

Kennebec Valley Community Action Program and Subsidiaries

Waterville, Maine

Consolidated Financial Statements
and Supplementary Information

Years Ended September 30, 2021 and 2020



Kennebec Valley Community Action Program and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Years Ended September 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Kennebec Valley Community Action Program and Subsidiaries
Waterville, Maine

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kennebec Valley Community Action Program (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements are free from material misstatement. The financial statements of Coney Village, LLC and KVCAP Real Estate Development, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennebec Valley Community Action Program and Subsidiaries as of September 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Prior Period Financial Statements

The financial statements of Kennebec Valley Community Action Program and Subsidiaries as of September 30, 2020, were audited by other auditors whose report dated March 15, 2021, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules on pages 24 through 28, which include the schedule of expenditures of federal awards on pages 26 to 28 as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis, and are not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, these schedules are fairly stated, in all material respects, in relation to the consolidated 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 June 30, 2022, on our consideration of Kennebec Valley Community Action Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kennebec Valley Community Action Program'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 Kennebec Valley Community Action Program's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

June 30, 2022
Madison, Wisconsin

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Financial Position

September 30, 2021 and 2020

<i>Assets</i>	2021	2020
Current assets:		
Cash and cash equivalents	\$ 10,283,948	\$ 5,147,603
Accounts and grants receivable	3,643,308	1,815,285
Current portion of loans receivable, net	1,871	1,762
Current portion of prepaid expenses	586,782	292,203
Inventory	936,342	950,776
Total current assets	15,452,251	8,207,629
Property and equipment:		
Land	79,942	57,100
Buildings and improvements	3,108,281	3,049,433
Equipment and fixtures	1,135,031	1,099,816
Vehicles	2,928,306	2,532,552
Total property and equipment	7,251,560	6,738,901
Less: Accumulated depreciation	(3,751,983)	(3,409,244)
Net property and equipment	3,499,577	3,329,657
Other assets:		
Investments	52,802	44,520
Loans receivable, net of current portion	298,968	127,010
Prepaid expenses, net of current portion	12,467	-
Total other assets	364,237	171,530
Total assets	19,316,065	11,708,816
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	5,936	154,457
Accounts payable	1,326,167	880,519
Accrued expenses	1,382,234	1,297,662
Reserve for self insurance	806,405	739,879
Deferred revenue	604,135	523,710
Refundable advances	6,521,653	1,966,134
Total current liabilities	10,646,530	5,562,361
Non-current liabilities:		
Long-term debt, net of current portion	370,161	749,135
Total non-current liabilities	370,161	749,135
Total liabilities	11,016,691	6,311,496
Net assets:		
Without donor restrictions:		
Undesignated	7,350,234	4,975,652
Board designated	442,451	321,397
Total net assets without donor restrictions	7,792,685	5,297,049
With donor restrictions	506,689	100,271
Total net assets	8,299,374	5,397,320
Total liabilities and net assets	\$ 19,316,065	\$ 11,708,816

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Activities

Year Ended September 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants	\$ 27,907,326	\$ 173,691	\$ 28,081,017
Contracts	9,715,145	-	9,715,145
Program revenue	2,408,998	-	2,408,998
Other revenue	575,833	235,755	811,588
In-kind	857,076	-	857,076
Net assets released from restrictions	3,028	(3,028)	-
Total revenues	41,467,406	406,418	41,873,824
Expenses:			
Program services:			
Community services	11,084,826	-	11,084,826
Energy and housing services	14,621,370	-	14,621,370
Child & family services	10,514,665	-	10,514,665
Agency services	411,889	-	411,889
Cony Village LLC	39,308	-	39,308
Total program expenses	36,672,058	-	36,672,058
Supporting services:			
Management & general	2,280,944	-	2,280,944
Fundraising	18,768	-	18,768
Total supporting services	2,299,712	-	2,299,712
Total expenses	38,971,770	-	38,971,770
Change in net assets	2,495,636	406,418	2,902,054
Net assets, beginning of year	5,297,049	100,271	5,397,320
Net assets, end of year	\$ 7,792,685	\$ 506,689	\$ 8,299,374

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Activities
Year Ended September 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants	\$ 18,913,536	\$ -	\$ 18,913,536
Contracts	8,593,873	-	8,593,873
Program revenue	1,991,356	-	1,991,356
Other revenue	999,970	9,355	1,009,325
In-kind	721,949	-	721,949
Net assets released from restrictions	236,077	(236,077)	-
Total revenues	31,456,761	(226,722)	31,230,039
Expenses:			
Program services:			
Community services	10,113,645	-	10,113,645
Energy services	5,123,535	-	5,123,535
Child & family services	10,197,919	-	10,197,919
Agency services	373,842	-	373,842
Cony Village LLC	953,367	-	953,367
Total program expenses	26,762,308	-	26,762,308
Supporting services:			
Management & general	2,117,986	-	2,117,986
Fundraising	2,632	-	2,632
Total supporting services	2,120,618	-	2,120,618
Total expenses	28,882,926	-	28,882,926
Change in net assets	2,573,835	(226,722)	2,347,113
Net assets, beginning of year	2,723,214	326,993	3,050,207
Net assets, end of year	\$ 5,297,049	\$ 100,271	\$ 5,397,320

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Functional Expenses
Year Ended September 30, 2021

	Program Services					Supporting Services				
	Community Services	Energy & Housing Services	Child & Family Services	Agency Services	Cony Village, LLC	Total Program	Management and General	Fundraising	Total Supporting Services	Total
Expenses										
Personnel	\$ 3,064,188	\$ 1,376,041	\$ 5,359,588	\$ 49,083	\$ -	\$ 9,848,900	\$ 1,448,085	\$ 3,127	\$ 1,451,212	\$ 11,300,112
Payroll taxes and employee benefits	912,703	429,774	1,887,877	7,909	-	3,238,263	341,139	1,236	342,375	3,580,638
Staff development	3,573	8,522	91,534	(16)	-	103,613	33,560	-	33,560	137,173
Travel	11,252	7,785	56,261	-	-	75,298	1,118	72	1,190	76,488
Direct client assistance - common carrier	2,084,069	-	-	-	-	2,084,069	-	-	-	2,084,069
Direct client assistance - other	3,312,417	11,315,624	6,695	10,036	-	14,644,772	-	-	-	14,644,772
Office costs	18,468	121,218	61,809	-	-	201,495	68,187	-	68,187	269,682
Insurance	501	37,937	14,725	2,346	1,159	56,668	52,434	-	52,434	109,102
Telecommunications	147,864	35,457	58,532	19	-	241,872	24,525	-	24,525	266,397
Space and occupancy	177,066	228,900	147,292	19,388	4,569	577,215	66	-	66	577,281
Space and occupancy - in-kind	-	-	841,325	-	-	841,325	-	-	-	841,325
Contract services	147,918	747,552	1,294,877	1,249	3,585	2,195,181	211,543	1,811	213,354	2,408,535
Contract services - in-kind	-	-	250	-	-	250	-	-	-	250
Vehicle	820,145	17,600	34	-	-	837,779	-	-	-	837,779
Housing property costs	-	214	-	6,068	5,189	11,471	-	-	-	11,471
Material & supplies	101,291	82,895	456,314	148	-	640,648	35,934	1,590	37,524	678,172
Material & supplies - in-kind	-	-	15,501	-	-	15,501	-	-	-	15,501
Administration	21,887	10,059	37,614	343	-	69,903	-	22	22	69,925
Interest	14,786	25,215	981	979	12,610	54,571	86	-	86	54,657
Depreciation and amortization	205,521	61,289	30,458	305,981	-	603,249	35,996	-	35,996	639,245
Provision for bad debts/loan losses	756	1,294	239	-	-	2,289	-	-	-	2,289
Other	40,421	113,994	152,759	8,356	12,196	327,726	28,271	10,910	39,181	366,907
Total expenses	\$ 11,084,826	\$ 14,621,370	\$ 10,514,665	\$ 411,889	\$ 39,308	\$ 36,672,058	\$ 2,280,944	\$ 18,768	\$ 2,299,712	\$ 38,971,770

