

Community Action, Kentucky, Inc.

Independent Auditor's Report
with
Audited Financial Statements
and
Supplementary Information

For the Year Ended June 30, 2020

Community Action, Kentucky Inc.
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June 30, 2020

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Charles T. Mitchell Company, PLLC
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Independent Auditor's Report

Board of Directors
Community Action, Kentucky, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action, Kentucky Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action, Kentucky Inc. as of June 30, 2020, 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 accompanying supplementary information on pages 29 to 37 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, 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. The accompanying supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 November 10, 2020, on our consideration of Community Action, Kentucky 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 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 Community Action, Kentucky Inc.'s internal control over financial reporting and compliance.

Charles T. Mitchell Co.

Frankfort, Kentucky
November 10, 2020

Community Action, Kentucky Inc.
Statement of Financial Position
June 30, 2020

Assets	
Current Assets	
Cash & Cash Equivalents	\$ 423,850
Reimbursable Costs	5,094,507
Due from Sub-recipients	81,790
Current Portion of Notes Receivable	2,120
Prepaid Expenses	9
Total Current Assets	<u>5,602,276</u>
Other Assets	
Investments	878,643
Property and Equipment	
Property and Equipment Net of Accumulated Depreciation	<u>1,641,157</u>
Total Assets	<u><u>\$ 8,122,076</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 4,999,098
Accrued Compensation	121,601
Deferred Revenue	397,689
Total Current Liabilities	<u>5,518,388</u>
Total Liabilities	<u>5,518,388</u>
Net Assets	
Without Donor Restrictions	<u>2,603,688</u>
Total Net Assets	<u>2,603,688</u>
Total Liabilities and Net Assets	<u><u>\$ 8,122,076</u></u>

See accompanying notes.

Community Action, Kentucky Inc.
Statement of Activities
For the Year Ended June 30, 2020

	<u>Total</u>
Revenue and Support:	
Grants/Contracts	\$ 52,977,581
Commissions	130,784
Dues	18,632
Rental Income	22,800
Investment Income	18,029
Other	243,873
Total Revenue and Support	<u>53,411,699</u>
Expenses:	
Programs	
RCAP	580,251
LIHEAP	47,547,521
WX	141,353
CSBG	187,350
OCS	465,932
Kynect	3,562,191
Other	505,789
Supporting Services	449,370
Total Expenses	<u>53,439,757</u>
Change in Net Assets	(28,058)
Net Assets Beginning of the Year	<u>2,631,746</u>
Net Assets End of Year	<u><u>\$ 2,603,688</u></u>

See accompanying notes.

Community Action, Kentucky Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows From Operating Activities:	
Change in Net Assets	\$ (28,058)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	147,186
Unrealized Loss on Investments	26,322
Changes in Operating Assets and Liabilities:	
Increase in Reimbursable Costs	(3,502,646)
Increase in Sub-recipient Receivables	(58,294)
Decrease in Prepaid Expenses	221
Increase in Accounts Payable	3,467,352
Decrease in Deferred Revenue	259,506
Increase in Accrued Expenses	12,434
Total Adjustments	352,081
Net Cash Provided by Operating Activities	324,023
Cash Flows From Investing Activities:	
Collections of Notes Receivable	3,071
Cash proceeds from Investments	124,973
Purchases of Investments	(44,351)
Purchases of Property and Equipment	(243,117)
Net Cash Flows (Used) in Investing Activities	(159,424)
Net Increase in Cash	164,599
Cash and Cash Equivalents at Beginning of Year	259,251
Cash and Cash Equivalents at End of Year	\$ 423,850

See accompanying notes.

Community Action, Kentucky Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	RCAP	LIHEAP	WX	CSBG	OCS	Kynect	Other	Treasury	Totals
Salaries	\$ 309,600	\$ 176,403	\$ 6,188	\$ 100,518	\$ 47,592	\$ 108,169	\$ 15,965	\$ 53,534	\$ 817,969
Fringe Benefits	133,845	74,993	2,636	42,716	22,065	45,946	6,858	17,450	346,509
Professional Services	-	-	-	-	-	-	-	92,174	92,174
Consultants / Contracts	-	-	22,966	1,557	372,935	-	-	39,437	436,895
Education	4,327	-	-	660	1,150	-	-	1,270	7,407
Travel In State	25,670	126	-	5,022	13,778	443	13	10,432	55,484
Travel Out of State	17,589	-	-	-	-	-	-	-	17,589
Meeting	-	-	-	-	-	-	-	7,995	7,995
Telephone	466	-	-	-	-	-	-	-	466
Postage	74	-	-	-	-	380	-	-	454
Office Exp & Supplies	1,429	-	-	-	129	-	-	1,583	3,141
Dues/Fees	1,146	-	-	-	-	2	-	16,502	17,650
Insurance	1	-	-	-	-	-	-	204	205
Pollution Insurance	-	-	58,547	-	-	-	-	-	58,547
Printing	374	2,506	-	-	88	-	-	235	3,203
Marketing/Advertising	40	1,375	761	725	-	1,570	-	17,636	22,107
Repairs & Maintenance	-	-	-	-	-	-	-	2,218	2,218
IT Repairs & Maintenance	1,813	234,819	49,334	16,895	1,379	6,816	26,696	36,502	374,254
Depreciation	-	-	-	-	-	-	-	127,424	127,424
Equipment	3,380	-	-	-	-	-	-	-	3,380
Other	11,428	-	-	-	-	-	-	15,378	26,806
Indirect	69,069	28,843	921	19,257	6,816	18,276	1,077	9,396	153,655
Subrecipients	-	47,028,456	-	-	-	3,380,589	455,180	-	50,864,225
Total Expenses	<u>\$ 580,251</u>	<u>\$ 47,547,521</u>	<u>\$ 141,353</u>	<u>\$ 187,350</u>	<u>\$ 465,932</u>	<u>\$ 3,562,191</u>	<u>\$ 505,789</u>	<u>\$ 449,370</u>	<u>\$ 53,439,757</u>

