having no commensurate value and therefore do not fall under Topic 606. The Organization will continue to follow the guidance of ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* for these transactions.

Also during 2020, the Organization implemented ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update address diversity in practice that exists in the classification and presentation in restricted cash on the statement of cash flows. This amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or cash equivalents.

**NOTE T – SUBSEQUENT EVENTS**

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President of the United States declared a national emergency to confront the potential public health crisis. Due to the current uncertainties surrounding COVID-19, the Organization is unable to determine the short or long-term impacts, however it is reasonable to assume operations will be disrupted in the short-term as a result. Management believes the Organization is in sound financial condition to handle any negative effects caused by the public health crisis.

Refinance of the Bond Issue

In August 2020, the Organization refinanced the bond issue. The interest rate after refinancing went from 4.75% to 2.37% and the bonds will be paid off in five years instead of eight, realizing a substantial savings.

**SUPPLEMENTARY INFORMATION**

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**HEAD START**  
**CONTRACT NUMBER 04CH01073001**  
**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE**  
For the period December 1, 2018 through November 30, 2019

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>REVENUE</b>			
Contract or grant	\$ 24,211,983	\$ 18,316,039	\$ 5,895,944
Local sources	-	97,969	(97,969)
Grantee's contribution	4,471,350	4,569,461	(98,111)
<b>TOTAL REVENUE</b>	<u>28,683,333</u>	<u>22,983,469</u>	<u>5,699,864</u>
<b>EXPENSES</b>			
Administration for Children and Families Share: Head Start Full-Year/ Part-Day (CAN G044122)			
Direct Costs			
Personnel	5,518,904	5,518,904	-
Fringe benefits	2,311,880	2,272,152	39,728
Travel	3,893	2,013	1,880
Occupancy	254,908	201,847	53,061
Program supplies	791,941	395,409	396,532
Other	9,669,960	3,928,292	5,741,668
Total Direct Costs	18,551,486	12,318,617	6,232,869
Indirect Costs	815,719	815,719	-
Total	<u>19,367,205</u>	<u>13,134,336</u>	<u>6,232,869</u>
Early Head Start (CAN G044125)			
Direct Costs			
Personnel	2,809,360	2,809,360	-
Fringe benefits	1,155,045	1,144,764	10,281
Travel	250	1,399	(1,149)
Occupancy	40,820	96,736	(55,916)
Program supplies	30,203	105,315	(75,112)
Other	127,463	343,642	(216,179)
Total Direct Costs	4,163,141	4,501,216	(338,075)
Indirect Costs	420,544	420,544	-
Total	<u>4,583,685</u>	<u>4,921,760</u>	<u>(338,075)</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**HEAD START**  
**CONTRACT NUMBER 04CH01073001**  
**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE**  
For the period December 1, 2018 through November 30, 2019

	<b>Approved Budget</b>	<b>Actual</b>	<b>COB Balance Current Year</b>
<b>EXPENSES (continued)</b>			
Head Start T & TA - CDA (CAN G044120 and G044121)			
Direct Costs			
Travel	\$ 161,233	\$ 161,233	\$ -
Supplies	23,284	23,284	-
Other	76,576	76,576	-
Total Direct Costs	261,093	261,093	-
 Total Expenses - Administration for Children and Families	 24,211,983	 18,317,189	 5,894,794
 Grantee's Share Head Start Full-Year/Part-Day and Early Head Start Grantee	 4,471,350	 4,569,461	 (98,111)
 <b>TOTAL EXPENSES</b>	 28,683,333	 22,886,650	 5,796,683
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ -	 96,819	 \$ (96,819)
 <b>FUND BALANCE, BEGINNING OF YEAR</b>		 -	
 <b>FUND BALANCE, END OF YEAR</b>		 \$ 96,819	

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**HEAD START - DELEGATE AGENCY CONTRACT 04CH4776**  
**WITH WESTERN KENTUCKY UNIVERSITY**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE**  
For the period November 1, 2018 through October 31, 2019