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Functional Expenses
Year Ended September 30, 2020

	Program Services					Supporting Services				
	Community Services	Energy & Housing Services	Child & Family Services	Agency Services	Cony Village, LLC	Total Program	Management and General	Fundraising	Total Supporting Services	Total
Expenses										
Personnel	\$ 2,970,979	\$ 1,085,768	\$ 5,384,839	\$ 85,411	\$ -	\$ 9,526,997	\$ 1,251,214	\$ 1,066	\$ 1,252,280	\$ 10,779,277
Payroll taxes and employee benefits	894,344	334,734	1,732,430	32,312	-	2,993,820	295,571	226	295,797	3,289,617
Staff development	4,879	7,059	65,280	210	-	77,428	10,036	-	10,036	87,464
Travel	25,358	17,496	98,005	251	-	141,110	9,397	11	9,408	150,518
Direct client assistance - common carrier	1,764,498	4	-	-	-	1,764,502	-	-	-	1,764,502
Direct client assistance - other	2,872,917	3,020,829	6,409	22,348	-	5,922,503	-	43	43	5,922,546
Office costs	25,027	29,476	36,785	1,707	-	92,995	76,031	-	76,031	169,026
Insurance	500	3,924	13,256	1,539	4,214	23,433	48,532	-	48,532	71,965
Telecommunications	152,411	33,231	59,608	119	-	245,369	18,429	-	18,429	263,798
Space and occupancy	133,922	132,487	129,195	16,389	1,943	413,936	51	-	51	413,987
Space and occupancy - in-kind	-	-	709,723	-	-	709,723	-	-	-	709,723
Contract services	139,599	264,831	1,347,873	6,776	681,286	2,440,365	280,633	150	280,783	2,721,148
Contract services - in-kind	-	-	6,536	-	-	6,536	-	-	-	6,536
Vehicle	792,760	21,249	-	4	-	814,013	-	-	-	814,013
Housing property costs	-	234	-	-	239,305	239,539	-	-	-	239,539
Material & supplies	44,691	65,771	380,765	123	-	491,350	34,532	89	34,621	525,971
Material & supplies - in-kind	-	-	5,690	-	-	5,690	-	-	-	5,690
Administration	43,567	16,196	78,259	1,240	-	139,262	-	15	15	139,277
Interest	20,994	5,172	1,745	10,823	26,019	64,753	103	-	103	64,856
Depreciation and amortization	176,009	54,261	25,875	176,982	-	433,127	41,954	-	41,954	475,081
Provision for bad debts/loan losses	322	800	-	-	-	1,122	-	-	-	1,122
Other	50,868	30,013	115,646	17,608	600	214,735	51,503	1,032	52,535	267,270
Total expenses	\$ 10,113,645	\$ 5,123,535	\$ 10,197,919	\$ 373,842	\$ 953,367	\$ 26,762,308	\$ 2,117,986	\$ 2,632	\$ 2,120,618	\$ 28,882,926

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Cash Flows Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 2,902,054	\$ 2,347,113
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	639,245	475,081
Gain on investments	(8,282)	(4,736)
Loss on disposal of property and equipment	-	49,357
Granted vehicles	(692,259)	(355,362)
Discount on loans receivable issued	541,244	
Loans receivable issued by third party	(138,452)	
Forgiveness of debt	-	(30,000)
Changes in assets and liabilities:		
Accounts and grants receivable	(1,828,023)	1,076,403
Prepaid expenses	(307,046)	(106,687)
Inventory	14,434	394,458
Accounts payable	445,648	(203,187)
Accrued expenses	84,572	308,136
Reserves	66,526	(67,310)
Deferred revenue	80,425	523,710
Refundable advances	4,555,519	632,854
Net cash provided by operating activities	<u>6,355,605</u>	<u>5,039,830</u>
Cash flows from investing activities:		
Proceeds on sale of property and equipment	-	2,911
Issuance of loans receivable	(576,483)	-
Payments received on loans receivable	1,624	1,721
Purchase of property and equipment	(116,906)	(874,038)
Net cash used in investing activities	<u>(691,765)</u>	<u>(869,406)</u>
Cash flows from financing activities:		
Principal payments on line-of-credit	-	(130,000)
Principal payments on long-term debt	(527,495)	(259,944)
Net cash used in financing activities	<u>(527,495)</u>	<u>(389,944)</u>
Change in cash and cash equivalents	5,136,345	3,780,480
Cash and cash equivalents, beginning of year	5,147,603	1,367,123
Cash and cash equivalents, end of year	\$ 10,283,948	\$ 5,147,603
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$ 54,657	\$ 64,856

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Kennebec Valley Community Action Program (KVCAP) is a nonprofit agency organized to provide a focal point for anti-poverty and other social service efforts throughout the communities of the Kennebec Valley area. The accounting practices of KVCAP are designed primarily to demonstrate stewardship of the funds entrusted to it, compliance with prescribed grant conditions and other special requirements, including the furnishing of certain amounts of cash or non-cash contributions to programs from nonfederal sources.

Cony Village, LLC is dedicated to affordable housing development built to green standards.

KVCAP has a 100% interest in KVCAP Real Estate Development, Inc. (KREDI) that holds minority general partner interests in Gerald Hotel Associates, LP and Hartland Senior Housing GP, LLC. KVCAP has determined consolidation is not necessary based on the guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2017-02, Not-For-Profit Entities Consolidating (Subtopic 958-810): *Clarifying When a Not-for-Profit Entity That is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity.*

Description of Services

Community Services

This department is comprised of two divisions. The Social Services division offers programming to first-time parents, provides support services to pregnant and parenting teens, and participates in a program to prevent child abuse and neglect. The Transportation division has two components: operating public transit services in the Augusta, Waterville, and Skowhegan areas, and providing door-to-door transportation services through a network of volunteers for medical and social service appointments.

Energy & Housing Services

The Energy & Housing Services department provides home weatherization and other energy saving services in Kennebec, Somerset, Lincoln, and Sagadahoc Counties; as well as providing home energy and telephone assistance services, and operating home repair/loan programs. The department also provides a comprehensive home buyer education course, individual pre- and post-purchase counseling services, foreclosure prevention counseling, credit counseling, and develops homeownership opportunities through new construction and purchase/rehab activities. Energy & Housing also includes Community Initiatives, which operates resource navigator programs and maintains a walk-in teen center.