See accompanying notes.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 1 – Organization and Nature of the Operations

Community Action, Kentucky, Inc. (“CAK”) (a Kentucky nonprofit organization) is a multi-funded association of twenty-three (23) Community Action Agencies (CAA) in Kentucky. Each of these twenty-three CAA’s, has an Executive Director, or its equivalent, who serve as board members for Community Action Kentucky, Inc. The CAA’s are the predominate recipients of pass through funds from Community Action Kentucky, Inc. and thus related parties (See Note 12 of this report for further details). CAK was formed in 1968 to provide a link between the CAA’s to better accomplish mutual goals and objectives. The responsibilities of CAK include the development and administration of grants and contracts providing services in areas such as housing, water, wastewater management, crisis intervention, and low-income home improvements.

In prior years, the organization conducted its activities as Kentucky Association for Community Action, Inc. (KACA). In October 2007, the board approved and the state granted a change of name to Community Action, Kentucky, Inc. (CAK).

The primary sources for flow through of funds are the Cabinet for Health and Family Services, Kentucky Housing Corporation, State of Kentucky and W.S.O.S. Community Action Commission.

The following programs are administered by CAK:

Low Income Home Energy Assistance (LIHEAP)

The LIHEAP Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance, to provide energy services including assistance with payment of utility bills, limited repairs of heating systems and provision of fuel, heaters, blankets and certain other commodities. CAK serves as a pass-through agency with the program services being provided by 23 sub-recipient organizations.

Water and Wastewater Program (RCAP)

The RCAP Grant is funded by an award from the U.S. Department of Health and Human Services, Office of Community Services. The WSOS Community Action, Inc., sponsor for the Great Lakes Rural Network, Inc., has contracted with Community Action, Kentucky, Inc. to assist low-income families, small communities, and local officials to deal with water and wastewater problems affecting the poor. The water and wastewater program has activities in Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.

Housing Program

The Housing Program is funded by a loan from the Kentucky Housing Corporation to make and disburse mortgage loans to eligible persons and families of lower income, for single-family dwellings to provide safe, decent, and sanitary family dwellings in the Commonwealth of Kentucky.

KU Energy Assistance Program

CAK, in conjunction with Community Action Council, operates an energy assistance program that helps households with a subsidy benefit during the year.

American Electric Power

CAK, in conjunction with five Community Action Agencies in Eastern Kentucky, operates an energy assistance program that helps households with subsidy benefits during the year.

Weatherization

The Weatherization program is funded by the federal Department of Energy (DOE) and, upon approval by CHFS, by a 15% transfer from the Low-Income Home Energy Assistance Program (LIHEAP) to Weatherization. The program is administered by the Kentucky Housing Corporation.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Principles

Basis of Presentation – The financial statements are prepared using the accrual basis of accounting. Revenues and the related assets are recognized when earned rather than when received. Expense and the related liabilities are recognized when incurred rather than when the disbursements are made.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual events and results could differ from those assumptions and estimates.

Expenses – Expenses are reported using the accrual basis of accounting.

Revenue Recognition – Program service revenue is considered available for CAK's general programs unless specifically restricted by donors or grantors. Interest income related to housing notes is recorded when received. Accrued interest on such notes is considered immaterial and is not disclosed. Grant and contract revenue under cost reimbursement grants or contracts is recorded when an expense is incurred for specific grant or contract supported programs or projects in a manner defined by applicable grants or contracts. Grant or contract funding received that does not meet the criteria for revenue recognition described above are deferred using the deposit method. Under the deposit method, cash received from grants or contracts is classified as deferred revenue (a refundable deposit) in the liability section of the statements of financial position, and revenue recognition is deferred until the requirements detailed above are met.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Accounts and Notes Receivable – Accounts and notes receivable are stated at their outstanding principal. Both accounts and notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the any underlying collateral and current economic conditions. Based on management's assessment of the credit history and current, CAK, believes realization of losses, if any, will be immaterial.

Accrued Compensation – It is the policy of CAK that annual leave time is accrued and payable on termination of employment and sick leave is not accrued since it is not paid upon termination of employment. As of June 30, 2020, CAK had unpaid annual leave and salary of \$120,661 and \$940 of withheld employee flexible savings.

Functional Expenses – Directly identified expenses are charged to programs and support services. CAK adheres to the AICPA Industry Audit Guide in reporting expenses by their functional classification. Accordingly, salaries, fringe benefits, professional fees, supplies and other expenses have been allocated to functional classifications based on various factors.

Investments – Investments are presented at their fair value as determined by reference to quoted market prices. Related realized and unrealized gains and losses are reflected in the statement of activities.

Property & Equipment – Property and equipment acquired with unrestricted revenues are stated at cost, if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Additions with a cost of fair value of less than \$500 are expensed.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 3 – Concentrations of Credit Risk

In the current year, a significant amount of funding was provided by a few major contributors. It is always considered reasonably possible that grantors might be lost or funding could be reallocated in the near term. Approximately 99% of CAK's revenue was earned under various contracts (grants), approximately 91% from US Department of Health and Human Services. CAK's market is concentrated in the geographic area of Kentucky.

During the fiscal year, at each month's end, CAK had on deposit with a local bank an amount in excess of FDIC insurance limits. As of June 30, 2020, CAK exceeded FDIC insurance limits in the amount of \$256,259.