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>REVENUE</b>			
Contract or grant	\$ 547,938	\$ 547,938	\$ -
Local sources	-	-	-
Grantee's contribution	<u>136,985</u>	<u>136,985</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>684,923</u>	<u>684,923</u>	<u>-</u>
<b>EXPENSES</b>			
Western Kentucky University:			
Head Start Full-Year/Part Day (Program Account 22)			
Direct Costs			
Personnel	92,303	92,303	-
Fringe benefits	40,767	40,767	-
Occupancy	23,178	19,268	3,910
Program supplies	25,474	24,727	747
Other	<u>348,579</u>	<u>353,236</u>	<u>(4,657)</u>
Total Direct Costs	530,301	530,301	-
Indirect Cost	<u>13,846</u>	<u>13,846</u>	<u>-</u>
Total	<u>544,147</u>	<u>544,147</u>	<u>-</u>
Head Start CDA Training (Program Account 20) Direct Costs			
Travel	1,960	1,677	283
Supplies	581	492	89
Other	<u>1,250</u>	<u>1,622</u>	<u>(372)</u>
Total	<u>3,791</u>	<u>3,791</u>	<u>-</u>
Total Expenses - Western Kentucky University	<u>547,938</u>	<u>547,938</u>	<u>-</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**HEAD START - DELEGATE AGENCY CONTRACT 04CH4776-001**  
**WITH WESTERN KENTUCKY UNIVERSITY**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE**  
 For the period November 1, 2018 through October 31, 2019

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>EXPENSES (continued)</b>			
Delegate Agency's Share:			
Head Start Full-Year/Part Day (Program Account 22)	\$	\$	\$
Delegate Agency	<u>136,985</u>	<u>136,985</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<u>684,923</u>	<u>684,923</u>	<u>-</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>5,661</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u><u>\$ 5,661</u></u>	

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**EARLY HEAD START**  
**CONTRACT NUMBER 04HP0029-04-01**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period September 1, 2018 through August 31, 2019

<b>REVENUE</b>	
Contract or grant	\$ 1,647,381
Program income	91,975
Grantee's contribution	<u>26,951</u>
<b>TOTAL REVENUE</b>	<u>1,766,307</u>
<b>EXPENSES</b>	
Administration for Children and Families Share: Early Head Start (CAN G043128)	
Direct Costs	
Personnel	674,003
Fringe benefits	282,802
Travel	49
Occupancy	13,018
Program supplies	33,928
Other	<u>634,927</u>
Total Direct Costs	1,638,727
Indirect Costs	<u>115,269</u>
Total	<u>1,753,996</u>
Early Head Start T & TA (CAN G043121)	
Direct Costs	
Travel	7,548
Supplies	15
Other	<u>23,960</u>
Total Direct Costs	<u>31,523</u>
Total Expenses - Administration for Children and Families	1,785,519
Grantee's Share:	
Early Head Start Grantee	<u>26,951</u>
<b>TOTAL EXPENSES</b>	<u>1,812,470</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ (46,163)</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**MIGRANT HEAD START**  
**CONTRACT NUMBER 90CM9820**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period September 1, 2018 through August 31, 2019