Child & Family Services

The Child & Family Services department operates Head Start and Early Head Start programs throughout northern Kennebec and all of Somerset Counties, provides high-quality childcare services to families with children ages 6 weeks to 5 years old, and offers comprehensive Head Start and childcare services. All services are provided through partnerships with area school districts, home care providers, other non-profits, and Educare Central Maine in order to reach the most children in the Organization's service area.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Description of Services (Continued)

Agency Services

The Agency Services department offers programs designed to increase the operations and efficiency of the Organization in regard to providing all other program services.

Cony Village, LLC

Cony Village, LLC offers efficient, low-maintenance home ownership opportunities for low and mixed-income families in the capital area.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of KVCAP, Cony Village, LLC and KREDI (collectively referred to as the “Organizations”). All significant interorganizational transactions and balances have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates resources may be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

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

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Subtopic 958-605. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances. As of September 30, 2021, refundable advances of \$5,233,388 were from the COVID-19 Emergency Rental Assistance Program.

B. Grant Awards that are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the term of the award and ASC Topic 606. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Program revenue represent amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers

The Organizations recognize exchange revenue in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU 2014-09) and ASC 606, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition with a focus on the transfer of control of promised goods or services to a customer.

Total revenue from contracts recognized in accordance with ASC 606 during the years ended September 30, 2021 and 2020, and included on the consolidated statements of activities is summarized below:

	2021	2020
MaineCare transportation services	\$ 8,134,776	\$ 7,152,954
Childcare services	1,398,807	1,361,060
Developer fees	102,102	-
Educational services	79,460	79,859
Totals	\$ 9,715,145	\$ 8,593,873

MaineCare transportation services is a contract with another nonprofit organization to provide transportation (ride) services as needed to MaineCare enrollees. KVCAP receives a monthly payment based on the number of individuals enrolled in MaineCare and must provide the requested rides or contract with other providers for the rides. KVCAP's performance obligation is to provide rides during the contract and revenue is recognized over time. KVCAP and the nonprofit periodically review actual costs and revenue earned through MaineCare to redistribute the allocation between the two entities. The subsequent re-allocation results in either an additional receivable or deferred revenue depending on actual results.

Childcare services represent contractual fees charged for the care of children with either the State of Maine or to individuals. Pricing is established based on rates set by the State of Maine depending on various factors such as age and daily time needs. KVCAP bills bi-weekly to the State of Maine for families with a voucher with reimbursement in the following month. Individual payors are billed weekly. Providing care to the child is the performance obligation and revenue is recognized over time.

KVCAP provides educational services to homebuyers and parents. The fees for these services are set by KVCAP and are due in advance of the training. The performance obligation is to provide the training, and revenue is recognized at the point and time the training is conducted.

KVCAP recognizes developer fees at the amount of consideration to which KVCAP expects to be entitled to, as stated in the partnership agreement, in exchange for coordinating the acquisition, development, and construction of rental units. The various milestones in the partnership agreement represent the individual performance obligation. Developer fees are recognized at a point in time each milestone is completed.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization determined at September 30, 2021 and 2020 there were no services provided without a contract in place and, therefore, has no expected adjustments to receivables and revenue. The receivables from contracts with customers for services provided are included in accounts and grants receivable on the consolidated statements of financial position and the contract liabilities from contracts with customers are included in deferred revenue on the consolidated statements of financial position are as follows:

Accounts receivable from contracts with customers at October 1, 2019	\$ 159,127
Accounts receivable from contracts with customers at September 30, 2020	450
Accounts receivable from contracts with customers at September 30, 2021	38,382
Deferred revenue from contracts with customers at October 1, 2019	\$ -
Deferred revenue from contracts with customers at September 30, 2020	523,710
Deferred revenue from contracts with customers at September 30, 2021	604,135

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all checking and escrow accounts, and short-term debt securities purchased with a maturity of three months or less, to be cash equivalents.

Investments

The Organizations carry investments in marketable securities with readily determinable fair values at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Accounts and Grants Receivable

Accounts and grants receivable consists primarily of revenue from various government grants and contracts. No allowance for uncollectible accounts has been established as all accounts receivable are believed to be collectible.

Inventory

The Organizations construct single and condominium units on land that it owns. Inventory represents the remaining unsold land and construction costs incurred to date on various building lots. Inventory is stated at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are capitalized at cost or fair value at the date of the donation and are depreciated over their useful lives using the straight-line method. Estimated useful lives range from 20-40 years for buildings, 5-40 years for building renovations, 5-10 years for equipment, and 5-15 years for vehicles. The Organizations considers property and equipment to be assets with a cost greater than \$5,000 and a useful life greater than one year.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Property and equipment purchased with grant funds are owned by the Organizations while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds net of depreciation was \$1,351,840 at September 30, 2021 and is carried in net assets without donor restrictions on the consolidated statements of financial position.

Income Taxes

KVCAP is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the State income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. KVCAP is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. KVCAP has determined there are no amounts to records as assets or liabilities related to uncertain tax positions.

Cony Village, LLC is a disregarded entity of KVCAP for tax purposes. Accordingly, all of Cony Village, LLC's activity is reported on KVCAP's tax return.

KREDI is a C Corporation and classified as a taxable entity for tax purposes. KREDI income tax obligations and associated tax assets and liabilities are insignificant.

In-Kind Contributions

Consulting services, space, and supplies used for program purposes are presented in the consolidated financial statements at estimated fair value and recorded when received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organizations in its Child and Family Services programs. KVCAP received \$86,983 and \$185,673 worth of non-professional volunteer services during the years ended September 30, 2021 and 2020, respectively. These amounts are not recognized in the September 30, 2021 and 2020 consolidated financial statements because they don't meet the criteria for recognition under accounting principles generally accepted in the United States.

Functional Allocation of Costs

The costs of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses. Such allocations are determined by management on an equitable basis. Accordingly, certain costs have been allocated amongst: Community Services, Energy & Housing Services, Child & Family Services, Agency Services, Cony Village, and the administrative and fundraising functions that support the aforementioned Programs.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Costs (Continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Travel	Time and effort
Direct Client Assistance	Cost/use
Legal & Accounting	Cost/use
Contract Services	Cost/use
Office Costs & Supplies	Cost/use
Space and Occupancy	Cost/use/square footage
Depreciation	Cost/use/square footage
Insurance	Cost/use/square footage
Other	Time and effort/cost/use

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Change in Accounting Policy

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. This adoption was applied on a modified retrospective basis as of October 1, 2020. There were no changes to revenue as a result of implementation nor were any beginning balances restated.

Upcoming Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU 2020-05, *Leases* (Topic 842) that extended the effective date for certain entities to annual periods beginning after December 15, 2021. KVCAP is currently evaluating the impact of the provisions of ASU Topic 842.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed NonFinancial Assets* (Topic 958). The amendments in this update will require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The amendments in this update are effective for annual financial statements issued for years beginning after June 15, 2021, applied on a retrospective basis. KVCAP is currently evaluating the impact this standard will have on its financial statements.