Note 4 – Income Taxes

CAK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code, except from income derived from unrelated business activities. At June 30, 2020, CAK has no estimated liability on unrelated business activities. CAK believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. CAK's federal Exempt Organization Business Income Tax Return (Form 990) for 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 5 – Investments

Community Action, Kentucky Inc. determines fair value based on the price that would be received to see the asset or paid to transfer the liability to a market participant. Investments consisted of the following at June 30, 2020:

	Cost	Fair Value
Bond Funds	\$ 336,163	\$ 341,614
Balanced Funds	50,831	45,858
Equity Funds	506,731	491,171
	<u>\$ 893,725</u>	<u>\$ 878,643</u>
Bond Funds by Fund Type:		
Baird (BSBIX)	\$ 103,277	\$ 105,283
Black Rock (BHYIX)	25,837	24,129
Black Rock (BSIX)	68,570	68,172
Dodge and Cox (DODIX)	69,514	71,750
Metropolitan West (MWTIX)	68,965	72,280
Total	<u>336,163</u>	<u>341,614</u>
Balanced funds by Fund Type:		
Principal (PDRDX)	50,831	45,858
Total	<u>50,831</u>	<u>45,858</u>
Equity funds by Fund Type:		
EdgeWood Growth (EGFIX)	40,375	49,517
American Centruy (ACIIX)	44,482	38,442
FMI (FMIQX)	45,196	38,841
John Hancock (JCVIX)	42,147	31,062
Harbor (HASCX)	17,886	15,577
Oakmark (OANIX)	30,031	23,719
WCM (WCMIX)	19,825	25,450
Loomis Sayles (LSGRX)	41,217	47,330
MFS (MIEIX)	29,744	28,129
Nuance (NMVLX)	27,999	25,552
Parnassus (PFPMX)	28,019	25,694
Pear Tree (QFIX)	29,789	24,393
T Rowe Price (PRUFX)	40,422	46,638
Principal (PCBIX)	27,760	26,375
Virtus (PXSGX)	17,942	20,555
Wells Fargo (EMGNX)	23,897	23,897
Total	<u>506,731</u>	<u>491,171</u>
Total Investments	<u><u>\$ 893,725</u></u>	<u><u>\$ 878,643</u></u>

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 5 – Investments (Continued)

A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect an Organization's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The standard requires certain valuation methodologies be used for instruments measured at fair value on a recurring basis and recognized in the Organization's statement of financial position, as well as the general classification of such instruments pursuant to the above valuation hierarchy. All investments are Level 1 investments.

At June 30, 2020, the Organization's trading securities had a fair value of \$878,643, of which, all was determined based on quoted prices in active markets for identical assets (Level 1).

Realized and unrealized gains and losses included in the change in net assets for the year ended June 30, 2020 are reported in the accompanying statement of activities as follow:

Interest & Dividend Income	\$ 33,430
Realized Gains(Losses)	10,921
Unrealized Gains(Losses)	(26,322)
Total Investment Income	<u>\$ 18,029</u>

Note 6 – Notes Receivable

The unpaid notes receivable balance was comprised of one revolving loan totaling \$2,120 and management considers it to be noncurrent. During the fiscal year, one other revolving loan was paid in full.

Note 7 – Property and Equipment

Property and equipment consisted of the following at June 30, 2020:

Land	\$ 105,287
Office Equipment	1,401,906
Building	780,540
Total Depreciable Assets	<u>2,287,733</u>
Less: Accumulated Depreciation	(646,576)
Net Property, Plant & Equipment	<u>\$ 1,641,157</u>

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 7 – Property and Equipment (Continued)

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Depreciation expense totaled \$147,186, of which \$127,424 was direct and \$19,762 was included in indirect expenses for the year ended June 30, 2020.

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies

Plan Description

County Employees' Retirement System (CERS)

Community Action, Kentucky Inc. (CAK) is a participating employer of the County Employees' Retirement System. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Retirement Systems website.

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions

For the year ended June 30, 2020 plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's wages, which is equal to the actuarial determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

CAK contributed \$193,033 for the year ended June 30, 2020, or 100% of the required contribution.

Benefits

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

Tier 1 Participation date	Before September 1, 2008
Unreduced retirement	27 years' service or 65 years old
Reduced Retirement	At least 5 years' service and 55 years old 25 years' service and any age
Tier 2 Participation date	September 1, 2008 - December 31, 2013
Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal 87+ At least 10 years' service and 60 years old
Tier 3 Participation date	After December 31, 2013
Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal 87+
Reduced Retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly of the State of Kentucky. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death.

The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities

CAK does not report under report under Governmental Accounting Standards Board (GASB). Because of the reporting standards under Financial Accounting Standards Board, as of June 30, 2019, CAK did not report a liability of \$1,741,030 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CAK's proportion of the net pension liability was based on a projection of CAK's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2019, CAK's proportion was .0024755% percent. CAK also did not report Deferred Inflows and Outflows of Resources as required by GASB.

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2017 but did replicate the prior actuary's valuation results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of the GRS' replication.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Long Term Rate of Return: The long term expected return on plan assets is reviewed as part of the regular experience studies prepared every five year for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yiel	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents CAK's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	(\$ in thousands)		
	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Nonhazardous	\$ 2,177,535	\$ 1,741,030	\$ 1,377,208
CAK's net pension liability	\$ 2,177,535	\$ 1,741,030	\$ 1,377,208

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the Kentucky Retirement Systems.

The Schedule of CAK's proportionate share of the net pension liability is presented below. CAK is presenting on the prior four years only; as 2016 was the implementation year for GASB 68 and will add to the presentation, to show ten years of information, as it becomes available.

