

Kennebec Valley Community Action Program and Subsidiaries

Waterville, Maine

Consolidated Financial Statements
and Supplementary Information

Years Ended September 30, 2022 and 2021



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Kennebec Valley Community Action Program and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kennebec Valley Community Action Program (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kennebec Valley Community Action Program and Subsidiaries as of September 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Kennebec Valley Community Action Program and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Cony Village, LLC and KVCAP Real Estate Development, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kennebec Valley Community Action Program and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kennebec Valley Community Action Program and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kennebec Valley Community Action Program and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 27 through 31, which includes the schedule of expenditures of federal awards 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. The 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, the information is 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 May 25, 2023, 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

May 25, 2023
Madison, Wisconsin

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Financial Position
September 30, 2022 and 2021

	<i>Assets</i>	2022	2021
Current assets:			
Cash and cash equivalents		\$ 6,239,352	\$ 10,283,948
Accounts and grants receivable		3,701,784	3,643,308
Current portion of promises to give		22,000	-
Current portion of loans receivable, net		1,838	1,871
Current portion of prepaid expenses		1,615,400	586,782
Inventory		1,724,040	936,342
Total current assets		13,304,414	15,452,251
Property and equipment:			
Land		98,842	79,942
Buildings and improvements		3,255,706	3,108,281
Equipment and fixtures		1,277,323	1,135,031
Vehicles		3,739,379	2,928,306
Total property and equipment		8,371,250	7,251,560
Less: Accumulated depreciation		(4,067,936)	(3,751,983)
Net property and equipment		4,303,314	3,499,577
Other assets:			
Investments		47,632	52,802
Promises to give, net of current portion		52,500	-
Loans receivable, net of current portion		378,537	298,968
Prepaid expenses, net of current portion		20,921	12,467
Total other assets		499,590	364,237
Total assets		\$ 18,107,318	\$ 19,316,065
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt		\$ 150,645	\$ 5,936
Accounts payable		1,058,456	1,326,167
Accrued expenses		1,150,759	1,382,234
Reserve for self insurance		477,362	806,405
Deferred revenue		793,390	604,135
Refundable advances		4,056,196	6,521,653
Total current liabilities		7,686,808	10,646,530
Non-current liabilities:			
Long-term debt, net of current portion		868,513	370,161
Total non-current liabilities		868,513	370,161
Total liabilities		8,555,321	11,016,691
Net assets			
Without donor restrictions:			
Undesignated		8,480,486	7,350,234
Board designated		426,027	442,451
Total net assets without donor restrictions		8,906,513	7,792,685
With donor restrictions		645,484	506,689
Total net assets		9,551,997	8,299,374
Total liabilities and net assets		\$ 18,107,318	\$ 19,316,065

See accompanying notes to consolidated financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Activities

Year Ended September 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants	\$ 38,220,047	\$ 81,403	\$ 38,301,450
Contracts	11,279,613	-	11,279,613
Program revenue	3,598,299	-	3,598,299
Other revenue	1,291,736	347,114	1,638,850
Contributed nonfinancial assets	839,825	-	839,825
Net assets released from restrictions	289,722	(289,722)	-
Total revenues	55,519,242	138,795	55,658,037
Expenses:			
Program services:			
Community services	14,444,884	-	14,444,884
Energy & housing services	25,604,276	-	25,604,276
Child & family services	11,320,920	-	11,320,920
Agency services	454,899	-	454,899
Cony Village LLC	31,953	-	31,953
Total program expenses	51,856,932	-	51,856,932
Supporting services:			
Management & general	2,466,977	-	2,466,977
Fundraising	81,505	-	81,505
Total supporting services	2,548,482	-	2,548,482
Total expenses	54,405,414	-	54,405,414
Change in net assets	1,113,828	138,795	1,252,623
Net assets, beginning of year	7,792,685	506,689	8,299,374
Net assets, end of year	\$ 8,906,513	\$ 645,484	\$ 9,551,997

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
Contributed nonfinancial assets	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 & 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

Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Functional Expenses

Year Ended September 30, 2022

	Program Services						Supporting Services			
	Community Services	Energy & Housing Services	Child & Family Services	Agency Services	Cony Village, LLC	Total Program	Management & General	Fundraising	Total Supporting Services	Total
Expenses:										
Personnel	\$ 3,505,118	\$ 1,699,551	\$ 5,739,673	\$ 6,082	\$ -	\$ 10,950,424	\$ 1,509,437	\$ 14,929	\$ 1,524,366	\$ 12,474,790
Payroll taxes and employee benefits	945,603	512,402	1,963,919	6,153	-	3,428,077	356,959	3,923	360,882	3,788,959
Staff development	59,093	36,939	528,943	961	-	625,936	41,862	-	41,862	667,798
Travel	20,523	34,045	94,460	-	-	149,028	7,460	567	8,027	157,055
Direct client assistance - common carrier	2,958,206	46	-	-	-	2,958,252	-	-	-	2,958,252
Direct client assistance - other	4,584,382	21,074,288	18,386	7,497	-	25,684,553	-	-	-	25,684,553
Office costs	326,874	66,703	55,840	-	-	449,417	89,541	-	89,541	538,958
Insurance	498	74,945	17,155	2,752	1,190	96,540	61,877	-	61,877	158,417
Telecommunications	134,552	33,299	59,931	-	-	227,782	23,559	-	23,559	251,341
Space and occupancy	195,522	245,208	163,233	16,505	6,100	626,568	-	-	-	626,568
Space and occupancy - in-kind	-	-	818,655	-	-	818,655	-	-	-	818,655
Contract services	154,437	1,272,885	1,217,518	6,218	7,401	2,658,459	246,791	52,129	298,920	2,957,379
Contract services - in-kind	-	-	4,435	-	-	4,435	-	-	-	4,435
Vehicle	1,049,751	31,251	-	-	-	1,081,002	-	-	-	1,081,002
Housing property costs	-	94,648	-	10,758	7,707	113,113	-	-	-	113,113
Material and supplies	89,940	77,255	418,529	14,726	-	600,450	41,439	1,493	42,932	643,382
Material and supplies - in-kind	-	-	16,735	-	-	16,735	-	-	-	16,735
Administration	47,963	23,804	77,310	82	-	149,159	-	200	200	149,359
Interest	14,498	147,426	-	-	9,275	171,199	-	-	-	171,199
Depreciation	306,665	55,146	30,812	335,406	-	728,029	27,517	-	27,517	755,546
Provision for bad debts/loan losses	220	545	520	1,065	-	2,350	-	-	-	2,350
Other	51,039	123,890	94,866	46,694	280	316,769	60,535	8,264	68,799	385,568
Total expenses	\$ 14,444,884	\$ 25,604,276	\$ 11,320,920	\$ 454,899	\$ 31,953	\$ 51,856,932	\$ 2,466,977	\$ 81,505	\$ 2,548,482	\$ 54,405,414

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 & 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 and supplies	101,291	82,895	456,314	148	-	640,648	35,934	1,590	37,524	678,172
Material and 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	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 Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 1,252,623	\$ 2,902,054
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	755,546	639,245
(Gain) loss on investment	5,170	(8,282)
Gain on sale of property	(230,263)	-
Granted equipment and vehicles	(272,114)	(692,259)
Discount on loans receivable issued	-	541,244
Loans receivable issued by third party	-	(138,452)
Contributions restricted for long-term purposes	(74,500)	-
Changes in assets and liabilities:		
Accounts and grants receivable	(58,476)	(1,828,023)
Prepaid expenses	(1,037,072)	(307,046)
Inventory	(787,698)	14,434
Accounts payable	(267,711)	445,648
Accrued expenses	(231,475)	84,572
Reserve for self insurance	(329,043)	66,526
Deferred revenue	189,255	80,425
Refundable advances	(2,465,457)	4,555,519
Net cash from operating activities	(3,551,215)	6,355,605
Cash flows from investing activities:		
Proceeds on sale of property and equipment	362,200	-
Issuance of loans receivable	(81,403)	(576,483)
Payments received on loans receivable	1,867	1,624
Purchase of property and equipment	(646,144)	(116,906)
Net cash from investing activities	(363,480)	(691,765)
Cash flows from financing activities:		
Principal payments on long-term debt	(129,901)	(527,495)
Net cash from financing activities	(129,901)	(527,495)
Change in cash and cash equivalents	(4,044,596)	5,136,345
Cash and cash equivalents, beginning of year	10,283,948	5,147,603
Cash and cash equivalents, end of year	\$ 6,239,352	\$ 10,283,948
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$ 23,773	\$ 54,657
Noncash transactions:		
Debt incurred to purchase vehicles	\$ 772,962	\$ -