	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
<b>REVENUE</b>			
Grant revenue	\$ 802,785	\$ 802,785	\$ -
Grantee's contribution	<u>72,251</u>	<u>17,138</u>	<u>55,113</u>
<b>TOTAL REVENUE</b>	<u>875,036</u>	<u>819,923</u>	<u>55,113</u>
<b>EXPENSES</b>			
Community Action Council: Head Start Full-Year/Part Day (Program Account 22)			
Direct Costs			
Personnel	438,700	441,975	(3,275)
Fringe benefits	173,900	123,975	49,925
Travel	-	1,019	(1,019)
Occupancy	36,030	39,618	(3,588)
Program supplies	13,490	28,565	(15,075)
Other	<u>69,805</u>	<u>105,194</u>	<u>(35,389)</u>
Total Direct Costs	731,925	740,346	(8,421)
Indirect Cost	<u>66,985</u>	<u>58,564</u>	<u>8,421</u>
Total	<u>798,910</u>	<u>798,910</u>	<u>-</u>
Head Start CDA Training (Program Account 20) Direct Costs			
Travel	2,775	2,775	-
Supplies	610	529	81
Other	<u>490</u>	<u>571</u>	<u>(81)</u>
Total	<u>3,875</u>	<u>3,875</u>	<u>-</u>
Total Expenses - Community Action Council	802,785	802,785	-
Grantee's Share: Head Start Full-Year/Part Day (Program Account 22)			
Grantee	<u>72,251</u>	<u>17,138</u>	<u>55,113</u>
<b>TOTAL EXPENSES</b>	<u>875,036</u>	<u>819,923</u>	<u>55,113</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**CHILD AND ADULT CARE FOOD PROGRAM**  
**CONTRACT NUMBER 11381**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period October 1, 2018 through September 30, 2019