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
CAK's proportion of the net pension liability	0.0024755%	0.0022866%	0.0022452%	0.0027740%	0.2840500%
CAK's proportionate share of the net pension liability	\$ 1,741,030	\$ 1,392,609	\$ 1,314,185	\$ 1,365,666	\$ 1,221,289
CAK's covered-employee payroll	\$ 820,993	\$ 713,593	\$ 667,971	\$ 613,715	\$ 725,999
CAK's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212%	195%	197%	223%	168%
Plan Fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	66.75%

The Schedule of CAK's contribution is presented below. CAK is presenting on the prior four years only; as 2016 was the implementation year for GASB 68 and will add to the presentation, to show ten years of information, as it becomes available.

	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Contractually required contribution	\$ 193,033	\$ 149,062	\$ 127,027	\$ 141,921	\$ 123,856
Contribution in relation to the contractually required contribution	\$ 193,033	\$ 149,062	\$ 127,027	\$ 141,921	\$ 123,856
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
CAK's covered-employee payroll	\$ 820,993	\$ 713,593	\$ 667,971	\$ 613,715	\$ 725,999
Contributions as a percentage of covered- employee payroll	24.06%	21.48%	19.18%	18.68%	17.06%

The contribution as a % includes the % for insurance.

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description

Retired employees of CAK are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Benefits Provided

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, nonhazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. CAK has contractually required contribution rate for the year ended June 30, 2020 was 4.70% of covered payroll. Contributions to the Insurance Fund from the Association were \$32,845 for the year ended June 30, 2020. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2019 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2019
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increase	3.55 to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of
Pre-65	4.05% over a period of 12 years
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of
	4.05% over a period of 10 years

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (setback 1 year for females).

Discount Rate

Single discount rates of 5.68% for the non-hazardous system and 5.69% for hazardous system were used to measure the total OPEB liability as of June 30, 2019. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The Net OPEB liability of CAK, as well as what the CAK's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.68%) or one percentage point higher (6.68%) follows:

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Non-hazardous	\$ 557,627	\$ 416,267	\$ 299,796
	\$ 557,627	\$ 416,267	\$ 299,796

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of CAK, as well as what CAK's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.68%) or one percentage point higher (6.68%) that the current healthcare cost trend rates follows:

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Non-hazardous	\$ 309,580	\$ 416,267	\$ 545,638
	<u>\$ 309,580</u>	<u>\$ 416,267</u>	<u>\$ 545,638</u>

Pension Plan Fiduciary Net Position

The schedule of CAK's proportionate share of the net OPEB liability is presented below. CAK is presenting on the prior two years only; as 2018 was the implementation year for GASB 75 and will add to the presentation, to show ten years of information, as it becomes available.

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
CAK's proportion of the net pension liability	0.024749%	0.022865%	0.022452%
CAK's proportionate share of the net pension liability	\$416,267	\$405,964	\$451,362
CAK's covered-employee payroll	\$ 820,993	\$ 713,593	\$ 667,971
CAK's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51%	57%	68%
Plan Fiduciary net position as a percentage of the total pension liability	52.4%	52.4%	52.4%

The schedule of CAK's contribution is presented below. CAK is presenting on the prior two years only; as 2018 was the implementation year for GASB 75 and will add to the presentation, to show ten years of information, as it becomes available.

	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>
Contractually required contribution	\$32,845	\$26,637	\$25,857
Contribution in relation to the contractually required contribution	(32,845)	(26,637)	(25,857)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CAK's covered-employee payroll	\$ 820,993	\$ 713,593	\$ 667,971
Contributions as a percentage of covered- employee payroll	4.00%	3.73%	3.87%

The previous notes are reported as contingencies for CAK. No liability for the Unfunded Pension Liability and OPEB Liability are reported.

Note 10 – Non-Compliance with Grantor or Donor Restrictions

Financial awards from federal, state, and local governmental entities in the form of grants are subject to specific audit. Such audits could result in claims against CAK for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. However, management believes that if such audits arise, all steps have been followed to ensure compliance with each grantor or donor restrictions as defined by contractual agreements as of June 30, 2020.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2020

Note 11 – Operating Lease

CAK is the lessee of office equipment under an operating lease during fiscal year end 2020. Lease expense during 2019-2020 totaled \$750.

Note 12 – Related Entities

There are 23 Community Action Agencies that make up 6 congressional districts. Community Action, Kentucky Inc.'s Board of Directors is also the executive director or an authorized agent of one of these 23 community action agencies. CAK provides technical support, lobbying and administrative support and in return receives membership dues totaling \$16,832 for the year ended June 30, 2020. CAK has no ownership or voting interests in these local chapters with limited control over how the local chapters carry out certain activities by means of subcontract agreements. Subcontract expense passed-through to related community action agencies totaled \$50,864,225, of which \$47,028,456 was federal funds for the year ended June 30, 2020.

Note 13 – Liquidity

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial Assets	
Cash & Cash Equivalents	\$ 423,850
Reimbursable Costs	5,094,507
Due from Sub-recipients	81,790
Current Portion of Notes Receivable	2,120
Prepaid Expenses	9
Investments	878,643
Total Financial Assets	<u>\$ 6,480,919</u>
Less financial assets held to meet donor imposed restrictions	-
Less financial assets not available within one year	-
Less board designated funds	-
Amounts available for general expenses within one year	<u><u>\$ 6,480,919</u></u>

Note 14 – Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. Subsequent events were evaluated through November 10, 2020, which is the date the financial statements were available to be issued. No events were found to be, or have, a material impact regarding the accompanying financial statements of the Community Action, Kentucky Inc. as of and for the year ended June 30, 2020 as listed in the table of contents.