Reclassifications

Certain amounts as previously reported in the 2020 financial statements have been reclassified to conform to 2021 presentation. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

Note 2: Concentration of Credit Risk

The Organization maintains their cash balances consisting of checking accounts and savings accounts in financial institutions located in Maine. The Federal Deposit Insurance Corporation insures balances up to \$250,000 for all accounts. In addition, one bank has entered into an agreement with the Organization, which provides a collateralized perfected interest in certain securities held by the bank for the checking account balances. As of September 30, 2021 and 2020, KVCAP's cash balances were either insured by federal depository agencies or within the bank's collateralized agreement. KVCAP has not experienced any losses with the accounts and management believes KVCAP is not exposed to any significant risk on balances at financial institutions.

Note 3: Investments and Fair Value Measurements

Marketable investments are stated at fair value and consist of US Equity exchange traded funds of \$52,802 and \$44,520 at September 30, 2021 and 2020. The investments are traded in an active market and therefore are measured as Level 1 in the fair value hierarchy. Investment return on these funds consisted of unrealized gains of \$8,282 and \$4,736 for the years ended September 30, 2021 and 2020, and is included in other income on the consolidated statements of activities.

Note 4: Accounts and Grants Receivable

The accounts and grants receivable balances represent amounts due as follows at September 30:

	2021	2020
Direct federal programs	\$ 969,684	\$ 106,057
Other federal programs	1,258,512	925,917
State and local programs	1,415,112	783,311
Total	\$ 3,643,308	\$ 1,815,285

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 5: Loans Receivable

The Organizations provide loans to various entities and individuals as follows:

Housing Partnership Loan

On January 17, 2021 KREDI entered into an agreement with HIF Asset Projector, LLC to form Hartland Senior Housing GP, LLC. KREDI has a 79% ownership in Hartland Senior Housing GP, LLC. On the same day, Hartland Senior Housing GP, LLC entered into an agreement with Housing New England Fund II Limited Partnership relating to Hartland Senior Housing Associates Limited Partnership. Hartland Senior Housing GP, LLC has a 0.01% ownership in Hartland Senior Housing Associates Limited Partnership. Hartland Senior Housing Associates Limited Partnership was formed to acquire, rehabilitate, develop, improve, maintain, operate, mortgage, sell, lease, or otherwise deal with a property located in Hartland, Maine.

KVCAP was awarded up to \$1,000,000 of Community Development Block Grant (CDBG) funds from the Town of Hartland, Maine and up to \$650,000 of funds from Federal Home Loan Bank of Boston's Affordable Housing Program for the purpose of providing no interest loans to Hartland Senior Housing Associates Limited Partnership. As of September 30, 2021, \$714,935 of CDBG funds were loaned out which are due no later than December 31, 2054. The loan receivable is discounted to net present value at a 5% discount rate, resulting in a discount of \$541,244 and a loan receivable balance of \$173,691, net of the discount. At this time, KVCAP expects to collect the loan receivable when due and therefore has not recorded an allowance for doubtful accounts on this loan receivable.

Housing Program Loans

KVCAP receives funds under housing programs where funds are loaned to qualified low-income individuals. Repayments of loans are returned to the revolving fund to allow for additional loans. The loans receivable totaled \$5,851 and \$7,475 at September 30, 2021 and 2020, respectively. No allowance is considered necessary as management feels all amounts will be collected.

Deferred Loans

KVCAP also receives grant funds from the Maine State Housing Authority, Federal Home Loan Bank, and other funding sources to lend to qualified low-income individuals. These loans are not required to be repaid unless certain provisions of the agreements are not met or followed over a pre-determined amount of time. The time constraints range from 5-20 years depending on the note and the funding source. The amount of these loans receivable totaled \$364,916, less a \$273,619 reserve for uncollectible loans at September 30, 2021 and 2020.

Affordable Housing Loan

Cony Village, LLC, holds a forgivable promissory note for affordable housing from another non-profit organization. This note is forgivable after a term of 30 years. The loan receivable totaled \$30,000 at September 30, 2021 and 2020.

Note 6: Reserve for Self-Insurance

The Organizations partially self-insure their health care costs. In order to reduce risk, the Organizations carry stop-loss coverage for expenses on an individual level over \$60,000 and aggregate costs over \$1,487,000. The Organizations are responsible for employee medical claims not covered by stop-loss insurance. In anticipation of cost fluctuations, the Organizations have accumulated a reserve of \$806,405 and \$739,879 as of September 30, 2021 and 2020. The reserve is reported as a liability in the consolidated statements of financial position since excess funds would be required to be returned to grant funding sources if not utilized for employee medical costs.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt

Long-term debt consists of the following at September 30:

	2021	2020
Note payable to Skowhegan Savings Bank, payable in monthly installments of \$2,156 including interest at 7.75% through October 15, 2023, secured by the Boulette Building in Skowhegan, Maine.	\$ -	\$ 49,487
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,568 including interest at a fixed rate of 3.99% through November 9, 2020, with a final balloon payment due on the maturity date equal to unpaid principal and accrued and unpaid interest, secured by agency vehicles.	-	21,417
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,735 including interest at a fixed rate of 3.99% through November 21, 2020, with a final balloon payment due on the maturity date equal to unpaid principal and accrued and unpaid interest, secured by agency vehicles.	-	23,690
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,835 including interest at a fixed rate of 6.00% through March 30, 2022, secured by agency vehicles.	-	31,824
Note payable to Kennebec Savings Bank, payable in monthly installments of \$3,151 including interest at a fixed rate of 4.79%. On October 6, 2023, the note will be payable in monthly installments of \$3,167 including interest based on the Wall Street Journal Prime +.75% any may change annually through September 6, 2028. The note is secured by instrument on the property located at 101 Water Street, Waterville, Maine and 97 Water Street, Waterville, Maine.	-	250,892
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,961 including interest at a fixed rate of 5.7% through March 14, 2024, secured by agency vehicles.	-	74,495
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,132 including interest at a fixed rate of 4.99% through September 6, 2022, secured by agency copiers.	-	25,809
Note payable to Kennebec Savings Bank, payable in semi-annual payments of principal to coincide with the receipt of real estate tax payments including interest at a fixed rate of 6.00% through March 31, 2038, secured by real estate.	87,682	137,563
Note payable to Kennebec Savings Bank, with interest only installments at a fixed rate of 4.50%. The terms require principal payments in any year that the balance per the original amortization schedule falls below the current balance through June 21, 2027, secured by real estate.	168,415	168,415

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt (Continued)

	2021	2020
Note payable to Maine State Housing Authority, with no payments or interest due. Forgivable as of the date that the Affordable Homeownership Units in the development have been sold in accordance with the terms through January 1, 2024, secured by real estate.	120,000	120,000
Total long-term debt	376,097	903,592
Current portion	(5,936)	(154,457)
<u>Long-term portion</u>	<u>\$ 370,161</u>	<u>\$ 749,135</u>

Principal requirements on long-term debt for years ending after September 30, 2021, are as follows:

2022	\$ 5,936
2023	6,302
2024	126,691
2025	7,104
2026	95,454
<u>Thereafter</u>	<u>134,610</u>
<u>Total</u>	<u>\$ 376,097</u>

Note 8: Lines of Credit

At September 30, 2021 and 2020, the Organization had the following lines of credit available for use:

A working capital line of credit agreement with a bank in the amount of \$500,000. Advances are payable on demand including interest at the base borrowing rate, as the Highest Prime rate as quoted in the Wall Street Journal and are unsecured. The line of credit agreement expires March 1, 2023, and it can be renewed. There were no outstanding balances on this line of credit at September 30, 2021 and 2020.