<b>REVENUE</b>	
USDA - Special food service program	\$ <u>706,231</u>
<b>EXPENSES</b>	
Food	<u>706,849</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	\$ <u><u>(618)</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**COMMUNITY SERVICES BLOCK GRANT**  
**CONTRACT NUMBER 736-1900004189**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Kentucky Cabinet for Health & Family Services	\$ 501,447
Other revenue	-
In-kind	<u>690,056</u>
<b>TOTAL REVENUE</b>	<u><u>1,191,503</u></u>
<b>EXPENSES</b>	
Salaries	252,754
Fringes	118,599
Travel	4,902
Space costs	32,943
Office supplies	7,498
Direct assistance	13,393
Telephone	17,093
Other	18,480
Indirect costs	<u>35,785</u>
Total expense - Kentucky Cabinet for Health & Family Services	501,447
Non-federal in-kind	<u>690,056</u>
<b>TOTAL EXPENSES</b>	<u><u>1,191,503</u></u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**FAMILY PRESERVATION PROGRAM**  
**CONTRACT NUMBER 736-1800001966**  
**STATEMENT OF REVENUE AND EXPENSES**  
 For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Kentucky Cabinet for Health and Family Services	\$ <u>1,229,381</u>
 <b>EXPENSES</b>	
Salaries	689,051
Fringes	263,119
Travel	45,620
Space costs	28,840
Office supplies	10,059
Direct assistance	40,597
Telephone	18,328
Other	32,764
Indirect costs	<u>101,003</u>
 <b>TOTAL EXPENSES</b>	 <u>1,229,381</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**KENTUCKY WORKS**  
**CONTRACT NUMBER 736-1900004341**  
**STATEMENT OF REVENUE AND EXPENSES**  
 For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Kentucky Cabinet for Health & Family Services	\$ <u>943,356</u>
 <b>EXPENSES</b>	
Salaries	507,444
Fringes	196,813
Travel	40,220
Space costs	12,053
Wage subsidy	93,763
Supplies	8,048
Other	9,329
Indirect	<u>75,686</u>
 <b>TOTAL EXPENSES</b>	 <u>943,356</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**LOW-INCOME HOME ENERGY ASISTANCE PROGRAM**  
**CONTRACT NUMBER 736-19000039643**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>2,048,457</u>
<b>EXPENSES</b>	
Salaries	129,259
Fringes	27,407
Direct assistance	1,865,323
Other	7,514
Indirect costs	<u>18,954</u>
<b>TOTAL EXPENSES</b>	<u>2,048,457</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ -</u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**LIHEAP WEATHERIZATION PROGRAM**  
**CONTRACT NUMBER LHWX-001**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>217,877</u>
 <b>EXPENSES</b>	
Administration	17,395
WX materials	31,397
WX support	134,053
WX labor	15,146
H&S materials	9,703
H&S labor	10,153
T&TA	<u>30</u>
 <b>TOTAL EXPENSES</b>	 <u>217,877</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM**  
**CONTRACT NUMBER 725-1900001139**  
**STATEMENT OF REVENUE AND EXPENSES**  
 For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Grant revenue	\$ 305,998
In-kind	<u>132,609</u>
<b>TOTAL REVENUE</b>	<u>438,607</u>
<b>EXPENSES</b>	
Salaries	257,645
Fringes	23,971
Travel	3,205
Other	<u>21,178</u>
Total expenses - grant	305,998
Non-federal in-kind expense	<u>132,609</u>
<b>TOTAL EXPENSES</b>	<u>438,607</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**IMAGINATION LIBRARY**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Local sources	\$ 60,606
Unrealized gain (loss) on investments	(17,706)
Investment income	<u>14,705</u>
<b>TOTAL REVENUE</b>	<u>57,605</u>
<b>EXPENSES</b>	
Program materials and supplies	<u>79,629</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ (22,024)</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**GREEN RIVER INTRA-COUNTY TRANSIT SYSTEM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Kentucky Transportation Cabinet	\$ 14,947,317
Program income	379,679
Local sources	119,551
In-kind	<u>36,600</u>
<b>TOTAL REVENUE</b>	<u>15,483,147</u>
 <b>EXPENSES</b>	
Salaries	2,355,457
Fringes	949,210
Travel	9,817
Space costs	83,956
Office supplies	40,753
Fuel	413,157
Parts & maintenance	131,266
Vehicles & equipment	1,077,990
Contractual & consulting	6,852,270
Vehicle insurance	154,156
Telephone	123,454
Other	265,418
Indirect	<u>352,182</u>
Total expense - Kentucky Transportation Cabinet	12,809,086
Non-federal in-kind	<u>36,600</u>
<b>TOTAL EXPENSES</b>	<u>12,845,686</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 <u><u>\$ 2,637,461</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**WINTERCARE PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Grant revenue	\$ <u>2,488</u>
<b>EXPENSES</b>	
Direct assistance	<u>2,488</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ <u><u>-</u></u></b>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**WEATHERIZATION PROGRAM**  
**CONTRACT NUMBER DOE WX-001**  
**STATEMENT OF REVENUE AND EXPENSES**  
 For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Community Action Kentucky	\$ <u>250,435</u>
 <b>EXPENSES</b>	
Administration	10,433
WX materials	62,046
WX support	81,639
WX labor	56,622
H&S materials	12,628
H&S labor	17,340
Liability insurance	3,281
Training	<u>6,446</u>
 <b>TOTAL EXPENSES</b>	 <u>250,435</u>
 <b>REVENUE OVER (UNDER) EXPENSES</b>	 \$ <u><u>-</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**SENIOR COMPANION PROGRAM**  
**CONTRACT NUMBER 18SCSKY003**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Grant revenue	\$ 401,502
Local sources	43,220
In-kind	<u>17,829</u>
<b>TOTAL REVENUE</b>	<u><u>462,551</u></u>
<b>EXPENSES</b>	
Federal:	
Salaries	72,255
Fringe benefits	29,120
Occupancy	4,775
Volunteer travel	53,663
Volunteer stipends	208,660
Other expenses	22,380
Indirect costs	<u>10,648</u>
Total expenses - grant	<u><u>401,501</u></u>
Non-federal:	
Volunteer travel	209
Volunteer stipends	17,033
Other expenses	3,532
In-kind - services and other	<u>17,829</u>
Total expenses - non-federal	<u><u>38,604</u></u>
<b>TOTAL EXPENSES</b>	<u><u>440,105</u></u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ 22,446</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**FOSTER GRANDPARENT PROGRAM**  
**CONTRACT NUMBER 18SFSKY002**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Grant revenue	\$ 250,663
Local sources	40,125
In-kind	<u>23,373</u>
<b>TOTAL REVENUE</b>	<u>314,161</u>
<b>EXPENSES</b>	
Federal:	
Salaries	52,197
Fringe benefits	22,734
Volunteer travel	14,912
Volunteer stipends	134,342
Other expenses	18,733
Indirect costs	<u>7,745</u>
Total expenses - grant	<u>250,663</u>
Non-federal:	
Volunteer travel	2,783
Other expenses	17,220
In-kind - services and other	<u>23,373</u>
Total expenses - non-federal	<u>43,376</u>
<b>TOTAL EXPENSES</b>	<u>294,039</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ 20,122</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.  
 RETIRED AND SENIOR VOLUNTEER PROGRAM  
 CONTRACT NUMBER 18SRSKY004  
 STATEMENT OF REVENUE AND EXPENSES  
 For the period April 1, 2019 through March 31, 2020**