Impact of COVID-19

In early 2020, a new strain of the Coronavirus (COVID-19) was detected, which has resulted in a global pandemic that has caused significant economic disruption. After a review of investment portfolio and revenue streams consideration of the possibility of decrease in revenue and cash needs across impacted classes of operations, management has determined that the Community Action, Kentucky Inc. will continue to meet their cash needs and operate throughout this pandemic. The situation is rapidly evolving and it is not possible to quantify the ultimate financial impact the outbreak will have on Community Action, Kentucky Inc..



Charles T. Mitchell Company, PLLC
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Partners
James E. Clouse, CPA
Greg Miklavcic, CPA
Ryan Moore, CPA

Independent Auditor's 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*

Board of Directors
Community Action, Kentucky, 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 Community Action, Kentucky Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action, Kentucky Inc.'s internal control over financial reporting (internal control) to determine 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 Community Action, Kentucky Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action, Kentucky 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Charles T. Mitchell Co.

Frankfort, Kentucky
November 10, 2020



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Greg Miklavcic, CPA
Ryan Moore, CPA

Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over Compliance
Required by the Uniform Guidance

Board of Directors
Community Action, Kentucky, Inc.

Report on Compliance for Each Major Federal Program

We have audited Community Action, Kentucky 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 Community Action, Kentucky Inc.'s major federal programs for the year ended June 30, 2020. Community Action, Kentucky Inc.'s major federal programs are identified in the summary of auditor's 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 of and conditions applicable to its federal award programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action, Kentucky 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 Community Action, Kentucky 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 Community Action, Kentucky Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action, Kentucky 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 Community Action, Kentucky 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 Community Action, Kentucky 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action, Kentucky Inc.'s 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles T. Mitchell Co.

Frankfort, Kentucky
November 10, 2020

Supplementary Information

Community Action, Kentucky Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Grant	Pass-Through Grantor	Federal CFDA Number	Pass Through Grant Number	Grant Period Ending	Sub-reipients	Federal Award Expenditures
<i>U.S. Department of Health and Human Services:</i>						
Community Service Block Grant	KY Cabinet for Health & Family Services	93.569	736-1900003964	6/30/20	\$	\$ 187,350
RPIC	Office of Community Services	93.569	90ET0463-03-01	7/31/20		208,800
RPIC	Office of Community Services	93.569	90ET0476-01-00	9/29/20		257,132
				Total 93.569	-	653,282
Low Income Home Energy Assistance Program	KY Cabinet for Health & Family Services	93.568	736-1900003964	6/30/20	47,028,456	47,547,521
LIHEAP-Weatherization	Kentucky Housing Corporation	93.568	LH20-0073-02	6/30/20		77,934
				Total 93.568	47,028,456	47,625,455
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 18/19	9/30/19		25,640
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 19/20	9/30/20		116,555
				Total 93.570	-	142,195
Total Department of Health and Human Services					47,028,456	48,420,932
<i>U.S. Department of Energy:</i>						
Weatherization - DOE	Kentucky Housing Corporation	81.042	WX20-0373-02	6/30/20		63,419
Total Department of Energy					-	63,419
<i>U.S. Department of Agriculture:</i>						
RCDI-RCAP		10.446	PY 16/19	6/14/19		25,121
RCDI-RCAP		10.446	PY 19/22	9/4/22		20,262
				Total 10.446	-	45,383
RCAP-Technitrain	W.S.O.S Community Action Comm.	10.761	PY 18/19	8/31/19		36,006
RCAP-Technitrain	W.S.O.S Community Action Comm.	10.761	PY 19/20	8/31/20		116,396
RCAP-Technitrain GIS	W.S.O.S Community Action Comm.	10.761	PY 19/20	8/31/20		27,151
RIAD	W.S.O.S Community Action Comm.	10.761	PY 18/19	9/30/19		48,342
				Total 10.761	-	227,895
Solid Waste 2 - RCAP	W.S.O.S Community Action Comm.	10.762	PY 18/19	9/30/19		14,264
Solid Waste 2 - RCAP	W.S.O.S Community Action Comm.	10.762	PY 19/20	9/30/20		37,680
				Total 10.762	-	51,944
Community Facilities		10.766	PY 17/20	9/21/20		36,858
				Total 10.766	-	36,858
Total Department of Agriculture					-	362,080
<i>Environmental Protection Agency:</i>						
EPA - DW	W.S.O.S Community Action Comm.	66.424	PY 18/21	9/30/21		37,482
				Total 66.424	-	37,482
EPA - WW	W.S.O.S Community Action Comm.	66.436	PY 18/21	9/30/21		19,836
				Total 66.436	-	19,836
Total Environmental Protection Agency					-	57,318
Total Expenditures of Federal Awards					\$ 47,028,456	\$ 48,903,749

See accompanying notes to the Schedule of Federal Awards.

Community Action, Kentucky Inc.
Schedule of Subrecipient Expenditures
For the Year Ended June 30, 2020