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, Hartland Senior Housing GP, LLC, and Mary Street 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

The Community Services 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 fleet of agency operated vehicles and a network of volunteers for medical and social service appointments.

Energy & Housing Services

The Energy & Housing Services department is comprised of three divisions. The Energy & Housing division 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 division also provides a comprehensive home buyer education course, individual pre- and post-purchase counseling services, and foreclosure prevention and credit counseling. The Real Estate Development division develops homeownership opportunities through new construction and purchase/rehab activities. The Community Initiatives division 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, 2022 and 2021, refundable advances included \$3,001,271 and \$5,233,388 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. 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 deferred revenue.

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, 2022 and 2021, and included on the consolidated statements of activities is summarized below:

	2022	2021
MaineCare transportation services	\$ 9,319,291	\$ 8,134,776
Childcare services	1,848,725	1,398,807
Developer fees	76,640	102,102
Educational services	34,957	79,460
Totals	\$ 11,279,613	\$ 9,715,145

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, 2022 and 2021 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, 2020	\$ 450
Accounts receivable from contracts with customers at September 30, 2021	38,382
Accounts receivable from contracts with customers at September 30, 2022	48,613
Deferred revenue from contracts with customers at October 1, 2020	\$ 523,710
Deferred revenue from contracts with customers at September 30, 2021	604,135
Deferred revenue from contracts with customers at September 30, 2022	793,390

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organizations consider 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.

Revolving Notes Receivable

KVCAP operates four loan funds that provide assistance to low-income homeowners in Maine. The assistance provided is in the form of low- or no-interest deferred payment or installment loans and the loans are secured by property owned by the homeowners. Any loans subsequently repaid will reduce the loan receivable and provide funds for loans or other assistance to other eligible participants.

Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off generally and has reported the loans at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for expected loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs are recognized as income or expense when received or incurred since capitalization of these fees or costs would not have a significant impact on the financial statements.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revolving Notes Receivable (Continued)

At such time when a loan is determined to be past due, the interest-bearing loans are placed on non-accrual status. The determination of past due loans for purposes of placing on non-accrual status is made on a case-by-case basis by Senior Management after a review and recommendation by the Chief Financial Officer in consultation with the loan servicing entity. All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans. Loans losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses taking into consideration such factors as historical loss experience, changes in the nature and volume of the loan portfolio, overall portfolio quality, and review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

A loan is considered impaired when, based on current information and events, it is probable that KVCAP will be unable to collect the payment of principal when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include collateral value and the probability of collecting principal payments when due. Management determines the significance of payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, and the amount of the shortfall in relation to the principal owed. Impairment is measured on a loan-by-loan basis for business loans by the fair value of the collateral the loan is dependent on.

Promises to Give

Unconditional promises to give are recorded as reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. The gifts are reported as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give (Continued)

Management individually reviews all past due promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts. No allowance is necessary as management believes the balance will be collected.

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 consider property and equipment to be assets with a cost greater than \$5,000 and a useful life greater than one year.