<b>REVENUE</b>	
Grant revenue	\$ 143,877
Local sources	28,345
In-kind	<u>30,112</u>
<b>TOTAL REVENUE</b>	<u>202,334</u>
 <b>EXPENSES</b>	
Federal:	
Salaries	64,449
Fringe benefits	21,754
Volunteer travel	22,293
Other expenses	25,780
Indirect costs	<u>9,601</u>
Total expenses - grant	<u>143,877</u>
Non-federal:	
Volunteer travel	14,659
Other expenses	9,696
In-kind - services and other	<u>30,112</u>
Total expenses - non-federal	<u>54,467</u>
<b>TOTAL EXPENSES</b>	<u>198,344</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ 3,990</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**ENERGY CARES PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period January 1, 2019 through December 31, 2019

<b>REVENUE</b>	
Atmos Energy	\$ <u>110,794</u>
<b>EXPENSES</b>	
Materials and supplies	46,322
Contract labor	6,428
Overhead expense	<u>22,255</u>
<b>TOTAL EXPENSES</b>	<u>75,005</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ 35,789</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**KYNECTOR PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Grant revenue	\$ <u>423,010</u>
<b>TOTAL REVENUE</b>	<u>423,010</u>
<b>EXPENSES</b>	
Salaries	239,407
Fringes	87,642
Travel	12,623
Space costs	22,247
Other	25,564
Indirect costs	<u>35,527</u>
<b>TOTAL EXPENSES</b>	<u>423,010</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**VISTA PROGRAM**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the period July 1, 2019 through June 30, 2020

<b>REVENUE</b>	
Grant revenue	\$ <u>10,000</u>
<b>TOTAL REVENUE</b>	<u>10,000</u>
<b>EXPENSES</b>	
Contractual and consulting	10,000
<b>TOTAL EXPENSES</b>	<u>10,000</u>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<u><u>\$ -</u></u>

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>		<u>Pass-Through or other Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Agriculture</u></b>					
Passed through Kentucky Department of Education:					
Child and Adult Care Food Program	10.558	(1)	11381	\$ 126,246	\$ -
Child and Adult Care Food Program	10.558	(2)	11381	<u>402,288</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>				<b><u>528,534</u></b>	<b><u>-</u></b>
<b><u>U.S. Department of Health and Human Services</u></b>					
Head Start Cluster					
Direct:					
Head Start	93.600	(3)	04CH01073001	8,544,065	-
Head Start	93.600	(4)	04CH01073002	12,086,239	-
Head Start - COVID	93.600	(5)	04CH01073002	23,818	-
Head Start	93.600	(6)	04HP0029-04-01	276,742	-
Head Start	93.600	(7)	04HP0029-04-02	1,394,105	-
Passed through Western Kentucky University:					
Head Start	93.600	(8)	04CH4776	166,192	-
Head Start	93.600	(9)	04CH4776	420,685	-
Passed through Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.:					
Head Start	93.600	(10)	90CM9820	<u>174,344</u>	<u>-</u>
Total 93.600				<u>23,086,190</u>	<u>-</u>
Passed through Kentucky Cabinet for Health and Family Services:					
Community Services Block Grant	93.569		736-1900004189	<u>501,447</u>	<u>-</u>
Passed through Kentucky Cabinet for Health and Family Services:					
Temporary Assistance for Needy Families	93.558		736-1900004341	943,356	-
Temporary Assistance for Needy Families	93.558		736-1900004341	<u>169,190</u>	<u>-</u>
Total 93.558				<u>1,112,546</u>	<u>-</u>
Passed through Kentucky Cabinet for Health and Family Services:					
Promoting Safe and Stable Families	93.556		736-1800001966	<u>421,216</u>	<u>-</u>
Passed through Kentucky Housing Corporation:					
Low-Income Home Energy Assistance Program	93.568		LHWX-001	217,877	-
Passed through Community Action Kentucky:					
Low-Income Home Energy Assistance Program	93.568		736-1900009641, 736-19000039643	1,659,715	-
Low-Income Home Energy Assistance Program - COVID	93.568		736-1900009641, 736-19000039643	<u>388,742</u>	<u>-</u>
Total 93.568				<u>2,266,334</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>				<b><u>27,387,733</u></b>	<b><u>-</u></b>
<b><u>U.S. Department of Labor</u></b>					
Passed through the Department for Aging and Independent Living:					
Senior Community Service Employment Program	17.235		725-1900001139	<u>305,998</u>	<u>-</u>
<b>Total U.S. Department of Labor</b>				<b><u>305,998</u></b>	<b><u>-</u></b>