	LIHEAP	Non-Federal				Total
	93.568	Kynector	KU	AEP	Team KY Fund	
Audubon Area	\$ 2,048,457	\$ 423,010	\$ -	\$ -	\$ 20,588	\$ 2,492,055
Bell-Whitley CAA	1,354,330	-	-	-	4,690	1,359,020
Big Sandy CAP	3,251,866	-	-	36,470	-	3,288,336
Blue Grass CAA	1,945,315	232,957	-	-	54,288	2,232,560
Central Ky CAA	2,135,016	-	-	-	-	2,135,016
Daniel Boone CAA	3,034,568	-	-	-	17,764	3,052,332
Gateway CAA	1,124,042	151,232	-	803	12,984	1,289,061
Harlan Co CAA	742,439	-	-	-	2,477	744,916
KCEOC CAP	1,013,842	-	-	-	1,617	1,015,459
Foothills CAP	1,573,837	209,728	-	-	15,808	1,799,373
LKLP CAA	2,565,551	-	-	22,099	6,696	2,594,346
Lake Cumberland CAA	3,845,417	213,956	-	-	-	4,059,373
CAC - Lexington	1,974,217	278,819	74,819	-	-	2,327,855
Licking Valley CAP	940,565	69,686	-	-	3,206	1,013,457
Louisville Metro	5,717,680	-	-	-	-	5,717,680
Middle Ky CAP	1,693,375	-	-	3,066	3,490	1,699,931
Multi-Purpose CAA	463,664	-	-	-	6,445	470,109
Northeast Ky CAA	2,612,005	223,837	-	31,087	17,013	2,883,942
Northern Ky CAC	2,439,210	635,121	-	-	49,560	3,123,891
Pennyrile Allied	2,071,780	280,585	-	-	13,265	2,365,630
CAA of Southern Ky	2,611,206	150,473	-	-	-	2,761,679
Tri-County CAA	301,184	-	-	-	12,152	313,336
West Ky Allied	1,568,890	511,185	-	-	44,793	2,124,868
	<u>\$ 47,028,456</u>	<u>\$ 3,380,589</u>	<u>\$ 74,819</u>	<u>\$ 93,525</u>	<u>\$ 286,836</u>	<u>\$ 50,864,225</u>

See accompanying notes to the Schedule of Federal Awards.

Community Action, Kentucky Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 – Basis of Presentation – The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action, Kentucky, Inc. (“CAK”) under programs of the federal government for the year ended June 30, 2020. The information in this schedule and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the operations of CAK; it is not intended to and does not present the financial position, changes in net assets and cash flows of CAK. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 – Sub-recipient Expenditures – Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Oversight Agency – In accordance with the Single Audit Act Amendment of 1996 and Uniform Guidance, the U.S. Department of Health and Human Services is the Oversight Agency for CAK. The Single Audit Act provides that the Oversight Agency shall have the following responsibilities

- a. Shall provide technical advice to auditees and auditors as requested
- b. May assume all or some of the responsibilities performed by a cognizant agency for audit which include:
 - i. Provide technical audit advice and liaison to auditees and auditors
 - ii. Consider auditee requests for extension to the report submission due date
 - iii. Obtain or conduct quality control reviews of selected auditees made by non-federal auditors, and provide the results, when appropriate, to other interested organizations
 - iv. Promptly inform other affected federal agencies and appropriate federal law enforcement officials of any direct reporting be the auditee or its auditor of irregularities or illegal acts, as required by generally accepted government auditing standards or laws and regulations
 - v. Advise the auditor and, where appropriate, the auditee of and deficiencies found in the audits when the deficiencies require corrective action be the auditor; when advices of deficiencies, the auditee shall work with the auditor to take corrective action; if not, the cognizant agency for audit shall notify the auditor, the auditee and applicable federal awarding agencies and pass-through entities of the facts and make recommendations for follow up action, major inadequacies or repetitive standard performance by auditors shall be referred to appropriate state licensing agencies and professional bodies for disciplinary action
 - vi. Coordinate, to the extent practical, audits, or reviews made by or for federal agencies that are in addition to the audits made pursuant to this part, so that the additional audits or reviews build upon audits performed in accordance with this part
 - vii. Coordinate a management decision for audit findings that affect the federal programs of more than one agency
 - viii. Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit

Note 4 – Indirect Cost Rate—CAK has elected an indirect cost plan which allocates indirect costs based on direct charged payroll. CAK did not elect to use the 10% de minimis indirect cost rate.

Community Action, Kentucky Inc.
Schedule of Findings & Questioned Costs
For the Year Ended June 30, 2020

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☐yes ☒no
- Significant deficiency identified that are not considered to be material weaknesses ☐yes ☒no

Noncompliance material to financial statements noted? ☐yes ☒no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐yes ☒no
- Significant deficiency identified that are not considered to be material weaknesses ☐yes ☒no

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance ☐yes ☒no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.568	LIHEAP
93.569	CSBG

Dollar threshold used to distinguish between type A and type B programs \$ 1,467,112

Auditee qualified as low-risk auditee? ☒yes ☐no

Findings Required to be Reported under Generally Accepted Government Auditing Standards

None.

Findings and Questioned Costs for Major Federal Award Programs

None.

Community Action, Kentucky Inc.
Statement of Activity by Program
For the Year Ended June 30, 2020