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 \$1,278,969 at September 30, 2022 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.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributed Nonfinancial Assets

Contributions of nonfinancial assets are recognized in the consolidated financial statements if they enhance or create an asset or require specialized skill for the service being provided. For the years ending September 30, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statements of activities included:

Type	2022	2021	Usage in Programs	Donor-imposed restrictions	Fair Value Techniques
Space & occupancy	\$ 818,655	\$ 841,325	Early/Head Start	No	Professional appraisal
Supplies	16,735	15,501	Early/Head Start	No	Purchase price
Contract Services	4,435	250	Early/Head Start	No	Hourly wage based on professional training
Totals	\$ 839,825	\$ 857,076			

KVCAP received contributions from individuals who volunteer their time and perform a variety of tasks that assist the Organizations in its Child and Family Services programs. KVCAP received \$105,432 and \$86,983 worth of non-professional volunteer services during the years ended September 30, 2022 and 2021, respectively. These amounts are not recognized in the September 30, 2022 and 2021 consolidated financial statements because they don't meet the criteria for recognition under accounting principles generally accepted in the United States.

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.

Functional Allocation of Costs

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities and 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

Adoption of Accounting Policy

As of October 1, 2021, the Organizations adopted the provisions of FASB Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed NonFinancial Assets* (Topic 958). The amendments in this update require entities to present contributed nonfinancial assets as a separate line item in the consolidated statements 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 ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued consolidated financial statements.

Upcoming Accounting Pronouncement

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, 2021. Management is currently evaluating the impact of the provisions of ASU Topic 842.

Note 2: Concentration of Credit Risk

The Organizations maintain 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, 2022, the Organizations' cash balances were either insured by federal depository agencies or within the bank's collateralized agreement. The Organizations have not experienced any losses with the accounts and management believes the Organizations are not exposed to any significant risk on balances at financial institutions.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 3: Investments and Fair Value Measurements

Marketable investments are stated at fair value and consist of US Equity exchange traded funds of \$47,632 and \$52,802 at September 30, 2022 and 2021. 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 losses of \$5,170 and unrealized gains of \$8,282 for the years ended September 30, 2022 and 2021, respectively, and is included in other revenue 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:

	2022	2021
Direct federal programs	\$ 734,735	\$ 969,684
Other federal programs	1,901,469	1,258,512
State and local programs	1,065,580	1,415,112
Total	\$ 3,701,784	\$ 3,643,308

Note 5: Promises to Give

Unconditional promises to give are summarized as follows at September 30:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 22,000	\$ -
One year to five years	52,500	-
Total	\$ 74,500	\$ -

Management has not recorded a discount on promises to give since the discount is insignificant.

Note 6: 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.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 6: Loans Receivable (Continued)

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, 2022 and 2021, \$1,000,000 and \$714,935, respectively, 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 \$744,906 and \$541,244 and a loan receivable balance of \$255,094 and \$173,691, net of the discount, as of September 30, 2022 and 2021, respectively. 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 \$3,984 and \$5,851 at September 30, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021.

Note 7: 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 \$65,000 and aggregate costs over \$1,492,000. 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 \$477,362 and \$806,405 as of September 30, 2022 and 2021, respectively. 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.

Note 8: Long-Term Debt

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

	2022	2021
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,136 including interest at a fixed rate of 3.99% through November 16, 2026, secured by agency vehicles.	\$ 52,257	\$ -

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Long-Term Debt (Continued)

	2022	2021
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,136 including interest at a fixed rate of 3.99% through November 16, 2026, secured by agency vehicles.	52,257	-
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,136 including interest at a fixed rate of 3.99% through November 16, 2026, secured by agency vehicles.	52,257	-
Note payable to Kennebec Savings Bank, payable in monthly installments of \$4,330 including interest at a fixed rate of 3.99% through May 25, 2027, secured by agency vehicles.	216,532	-
Note payable to Kennebec Savings Bank, payable in monthly installments of \$6,656 including interest at a fixed rate of 4.99% through May 25, 2027, secured by agency vehicles.	325,144	-
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.	32,296	87,682
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
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	1,019,158	376,097
Current portion	(150,645)	(5,936)
Long-term portion	\$ 868,513	\$ 370,161

Principal requirements on long-term debt for years ending after September 30, 2022, are as follows:

2023	\$ 150,645
2024	277,493
2025	164,683
2026	260,105
2027	166,232
Total	\$1,019,158

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 9: Lines of Credit

At September 30, 2022 and 2021, 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, 2022 and 2021. On November 7, 2022, KVCAP negotiated an increase to the line of credit agreement from \$500,000 to \$1,000,000 with a review date of May 1, 2023.