A housing guidance line of credit with a bank in the amount of \$500,000. The guidance line permits advances to be used exclusively for the purchase of real estate of which the bank will hold the first mortgage. Advances to purchase real estate will not exceed 80% of the appraised value. The line of credit expired April 3, 2022, and the Organizations are in the process of renewing the line of credit. There were no outstanding balances on this line of credit at September 30, 2021 and 2020.

Note 9: Retirement Plan

KVCAP sponsors a defined contribution plan covering all eligible employees. If an employee does not contribute to the plan, KVCAP contributes 2% of the employee's compensation to the Plan. If an employee contributes at least 1% of their compensation, KVCAP will match 3% of the employee's compensation. Contributions are determined as a percentage of each employee's salary and amounted to \$322,154 and \$305,284 years ended September 30, 2021 and 2020, respectively.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 10: Operating Leases

KVCAP has noncancelable operating leases for space and equipment that are scheduled to expire at various dates through November 30, 2028. The space leases can be extended beyond the initial term upon mutual agreement of the parties. Rental expenses for the years ended September 30, 2021 and 2020, were \$34,871 and \$40,764, respectively. Future minimum lease payments under all operating leases beyond September 30, 2021 are as follows:

2022	\$	38,786
2023		17,466
2024		10,967
2025		8,800
2026		8,800
Thereafter		19,067
<hr/>		
Total	\$	103,886

Note 11: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at September 30:

	2021	2020
<i>Subject to expenditure for specified purpose:</i>		
MSHA housing preservation revolving loan fund	\$ 91,297	\$ 90,916
COVID-19 Emergency Fund	25,741	9,355
Community Celebration – Book Project	3,950	-
Child Care Supportive Funding	1,313	-
Community Meals Program	800	-
Fuel Assistance	8,576	-
Teen Center Supportive Funds/Scholarship Funding	34,355	-
Hope Fund	23,085	-
Transportation supportive funds	143,881	-
CDBG grant funds – Hartland Project	173,691	-
<hr/>		
Total	\$ 506,689	\$ 100,271

Net assets released from donor restrictions were as follows for the years ended September 30:

	2021	2020
<i>Satisfaction of restrictions:</i>		
COVID-19 Emergency Fund	\$ 3,028	\$ -
Neighborworks America Loan/Capital Funds	-	236,077
<hr/>		
Total	\$ 3,028	\$ 236,077

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 11: Net Assets With Donor Restrictions (Continued)

NeighborWorks America provided no additional capital grants for the years ended September 30, 2021 and 2020 for capital projects. Any such amounts previously contributed were held with restrictions, although proceeds on the capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restrictions for furthering the Organizations' mission. However, should the Organizations become defunct, all remaining interest earnings, capital projects proceeds, and the capital projects portfolios representing the use of these funds will revert to NeighborWorks America. In 2020, the Organizations applied to NeighborWorks America to remove the restrictions on funds received in prior years. The application was approved, and all funds have been reclassified from net assets with donor restrictions to net assets without donor restrictions.

Note 12: Net Assets Without Donor Restrictions

Net assets without donor restrictions were as follows for the years ended September 30:

	2021	2020
Board designated:		
Agency Reserves	\$ 2,125	\$ 3,467
Educare Building Reserve	349,257	317,930
Homeless Bridge Funding	47,289	-
Weatherization Supports	43,780	-
Unrestricted, undesignated	7,350,234	4,975,652
Total	\$ 7,792,685	\$ 5,297,049

Note 13: Liquidity and Availability

Financial assets available for general expenditure; that is, without donor or other restrictions or designations limiting their use, within twelve months of the consolidated statement of financial position date, are comprised of the following as of September 30:

	2021	2020
Cash and cash equivalents	\$ 10,283,948	\$ 5,147,603
Accounts and grants receivable	3,643,308	1,815,285
Total financial assets	13,927,256	6,962,888
Less: accounts payable	(1,326,167)	(880,519)
Less: accrued expenses and reserve for self-insurance	(2,188,639)	(2,037,541)
Less: refundable advances	(6,521,653)	(1,966,134)
Less: net assets with donor restrictions in cash	(332,998)	(100,271)
Less: board designated net assets	(442,451)	(321,397)
Total	\$ 3,115,348	\$ 1,657,026

KVCAP does not have a formal liquidity policy. KVCAP has one line of credit available for cash flow needs up to \$500,000 as described in Note 8. KVCAP can rely on lower balances of available financial assets as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source. KVCAP has grant commitments available for future expenses in the amount of \$8,700,000 as described in Note 14.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 14: Grant Awards

At September 30, 2021, KVCAP had received future funding commitments under various grants of approximately \$8,700,000. These commitments are not recognized in the accompanying financial statements as revenues and receivables as they are conditional awards.

Note 15: Concentration in Revenue

Of the revenues received by the KVCAP in fiscal years 2021 and 2020, approximately 81% and 79% were from state and federal funded grants, contracts, and fee agreements. Changes in reimbursement methods or reductions in available funds could adversely affect operations if alternative funding sources are not readily available.

Note 16: Related Party Transactions

KVCAP received the use of space at no cost from Educare Central Maine, whose board membership and executive committee includes a representative from KVCAP's senior management, as well as a representative from KVCAP's board of directors. KVCAP has reported contribution revenue and program expense amounting to \$841,325 and \$709,723 in the accompanying consolidated statement of activities for the free use of the facility during the years ended September 30, 2021 and 2020, respectively. In addition, Educare Central Maine passes through funds from private foundation grants to KVCAP. These funds totaled \$292,255 and \$303,302 for the years ended September 30, 2021 and 2020, respectively. At September 30, 2021 were no recorded receivables from Educare Central Maine, while \$171,815 was recorded as a receivable September 20, 2020.

Note 17: Commitments and Contingencies

KVCAP participates in a number of federally assisted and state grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any disallowed costs may constitute a liability of KVCAP. KVCAP is also required to match 25% of the grant funds received from the Head Start program with local resources. KVCAP believes that it is in compliance with all grant requirements, including those related to matching and disallowed costs, and any noncompliance would not be significant.

KVCAP is serving as guarantor on \$3,800,000 in loans and has guaranteed other commitments relating to general partner obligations under the partnership agreement of Hartland Senior Housing Associates Limited Partnership.

Note 18: Business Conditions

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Pandemic (COVID-19). KVCAP has received additional funding to assist with operating in a COVID-19 environment and to provide additional assistance to program participants. KVCAP has not suffered material adverse impacts to operations from COVID-19 and management believes it is taking appropriate action to mitigate the risks and uncertainties of COVID-19. The future impact of COVID-19 on KVCAP cannot be reasonably estimated at this time.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 19: Subsequent Events

Subsequent events have been evaluated through June 30, 2022, which is the date the financial statements were available to be issued.