Revenues	RCAP	LIHEAP	WX	CSBG	OCS	Kynect	Other	Treasury	Total
Grant Revenue	\$ 580,251	\$ 47,547,521	\$ 128,547	\$ 187,350	\$ 465,932	\$ 3,562,191	\$ 505,789	\$ -	\$ 52,977,581
Rental Income	-	-	-	-	-	-	-	22,800	22,800
Interest Income	-	-	-	-	-	-	-	33,430	33,430
Dues	-	-	-	-	-	-	-	18,632	18,632
Commission	-	-	-	-	-	-	-	130,784	130,784
Realized Gain On Inv	-	-	-	-	-	-	-	10,921	10,921
Unrealized Loss On Inv	-	-	-	-	-	-	-	(26,322)	(26,322)
Other Income	-	-	-	-	-	-	-	243,873	243,873
Total Revenues	\$ 580,251	\$ 47,547,521	\$ 128,547	\$ 187,350	\$ 465,932	\$ 3,562,191	\$ 505,789	\$ 434,118	\$ 53,411,699
Expenses									
Salaries	309,600	176,403	6,188	100,518	47,592	108,169	15,965	53,534	817,969
Fringe Benefits	133,845	74,993	2,636	42,716	22,065	45,946	6,858	17,450	346,509
Professional Services	-	-	-	-	-	-	-	92,174	92,174
Consultants / Contracts	-	-	22,966	1,557	372,935	-	-	39,437	436,895
Education	4,327	-	-	660	1,150	-	-	1,270	7,407
Travel In State	25,670	126	-	5,022	13,778	443	13	10,432	55,484
Travel Out of State	17,589	-	-	-	-	-	-	-	17,589
Meeting	-	-	-	-	-	-	-	7,995	7,995
Telephone	466	-	-	-	-	-	-	-	466
Postage	74	-	-	-	-	380	-	-	454
Office Exp & Supplies	1,429	-	-	-	129	-	-	1,583	3,141
Dues/Fees	1,146	-	-	-	-	2	-	16,502	17,650
Insurance	1	-	-	-	-	-	-	204	205
Pollution Insurance	-	-	58,547	-	-	-	-	-	58,547
Printing	374	2,506	-	-	88	-	-	235	3,203
Marketing/Advertising	40	1,375	761	725	-	1,570	-	17,636	22,107
Repairs & Maintenance	-	-	-	-	-	-	-	2,218	2,218
IT Repairs & Maintenance	1,813	234,819	49,334	16,895	1,379	6,816	26,696	36,502	374,254
Depreciation	-	-	-	-	-	-	-	127,424	127,424
Equipment	3,380	-	-	-	-	-	-	-	3,380
Other	11,428	-	-	-	-	-	-	15,378	26,806
Indirect	69,069	28,843	921	19,257	6,816	18,276	1,077	9,396	153,655
Subrecipients	-	47,028,456	-	-	-	3,380,589	455,180	-	50,864,225
Total Expenses	580,251	47,547,521	141,353	187,350	465,932	3,562,191	505,789	449,370	53,439,757
Change in Net Assets	\$ -	\$ -	\$ (12,806)	\$ -	\$ -	\$ -	\$ -	\$ (15,252)	\$ (28,058)

See Independent Auditor's Report

Community Action, Kentucky Inc.
LIHEAP Grant – CFDA 93.568
Contract #736-1900003964
Statement of Program Expenses
For the Period July 1, 2019 Through June 30, 2020

Payments to Subrecipients		
Agency Fall Subsidy Benefits (CAK records)	\$ 10,354,049	
Agency Crisis Benefits (CAK records)	23,906,463	
Agency Spring Subsidy Benefits (CAK records)	8,559,266	
Agency Prior Year Adjustments (CAK records)	(89,315)	
Agency Administration (CAK records)	4,297,993	
Total Payments To Subrecipients		<u>\$ 47,028,456</u>
CAK Administration		
Salaries	178,376	
Fringe Benefits	75,831	
Professional Services	3,379	
Travel	165	
Meeting	584	
Telephone	4,471	
Postage	67	
Supplies	1,026	
Dues/Fees	97	
Insurance	3,494	
Printing	2,568	
Utilities	1,501	
Repairs & Main	242,421	
Marketing	1,375	
Depreciation	<u>3,710</u>	
Total CAK Administration		<u>519,065</u>
Total Expenditures		<u>47,547,521</u>
Questioned Costs		<u>-</u>
Allowable Cost	\$	47,547,521
Amount Received From CHFS -LIHEAP		43,699,458
Accounts Receivable From Funding Sources		3,972,767
Accounts Payable to Funding Sources		<u>124,704</u>
Excess (Shortage) Receipts over Expenditures	\$	<u><u>-</u></u>

See Independent Auditor's Report.

Community Action, Kentucky Inc.
LIHEAP Grant – CFDA 93.568
Contract #736-1900003964
Statement of Budget to Actual
For the Period July 1, 2019 Through June 30, 2020

Cost Category	Budget	Actual	(Over)/Under Budget
Administrative Cost			
Subrecipient	\$ 5,712,521	\$ 4,297,993	\$ 1,414,528
Community Action Kentucky	634,724	519,065	115,659
Total Administrative	6,347,245	4,817,058	1,530,187
Benefits - Direct Assistance			
Direct Assistance	57,149,388	42,819,778	14,329,610
Total Benefits	57,149,388	42,819,778	14,329,610
Other Expenditures			
Prior Year Adjustments	-	(89,315)	89,315
Total Other	-	(89,315)	89,315
Total Contract	\$ 63,496,633	\$ 47,547,521	\$ 15,949,112

See Independent Auditor's Report.

Community Action, Kentucky Inc.
Weatherization Grant
Contract: Kentucky Housing Corporation
Statement of Program Expenses
For the Period July 1, 2019 Through June 30, 2020

CAK Administration		
Salaries	\$	6,250
Fringe Benefits		2,663
Professional Services		108
Consultant/Contract		22,966
Travel		1
Meeting		19
Telephone		143
Postage		2
Supplies		33
Dues/Fees		3
Insurance		112
Pollution Insurance		58,547
Printing		2
Utilities		48
Repairs & Main		49,576
Marketing		761
Depreciation		<u>119</u>
Total Expenditures	\$	141,353
Questioned Costs		<u>-</u>
Allowable Cost		141,353
Amount Received from KHC - DOE		63,419
Amount Received from KHC - LIHEAP		65,128
Accounts Receivable from Funding Sources - DOE		-
Accounts Receivable from Funding Sources - LIHEAP		<u>-</u>
Excess (Shortage) Receipts over Expenditures	\$	<u><u>(12,806)</u></u>

See Independent Auditor's Report.