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 expires October 1, 2023, and it can be renewed. There were no outstanding balances on this line of credit at September 30, 2022 and 2021.

Note 10: 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 \$355,340 and \$322,154 years ended September 30, 2022 and 2021, respectively.

Note 11: 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, 2022 and 2021, were \$58,324 and \$34,871, respectively.

Future minimum lease payments under all operating leases beyond September 30, 2022 are as follows:

2023	\$ 72,006
2024	67,142
2025	66,660
2026	68,396
2027	49,320
Thereafter	10,267
<hr/>	
Total	\$ 333,791

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 12: Net Assets With Donor Restrictions

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

	2022	2021
<i>Subject to expenditure for specified purpose:</i>		
MSHA housing preservation revolving loan fund	\$ 91,297	\$ 91,297
COVID-19 Emergency Fund	18,244	25,741
Community Celebration – Book Project	-	3,950
Child Care Supportive Funding	1,663	1,313
Skowhegan School Development	82,200	-
Community Meals Program	11	800
Fuel Assistance	11,391	8,576
Teen Center Supportive Funds/Scholarship Funding	24,327	34,355
Hope Fund/Somerset PAC	22,284	23,085
Transportation Supportive Funds	138,973	143,881
CDBG grant funds – Hartland Project	255,094	173,691
Total	\$ 645,484	\$ 506,689

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

	2022	2021
<i>Satisfaction of restrictions:</i>		
COVID-19 Emergency Fund	\$ 7,497	\$ 3,028
Community Celebration – Book Project	3,950	-
Community Meals Program	789	-
Fuel Assistance	4,146	-
Teen Center Supportive Funds/Scholarship Funding	18,748	-
Hope Fund/Somerset PAC	35,307	-
Transportation Supportive Funds	219,285	-
Total	\$ 289,722	\$ 3,028

Note 13: Net Assets Without Donor Restrictions

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

	2022	2021
Board designated:		
Agency Reserves	\$ 783	\$ 2,125
Educare Building Reserve	386,519	349,257
Homeless Bridge Funding	10,006	47,289
Weatherization Supports	28,719	43,780
Unrestricted, undesignated	8,480,486	7,350,234
Total	\$ 8,906,513	\$ 7,792,685

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 14: 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:

	2022	2021
Cash and cash equivalents	\$ 6,239,352	\$ 10,283,948
Accounts and grants receivable	3,701,784	3,643,308
Promises to give – current portion	22,000	-
Total financial assets	9,963,136	13,927,256
Less: accounts payable	(1,058,456)	(1,326,167)
Less: accrued expenses and reserve for self-insurance	(1,628,121)	(2,188,639)
Less: refundable advances	(4,056,196)	(6,521,653)
Less: net assets with donor restrictions in cash	(224,593)	(241,891)
Less: board designated net assets	(426,027)	(442,451)
Total	\$ 2,569,743	\$ 3,206,455

KVCAP does not have a formal liquidity policy. KVCAP has one line of credit available for cash flow needs up to \$500,000 until November 6, 2022 and then increased to \$1,000,000 as of November 7, 2022, as described in Note 9. 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 \$13,600,000 as described in Note 15.

Note 15: Grant Awards

At September 30, 2022, KVCAP had received future funding commitments under various grants of approximately \$13,600,000. These commitments are not recognized in the accompanying consolidated financial statements as revenues and receivables as they are conditional awards.