On December 8, 2021, KREDI entered into an agreement with WHA, Inc. (an affiliate of WNC Holding, LLC) to form Mary Street Housing GP, LLC. KREDI has 79% ownership in Mary Street Housing GP, LLC. On the same day, Mary Street Housing GP, LLC was authorized to act as a general partner in Mary Street Associates LP and to enter into an Amended and Restated Agreement of Limited Partnership with WNC Holding LLC and WNC Housing, LP, or affiliates to become limited partners; and Mary Street State Credit Partner, LLC (solely owned by KVCAP) becomes a special state tax credit limited partner. Mary Street Housing GP, LLC has a 0.01% ownership in Mary Street Associates LP. Mary Street Associates LP was formed for the purpose of acquiring land, constructing, owning, operating, and leasing an affordable housing project located in Skowhegan, Maine. In connection with the development of the property, KVCAP was granted a subordinate mortgage on the project owned by Mary Street Associates LP in the aggregate amount of \$6,779,438. The mortgage secures promissory notes from Mary Street Associates LP to KVCAP in the amounts of \$4,475,663 and \$2,303,775. The promissory notes evidence the payment by KVCAP to the Partnership of tax refund payments from the State of Maine to KVCAP in connection with State of Maine Low Income Housing Tax Credits and State of Maine Historic Rehabilitation Tax Credits allocated to Mary Street Associates LP for the construction of affordable housing and the qualified rehabilitation of a historic structure, respectively.

Additionally, KVCAP assigned a promissory note from Mary Street Associates LP to KVCAP to Skowhegan Savings Bank in the amount of \$500,000 representing proceeds of the award received from the Federal Home Loan Bank of Boston's Affordable Housing Program. KVCAP is serving as guarantor on \$14,958,850 in loans and has guaranteed other commitments relating to general partner obligations under the partnership agreement of Mary Street Associates LP.

Supplementary Information

Kennebec Valley Community Action Program and Subsidiaries

Consolidating Statement of Financial Position

September 30, 2021

	KVCAP	Cony Village, LLC	Eliminations	Total
<i>Assets</i>				
Current assets:				
Cash and cash equivalents	\$ 9,755,909	\$ 528,039	\$ -	\$ 10,283,948
Accounts and grants receivable	4,279,252	-	(635,944)	3,643,308
Current portion of loans receivable, net	1,871	-	-	1,871
Current portion of prepaid expenses, net	586,782	-	-	586,782
Inventory	120,229	816,113	-	936,342
Total current assets	14,744,043	1,344,152	(635,944)	15,452,251
Property and equipment:				
Land and land improvements	79,942	-	-	79,942
Buildings and improvements	3,108,281	-	-	3,108,281
Equipment and fixtures	1,135,031	-	-	1,135,031
Vehicles	2,928,306	-	-	2,928,306
Total property and equipment	7,251,560	-	-	7,251,560
Less: Accumulated depreciation	(3,751,983)	-	-	(3,751,983)
Net property and equipment	3,499,577	-	-	3,499,577
Other assets:				
Investments	414,913	-	(362,111)	52,802
Loans receivable, net of current portion	268,968	30,000	-	298,968
Prepaid expenses and other assets, net of current portion	12,467	-	-	12,467
Total other assets	696,348	30,000	(362,111)	364,237
TOTAL ASSETS	18,939,968	1,374,152	(998,055)	19,316,065
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Current portion of long-term debt	-	5,936	-	5,936
Accounts payable	1,326,167	635,944	(635,944)	1,326,167
Accrued expenses	1,382,234	-	-	1,382,234
Reserve for self insurance	806,405	-	-	806,405
Deferred revenue	604,135	-	-	604,135
Refundable advances	6,521,653	-	-	6,521,653
Total current liabilities	10,640,594	641,880	(635,944)	10,646,530
Non-current liabilities:				
Long-term debt, net of current portion	-	370,161	-	370,161
Total non-current liabilities	-	370,161	-	370,161
Total liabilities	10,640,594	1,012,041	(635,944)	11,016,691
Net assets:				
Without donor restrictions	7,792,685	362,111	(362,111)	7,792,685
With donor restrictions	506,689	-	-	506,689
Total net assets	8,299,374	362,111	(362,111)	8,299,374
TOTAL LIABILITIES AND NET ASSETS	\$ 18,939,968	\$ 1,374,152	\$ (998,055)	\$ 19,316,065

See Independent Auditor's Report.

Kennebec Valley Community Action Program and Subsidiaries

Consolidating Statement of Activities
September 30, 2021

	2021			
	KVCAP	Cony Village, LLC	Eliminations	Total
Revenues				
Grants	\$ 28,039,754	\$ 41,263	\$ -	\$ 28,081,017
Contracts	9,715,145	-	-	9,715,145
Program revenue	2,408,998	-	-	2,408,998
Other revenue	813,543	5,393	(7,348)	811,588
In-kind	857,076	-	-	857,076
Total revenues	41,834,516	46,656	(7,348)	41,873,824
Expenses				
Program services:				
Community services	11,084,826	-	-	11,084,826
Energy and housing services	14,621,370	-	-	14,621,370
Child & family services	10,514,665	-	-	10,514,665
Agency services	411,889	-	-	411,889
Cony Village LLC	-	39,308	-	39,308
Gerald Hotel Associates, LP	-	-	-	-
Total program expenses	36,632,750	39,308	-	36,672,058
Supporting services:				
Management & general	2,280,944	-	-	2,280,944
Fundraising	18,768	-	-	18,768
Total supporting services	2,299,712	-	-	2,299,712
Total expenses	38,932,462	39,308	-	38,971,770
Change in net assets	2,902,054	7,348	(7,348)	2,902,054
Net assets, beginning of year	5,397,320	354,763	(354,763)	5,397,320
Net assets, end of year	\$ 8,299,374	\$ 362,111	\$ (362,111)	\$ 8,299,374