See accompanying notes to schedule of expenditure of federal awards.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through or other Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Transportation</u></b>				
Passed through Kentucky Transportation Cabinet: Federal Transit Cluster				
Section 5339 Vehicle Grant Transit Services Programs Cluster	20.526	KY-2018-021-01; C3921181111	\$ 444,912	\$ -
<b>Total Federal Transit Cluster</b>			<u>444,912</u>	<u>-</u>
Section 5310 Elderly & Disabled	20.513	KY-2018-006-01; C100618111	607,000	-
Operating Expense Section 5311	20.509	KY-2018-015-01; 0111518300; R11518635	353,525	-
Operating Expense Section 5311 CARES Act - COVID	20.509	0111120300; KY-2018-015-01;	339,253	-
RTAP Grant R%	20.509	R11518635	12,499	-
<b>Total U.S. Department of Transportation</b>			<u><b>1,757,189</b></u>	<u><b>-</b></u>
<b><u>U.S. Department of Energy</u></b>				
Passed through Kentucky Housing Corporation: Weatherization Assistance for Low-Income Persons				
	81.042	DOE WX-001	250,435	-
<b>Total U.S. Department of Energy</b>			<u><b>250,435</b></u>	<u><b>-</b></u>
<b><u>Corporation for National and Community Service</u></b>				
Direct: VISTA Program				
	94.013	17VSSKY003	10,000	-
<b><u>Corporation for National and Community Service</u></b>				
Foster Grandparent/Senior Companion Cluster				
Direct:				
Foster Grandparent Program	94.011	18SFASKY002	250,663	-
Senior Companion Program	94.016	18SCSKY003	401,502	-
Total Foster Grandparent/Senior Companion Cluster			<u>652,165</u>	<u>-</u>
Direct:				
Retired and Senior Volunteer Program	94.002	(11) 18SRASKY004	107,043	-
Retired and Senior Volunteer Program	94.002	(12) 18SRASKY004	37,116	-
Total 94.002			<u>144,159</u>	<u>-</u>
<b>Total Corporation for National and Community Service</b>			<u><b>806,324</b></u>	<u><b>-</b></u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><b>\$ 31,036,213</b></u>	<u><b>\$ -</b></u>

See accompanying notes to schedule of expenditures of federal awards.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2020**

- (1) 3 months through September 30, 2019
- (2) 9 months through June 30, 2020
- (3) 5 months through November 30, 2019
- (4) 7 months through June 30, 2020
- (5) 7 months through June 30, 2020
- (6) 2 months through August 31, 2019
- (7) 10 months through June 30, 2020
- (8) 4 months through October 31, 2019
- (9) 8 months through June 30, 2020
- (10) 2 months through August 31, 2019
- (11) 9 months through March 31, 2020
- (12) 3 months through June 30, 2020

See accompanying notes to schedule of expenditures of federal awards.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Audubon Area Community Services, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of *OMB Circular Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Subpart F- Audit Requirements*. Because the Schedule presents only a selected portion of the operations of Audubon Area Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Audubon Area Community Services, Inc.