Community Action, Kentucky Inc.
CSBG Grant- CFDA 93.569
Contract #736-1900003964
Statement of Program Expenses
For the Period July 1, 2019 Through June 30, 2020

Cabinet for Health and Family Services

Expenditures		
Salaries	\$	101,835
Fringe Benefits		43,276
Professional Services		2,256
Consultant/Contract		1,557
Education		660
Travel		5,047
Meeting		390
Telephone		2,985
Postage		45
Supplies		685
Dues/Fees		65
Insurance		2,333
Printing		42
Utilities		1,002
Repairs & Main		21,970
Marketing		725
Depreciation		2,477
Total Expenditures	\$	187,350
Questioned Cost		-
Allowable Cost		187,350
Contract Payment Received From CHFS - CSBG		136,674
Accounts Receivable from Funding Sources		50,676
Accounts Payable to Funding Sources		-
Excess (Shortage) Receipts over Expenditures	\$	-

See Independent Auditor's Report.

Community Action, Kentucky Inc.
WSOS Community Action Commission, Inc. RCAP Grant
Contract PE 17/19
(For Contracts Ending September 30, 2019)
Statement of Program Expenses
For the Period July 1, 2019 Through June 30, 2020

HHS - CFDA 93.570	\$ 138,000
RIAD - CFDA 10.761	73,130
Technitrain - CFDA 10.761	152,000
EPA-DW - CFDA 66.424	46,133
Solid Waste 2 - CFDA 10.762	46,600
EPA-WW - CFDA 66.436	22,530
Contract Awards	<u>\$ 478,393</u>

Expenditures	Actual 2019	Actual 2020	Total
Salaries	\$ 160,802	\$ 91,432	\$ 252,234
Fringe Benefits	62,076	41,934	104,010
Professional Services	5,748	2,639	8,387
Education	4,447	1,989	6,436
Travel	23,944	22,689	46,633
Meeting	895	456	1,351
Telephone	5,911	3,544	9,455
Postage	118	53	171
Supplies	5,297	2,860	8,157
Dues/Fees	995	819	1,814
Insurance	4,793	2,729	7,522
Printing	481	127	608
Advertising	969	-	969
Utilities	2,203	1,172	3,375
Repairs & Main	13,010	6,229	19,239
Depreciation	5,135	2,897	8,032
Total Expenditures	296,824	181,569	478,393
Questioned Costs	-	-	-
Allowable Costs	296,824	181,569	478,393
Contract Payments Received	156,625	24,835	181,460
Accounts Receivable from Funding Sources	\$ 140,199	\$ 156,734	\$ 296,933
Excess (Shortage) Receipts over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

Community Action, Kentucky Inc.
WSOS Community Action Commission, Inc. RCAP Grant
Contract PE 19/20
(For Contracts Ending September 30, 2020)
Statement of Program Expenses
For the Period July 1, 2019 through June 30, 2020

HHS-CFDA 93.570		\$	116,555
Technitrain - CFDI 10.761			116,395
Technitrain GIS - CFDA 10.761			27,151
Solid Waste 2 - CFDA 10.762			37,860
Contract Award		\$	<u>297,961</u>
Expenditures			
Salaries	\$	171,031	
Fringe Benefits		72,219	
Professional Services		4,123	
Education		2,338	
Travel		16,255	
Meeting		712	
Telephone		5,635	
Postage		157	
Supplies		3,691	
Dues/Fees		521	
Insurance		4,264	
Printing		264	
Advertising		40	
Utilities		1,831	
Repairs & Main		10,174	
Depreciation		<u>4,526</u>	
Total Expenditures		\$	297,781
Questioned Cost			<u>-</u>
Allowable Cost			297,781
Contract Payment Received			222,133
Accounts Receivable from Funding Source			<u>75,648</u>
Excess (Shortage) Receipts over Expenditures		\$	<u><u>-</u></u>

*These funds are temporarily restricted until the contract ends SEPTEMBER 30, 2020.

See Independent Auditor's Report.

Community Action Kentucky, Inc.
OCS
Contract #90ET0463-03-01
(For Contracts Ending July 31, 2020)
For the Period July 1, 2019 Through June 30, 2020

RPIC-CFDA 93.570			
Contract Award			<u>\$ 425,715</u>
	Actual	Actual	
Expenditures	2019	2020	Total
Salaries	\$ 39,095	\$ 16,481	\$ 55,576
Fringe Benefits	15,396	8,854	24,250
Professional Services	1,086	285	1,371
Consultants	187,866	170,435	358,301
Education	2,010	-	2,010
Travel	12,895	9,242	22,137
Meeting	192	49	241
Telephone	1,243	377	1,620
Postage	25	6	31
Supplies	319	215	534
Publications	714	-	714
Dues/Fees	28	8	36
Insurance	1,026	294	1,320
Printing	20	95	115
Utilities	472	127	599
Repairs & Main	2,714	2,019	4,733
Depreciation	1,099	313	1,412
Total Expenditures	266,200	208,800	475,000
Questioned Cost	-	-	-
Allowable Cost	266,200	208,800	475,000
Contract Payment Received	259,900	169,149	429,049
Accounts Receivable from Funding Sources	6,300	39,651	45,951
Excess (Shortage) Receipts over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

Community Action Kentucky, Inc.
OCS
Contract #90ET0467-01-00
(For Contracts Ending September 29, 2020)
For the Period July 1, 2019 Through June 30, 2020

RPIC-CFDA 93.570	
Contract Award	\$ 257,132
Expenditures	
Salaries	\$ 31,577
Fringe Benefits	13,409
Professional Services	514
Consultants/Contracts	202,500
Education	1,150
Travel	4,545
Meeting	89
Telephone	679
Postage	10
Supplies	156
Dues/Fees	15
Insurance	531
Printing	10
Utilities	228
Repairs & Main	1,155
Depreciation	564
Total Expenditures	257,132
Questioned Cost	-
Allowable Cost	257,132
Contract Payment Received	162,600
Accounts Receivable from Funding Source	94,532
Excess (Shortage) Receipts over Expenditures	\$ -

*These funds are temporarily restricted until the contract ends SEPTEMBER 29, 2020.

See Independent Auditor's Report.