Kennebec Valley Community Action Program and Subsidiaries

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
U.S. Department of Agriculture:				
Pass-through State Department of Education:				
Child & Adult Care Food Program	10.558	C144	10/01/20-09/30/21	\$ 185,547
U.S. Department of Housing & Urban Development:				
Pass-through NeighborWorks America:				
Housing Counseling Assistance Program / HUD Home Ownership Ed & Counseling	14.169	N/A	04/01/21-03/31/22	10,728
Housing Counseling Assistance Program / HUD Home Ownership Ed & Counseling	14.169	G-OUT-2021-61316 / G-OUT-2021-65935	04/01/20-03/31/21	14,946
Subtotal AL #14.169				25,674
Pass-through State Department of Department of Economic & Community Development/City of Rockland, ME				
Community Development Block Grants/State's Program / Home Repair	14.228	N/A	04/01/20-03/31/22	129,302
Pass-through State Department of Department of Economic & Community Development/Town of Hartland, ME				
Community Development Block Grants/State's Program / Hartland Senior Housing	14.228	2019 HA Grant	11/01/20-06/30/22	714,935
Subtotal AL #14.228				844,237
U.S. Department of Justice:				
Pass-through Alford Youth Center:				
Juvenile Mentoring Program / BGCA Teen Center OJP	16.726	OJP-2019-47311	03/01/20-12/31/20	962
Juvenile Mentoring Program / BGCA Teen Center OJP	16.726	OJJDPP 2020-48428	01/01/21-12/31/21	3,192
Subtotal AL #16.726				4,154
U.S. Department of Transportation:				
Pass-through State Department of Transportation:				
COVID-19 - Formula Grants for Rural Areas & Tribal Transit Program / FTA CARES Act	20.509	CSN 41595	02/01/20-Open	730,422
Formula Grants for Rural Areas & Tribal Transit Program / Explorer	20.509	CSN 40891	07/01/19-06/30/21	120,645
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 42272	10/15/20-11/30/20	1,000
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 42275	08/01/20-12/31/20	8,200
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 42920	01/21/21-07/31/21	6,518
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 43358	06/01/21-12/31/21	3,524
Subtotal AL #20.509				870,309
Transit Services Programs Cluster:				
Pass-through State Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities / Explorer	20.513	CSN 40862	09/16/19-09/06/26	82,913
Federal Transit Cluster:				
Pass-through State Department of Transportation:				
Buses and Bus Facilities Formula, Competitive & Low/No Emissions Program	20.526	CSN 40862	09/16/19-09/06/26	489,772
U.S. Department of Treasury:				
Pass-through NeighborWorks America:				
COVID-19 - NeighborWorks America / Emergency Response	21.000	G-SUPINT-2020-60831	09/21/20-Open	1,001
COVID-19 - NeighborWorks America / Food Insecurity	21.000	G-PRI-2021-62254	04/21/21-Open	6,941
NeighborWorks America / Expendable Grant (2020)	21.000	G-NEC-2020-56412	10/01/19-Open	16,610
NeighborWorks America / Expendable Grant (2021)	21.000	G-NEC-2021-61436	10/01/20-Open	117,870
NeighborWorks America / Training Grant	21.000	G-SUPINT-2021-61846	Open	1,123
NeighborWorks America / Telephone System Support	21.000	G-SUPINT-2021-62019	Open	15,000
NeighborWorks America / Neighborworks Week	21.000	G-NWW-2021-6226	05/03/21-06/07/21	500
Subtotal AL #21.000				159,045
Pass-through State Department of Health & Human Services:				
COVID-19 - Coronavirus Relief Fund / COVID-19 Response	21.019	COM-20-4003D	06/01/20-12/31/20	18,633
Pass-through Maine Department of Administrative and Financial Services/Maine State Housing Authority:				
COVID-19 - Coronavirus Relief Fund / Expanded COVID-19 Rent Relief Program	21.019	SLT0081/SLT0029	08/25/20-12/30/20	2,795,827
Subtotal AL #21.019				2,814,460
Pass-through Maine Department of Administrative and Financial Services/Maine State Housing Authority:				
COVID-19 - Emergency Rental Assistance / ERA Round 1	21.023	N/A	01/21/21-12/31/21	4,985,677
COVID-19 - Emergency Rental Assistance / Housing Stability - ERA Round 1	21.023	N/A	01/21/21-12/31/21	10,311
COVID-19 - Emergency Rental Assistance / ERA Round 2	21.023	N/A	08/02/21-10/31/22	1,939,969
COVID-19 - Emergency Rental Assistance / Housing Stability - ERA Round 2	21.023	N/A	08/02/21-10/31/22	16,232
Subtotal AL #21.023				6,952,189

Kennebec Valley Community Action Program and Subsidiaries

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
U.S. Department of Energy:				
Pass-through Maine State Housing Authority:				
Weatherization Assistance for Low-Income Persons	81.042	N/A	04/01/20-03/31/21	209,612
Weatherization Assistance for Low-Income Persons	81.042	N/A	04/01/21-03/31/22	206,504
Subtotal AL #81.042				416,116
U.S. Department of Health and Human Services:				
Pass-through Maine State Department of Health & Human Services:				
COVID-19 - Immunization Cooperative / Vaccination Supports	93.268	COM-21-5706	02/01/21-12/31/21	8,126
Pass-through Maine State Department of Health & Human Services:				
COVID-19 - Epidemiology & Laboratory Capacity for Infectious Diseases / Social Supports	93.323	COM-21-5009	02/01/21-12/31/21	84,528
Pass-through Maine State Department of Health & Human Services:				
Temporary Assistance for Needy Families / Whole Families	93.558	OFI-22-403	07/01/21-06/30/23	37,879
Temporary Assistance for Needy Families / State Head Start	93.558	CFS-22-1406	07/01/21-06/30/23	11,842
Temporary Assistance for Needy Families / State Head Start	93.558	CFS-20-1406B	07/01/19-06/30/21	41,499
Pass-through Maine State Department of Health & Human Services and Maine Children's Trust:				
Temporary Assistance for Needy Families / Maine Families	93.558	MCT-19-1601B	10/01/19-12/31/20	95,157
Pass-through Alford Youth Center:				
Temporary Assistance for Needy Families / South End Teen Center	93.558	CFS-21-2115	09/01/21-09/30/22	710
Subtotal AL #93.558				187,087
Pass-through Maine State Housing Authority:				
Low-Income Home Energy Assistance / Fuel Assistance	93.568	N/A	07/01/21-09/30/22	101,028
Low-Income Home Energy Assistance / Fuel Assistance	93.568	N/A	07/01/20-09/30/21	728,810
Low-Income Home Energy Assistance / Heat Pump Program	93.568	N/A	10/01/20-03/31/23	259,430
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2021)	93.568	N/A	10/01/20-03/31/23	103,775
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2019)	93.568	N/A	10/01/18-03/31/22	247,943
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2018)	93.568	N/A	10/01/17-03/31/22	684,035
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2017)	93.568	N/A	10/01/16-03/31/22	71,638
Subtotal AL #93.568				2,196,659
Pass-through State Department of Health & Human Services:				
Community Services Block Grant	93.569	CFS-21-7004A	10/01/20-09/30/21	477,175
COVID-19 - Community Services Block Grant / CARES Act	93.569	CFS-20-7104	01/01/20-09/30/22	221,918
Subtotal AL #93.569				699,093
CCDF Cluster:				
Pass-through State Department of Health & Human Services:				
COVID-19 - Child Care & Development Block Grant / OCFS (CRRSAA)	93.575	N/A	04/01/21-09/30/23	4,173
COVID-19 - Child Care & Development Block Grant / CFS Licensing (CARES)	93.575	N/A	09/01/20-09/30/21	76,300
Subtotal AL #93.575				80,473
Pass-through Maine Children's Trust:				
Community-Based Child Abuse Prevention Grants / Standards Grant	93.590	N/A	10/01/20-09/15/21	2,500
Community-Based Child Abuse Prevention Grants / Front Porch - Somerset	93.590	N/A	10/01/20-09/30/21	7,500
Community-Based Child Abuse Prevention Grants / Front Porch - Kennebec	93.590	N/A	10/01/20-09/30/21	7,500
Subtotal AL #93.590				17,500
Pass-through State Department of Judicial Branch:				
Grants to States for Access & Visitation Programs / Kids First	93.597	N/A	10/01/20-09/30/21	7,833
Head Start Cluster:				
Direct Awards:				
Head Start	93.600	01CH011233-03-00	09/01/21-08/31/22	235,051
Head Start	93.600	01CH011233-02-00	09/01/20-08/31/21	3,455,087
COVID-19 - Head Start / CARES Act Funding	93.600	01CH011233-02-C3	09/01/20-08/31/21	275,067
Head Start / Early Head Start/Child Care Partnership	93.600	01HP000391-03-00	09/01/21-08/31/22	163,314
Head Start / Early Head Start/Child Care Partnership	93.600	01HP000391-02-00	09/01/20-08/31/21	1,997,794
COVID-19 - Head Start / Early Head Start/Child Care Partnership CARES Act Funding	93.600	01HP000391-02-C3	09/01/20-08/31/21	52,728
Head Start / Early Head Start/Child Care Partnership - Round 3	93.600	01HP000179-01-03	03/01/19-08/31/21	36,226
COVID-19 - Head Start / Early Head Start/Child Care Partnership - Round 3 CARES Act Funding	93.600	01HP000179-01-C3	03/01/19-08/31/21	35,152
COVID-19 - Head Start / HS/EHS COVID	93.600	01HE000099-01-00	04/1/21-03/31/23	5,685
COVID-19 - Head Start / HS/EHS American Rescue Plan	93.600	01HE000099-01-01	04/1/21-03/31/23	21,348
Subtotal AL #93.600				6,277,452