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

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Subpart E- Cost Principles*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

**NOTE C – OTHER FEDERAL AWARDS**

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

**NOTE D – INDIRECT COST RATE**

Audubon Area Community Services, Inc. has a negotiated indirect rate and therefore does not use the 10% de minimus indirect cost rate.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Audubon Area Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be a significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Audubon Area Community Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Audubon Area Community Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Audubon Area Community Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Altaden & Company CPAs PSC". The signature is written in a cursive style.

Owensboro, Kentucky  
March 15, 2021



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

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

### **Report on Compliance for Each Major Federal Program**

We have audited Audubon Area Community Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Audubon Area Community Services, Inc.'s major federal programs for the year ended June 30, 2020. Audubon Area Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Audubon Area Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Audubon Area Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Audubon Area Community Services, Inc.'s compliance.

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

In our opinion, Audubon Area Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of Audubon Area Community Service, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Audubon Area Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Altaden & Company CPAs PSC*

Owensboro, Kentucky  
March 15, 2021

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**SUMMARY OF AUDITORS' RESULTS**

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

93.600 Head Start
8. The threshold for distinguishing Types A and B programs was \$931,086.
9. The Organization was determined to be a low-risk auditee.

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2020-001**

Significant Deficiency: Material Adjusting Journal Entry

Condition: During the course of our audit we proposed a journal entry that was material to the financial statements individually and in the aggregate.

Criteria: The Organization should have adequate controls in place over the processing and recording of transactions to ensure that the financial statements are not materially misstated.

Cause: Grants Receivable was not adjusted for all associated reimbursable expenses at June 30, 2020.

Effect: The adjusting journal entry affected the financial statements in a material amount.

Recommendation: We recommend that the Organization evaluate entries affecting Grants Receivable so that receivables are recorded accurately at year end.

View of Responsible Officials and Planned Corrective Actions: The agency's fiscal team has several years of recording accounts receivables and has a robust reconciliation process to monitor these transactions. In addition, the journal activity and reports are thoroughly reviewed throughout the year and especially during the agency's fiscal year close-out. The error describing the fund balance transfer issue in the corrective action for finding 2020-002 was the cause for this error. Therefore, the agency's management has determined that the agreed-upon resolution described below will suffice to mitigate the risk of future errors.

**2020-002**

Significant Deficiency: Incomplete Schedule of Expenditures of Federal Awards (SEFA)

Condition: The Organization has materially overstated amounts on the initial SEFA provided for audit.

Criteria: The SEFA should be reported accurately.

Cause: The SEFA was not properly reviewed and approved and included inter-organization and in-kind amounts.

Effect: The SEFA was overstated.

Recommendation: We recommend that the Organization improve their internal controls to track federal expenses more accurately within the accounting software.

View of Responsible Officials and Planned Corrective Actions: The agency's fiscal team has several years of compiling the SEFA report without issue. For this year's report, the agency management determined two errors had occurred for this audit year's report. The first error was due to inclusion of a fund transfer transaction that was included into the federal expenses for a program erroneously. These transactions have always been excluded from revenue and expenses of the agency since the practice for using these accounts began years ago due to auditor recommendation. It has been subsequently agreed-upon by the auditor and agency management to

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

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

**2020-002 (continued)**

Significant Deficiency: Schedule of Expenditures of Federal Awards (SEFA) (continued)

discontinue use of these accounts and revert to past practice of transferring fund balances via the fund balance accounts going forward.

The second error stemmed from report delivery process to the auditors. Most reports submitted for auditor review go through a thorough review process and feedback is addressed and processed prior to final report submission. In this circumstance, the SEFA report that went through the rigorous review was not the report submitted to the auditors as it was sent outside of normal process. This report had the error identified by the auditors. Agency management has determined that all reports to be submitted to the auditors will be submitted by one point of contact in the agency to ensure that the properly reviewed final reports will be submitted.

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

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None