Kennebec Valley Community Action Program and Subsidiaries

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
Social Services Block Grant / KV Van Low-Income & Child Welfare	93.667	CFS-21-4014A	07/01/20-06/30/21	138,500
Social Services Block Grant / KV Van Low-Income & Child Welfare	93.667	CFS-22-4014	07/01/21-06/30/22	34,879
Subtotal AL #93.667				173,379
Pass-through Maine Children's Trust:				
Maternal, Infant, & Early Childhood Home Visiting Grant / Maine Families	93.870	Sub CDO-21-4230	01/01/21-09/30/21	565,314
Maternal, Infant, & Early Childhood Home Visiting Grant / Maine Families	93.870	Sub CFS-19-1601B	10/01/19-12/31/20	169,194
Subtotal AL #93.870				734,508
Corporation for National and Community Service:				
Pass-through Maine Commission for Community Service/ Maine Department of Education:				
AmeriCorps	94.006	18AFHME001	09/01/20-08/31/21	138,055
AmeriCorps	94.006	21AFFME001-0011 KVCAP	09/01/21-08/31/22	6,223
Subtotal AL #94.006				144,278
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 23,455,332

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kennebec Valley Community Action Program, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kennebec Valley Community Action Program, it is not intended to and does not present the financial position, changes in net assets or cash flows of Kennebec Valley Community Action Program.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

Kennebec Valley Community Action Program has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Kennebec Valley Community Action Program has an indirect rate that has been approved by the U.S. Department of Health and Human Services (DHHS).

Note 4 - Subrecipients

Kennebec Valley Community Action Program does not have any subrecipients and accordingly has not incurred any subrecipient expenditures.

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
Kennebec Valley Community Action Program and Subsidiaries
Waterville, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Kennebec Valley Community Action Program and Subsidiaries, which comprise the statement of financial position as of September 30, 2021, 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 June 30, 2022. The financial statements of Cony Village, LLC and KVCAP Real Estate Development, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennebec Valley Community Action Program’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 Kennebec Valley Community Action Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of Kennebec Valley Community Action Program’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 Kennebec Valley Community Action Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Kennebec Valley Community Action Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kennebec Valley Community Action Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

June 30, 2022

Madison, Wisconsin

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

Board of Directors
Kennebec Valley Community Action Program
Waterville, Maine

Report on Compliance for Each Major Federal Program

We have audited Kennebec Valley Community Action Program's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement*, that could have a direct and material effect on each of Kennebec Valley Community Action Program's major federal programs for the year ended September 30, 2021. Kennebec Valley Community Action Program'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 for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kennebec Valley Community Action Program'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; 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 Kennebec Valley Community Action Program'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 Kennebec Valley Community Action Program's compliance.

Opinion on Each Major Federal Program

In our opinion, Kennebec Valley Community Action Program 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 September 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

Kennebec Valley Community Action Program's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Kennebec Valley Community Action Program's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Kennebec Valley Community Action Program 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 Kennebec Valley Community Action Program'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. Accordingly, we do not express an opinion on the effectiveness of Kennebec Valley Community Action Program'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

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.

Wipfli LLP

Wipfli LLP

June 30, 2022
Madison, Wisconsin

Kennebec Valley Community Action Program

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over the major federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
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 the Uniform Guidance [2 CFR 200.516(a)]?	Yes

Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>AL No.</u>
Community Development Block Grant	14.228
Coronavirus Relief Fund	21.019
Emergency Rental Assistance	21.023
Low-Income Home Energy Assistance Program	93.568
Community Services Block Grant	93.569
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Kennebec Valley Community Action Program

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section III - Federal Award Findings and Questioned Costs

Finding 2021-001: Internal Control over Eligibility

Questioned Costs: None

AL#93.569: State Agreement – Community Services Block Grant (CSBG) - CFS-21-7004A; COVID-19 CSBG CARES - CFS-20-7104.

Criteria – Management is responsible for the design and implementation of internal controls to ensure participant benefits are paid out of the proper program.

Condition and Context – A sample of 17 CSBG and COVID-19 CSBG participant files were selected out of a population of 106 that received direct assistance from the programs. Through our testing of eligibility, we noted two instances of clients that were paid benefits from COVID-19 CSBG funds; however, they were COVID Social Support clients and should have been paid from a different funding source. No costs were questioned as likely questioned costs would not be expected to exceed \$25,000.

Cause – There was a disconnect between the client application process and the accounts payable process resulting in the payment oversights.

Effect – COVID-19 CSBG funds were used to provide assistance for two clients that were not eligible to receive benefits.

Recommendation – Controls should be implemented to ensure client benefits are paid out of the intended program.

Views of Responsible Officials - Management agrees with the finding and has developed and begun implementation of a corrective action plan.

Kennebec Valley Community Action Program

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Summary Schedule of Prior Year Findings

Findings Required to be Reported under *Government Auditing Standards*

2020-001 – Material Audit Adjustment

Criteria – Management is responsible for the design and implementation of internal controls to detect and correct material misstatements prior to submitting the financial statements for audit.

Condition and Context – Through our audit of deferred revenue, one material adjustment was necessary for the financial statements to be in accordance with U.S. GAAP. Program surpluses with no further conditions or barriers to earning were improperly deferred.

Cause – A lack of internal controls to analyze deferred program revenue surpluses for additional conditions or barriers to earning.

Effect – Deferred revenue was overstated, and revenue was understated by \$847,774.

Recommendations – Controls should be implemented to ensure revenues are analyzed for conditions or barriers required to be overcome for recognition. Revenue should be recognized as barriers to earning are overcome.

Current Status: The recommendations were implemented for the year ended September 30, 2021. No similar findings were noted in the September 30, 2021 audit.

Findings and Questioned Costs for Major Federal Awards

2020-002 Internal Control over Income Eligibility

State Agreement – Community Services Block Grant (CSBG); CFS-20-7004A & CFS-20-7104.

Criteria – Management is responsible for the design and implementation of internal controls to determine and document income eligibility for CSBG Emergency Funds.

Condition and Context – Through our testing of CSBG eligibility, we noted eight instances where client's income determination process did not follow the Organization's guidelines.

Cause – A lack of internal controls over the review process for applications.

Effect – Income eligibility documentation on file was not in line with the Organization's policies on eight of their clients tested, but it did appear these clients would still be considered eligible had the Organization's policies been followed.

Recommendations – Controls should be implemented to ensure CSBG emergency funds applications and supporting documents are reviewed against the Organization's guidelines, prior to approval.

Current Status: The recommendations were implemented for the year ended September 30, 2012. No similar findings were noted in the September 30, 2021 audit.