Note 16: Concentration in Revenue

Of the revenues received by KVCAP in fiscal years 2022 and 2021, approximately 87% and 89% 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.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 17: 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 \$669,000 and \$593,676 in the accompanying consolidated statements of activities for the free use of the facility during the years ended September 30, 2022 and 2021, respectively. In addition, Educare Central Maine passes through funds from private foundation grants to KVCAP. These funds totaled \$277,608 and \$292,255 for the years ended September 30, 2022 and 2021, respectively. At September 30, 2022 and 2021, there were recorded receivables of \$23,862 and \$0 from Educare Central Maine.

Note 18: 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.

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 Limited Partnership.

Note 19: Subsequent Events

Subsequent events have been evaluated through May 25, 2023, which is the date the consolidated financial statements were available to be issued.

On November 7, 2022, KVCAP negotiated an increase on a line of credit from \$500,000 to \$1,000,000 as described in Note 9.

On November 21, 2022, KREDI entered into a First Amended and Restated Agreement of Limited Partnership of Hartland Senior Housing Associates II Limited Partnership (the "Partnership"), pursuant to which KREDI became general partner of the Partnership and Community Capital Housing Vermont Fund 4 Limited Partnership, an affiliate of Evernorth, became limited partner. The Partnership was formed for the purpose of acquiring land, constructing, owning, operating, and leasing an affordable housing project located in Hartland, Maine. KREDI has .01% ownership interest in the Partnership. Additionally, Hartland II State Credit Partner, LLC, a Maine limited liability company, owns a 1% interest in the Partnership. Hartland II State Credit Partner, LLC is wholly owned by KVCAP.

KVCAP assigned a promissory note from the Partnership to KVCAP to Bangor Savings Bank in the amount of \$650,000 representing proceeds of the award received from the Federal Home Loan Bank of Boston's Affordable Housing Program.

Kennebec Valley Community Action Program and Subsidiaries

Notes to Consolidated Financial Statements

Note 19: Subsequent Events (Continued)

KVCAP is serving as guarantor on loans from MaineHousing in the amounts of \$6,250,000, \$435,869 and \$1,955,179 and on a loan from Bangor Savings Bank in the amount of \$650,000 and has guaranteed other commitments relating to general partner obligations under the partnership agreement of the Partnership.

On April 4, 2023, KVCAP purchased a vehicle maintenance facility in Waterville, Maine. The purchase price was \$347,875 and include the property of \$333,875 and equipment of \$14,000.

Supplementary Information

Kennebec Valley Community Action Program and Subsidiaries

Schedule 1

Consolidating Statement of Financial Position
September 30, 2022

	KVCAP	Cony Village, LLC	Eliminations	Total
<i>Assets</i>				
Current assets:				
Cash and cash equivalents	\$ 5,748,893	\$ 490,459	\$ -	\$ 6,239,352
Accounts and grants receivable	4,337,728	-	(635,944)	3,701,784
Current portion of promises to give	22,000	-	-	22,000
Current portion of loans receivable, net	1,838	-	-	1,838
Current portion of prepaid expenses	1,615,400	-	-	1,615,400
Inventory	907,927	816,113	-	1,724,040
Total current assets	12,633,786	1,306,572	(635,944)	13,304,414
Property and equipment:				
Land	98,842	-	-	98,842
Buildings and improvements	3,255,706	-	-	3,255,706
Equipment and fixtures	1,277,323	-	-	1,277,323
Vehicles	3,739,379	-	-	3,739,379
Total property and equipment	8,371,250	-	-	8,371,250
Less: Accumulated depreciation	(4,067,936)	-	-	(4,067,936)
Net property and equipment	4,303,314	-	-	4,303,314
Other assets:				
Investments	427,549	-	(379,917)	47,632
Promises to give, net of current portion	52,500	-	-	52,500
Loans receivable, net of current portion	348,537	30,000	-	378,537
Prepaid expenses, net of current portion	20,921	-	-	20,921
Total other assets	849,507	30,000	(379,917)	499,590
Total assets	\$ 17,786,607	\$ 1,336,572	\$ (1,015,861)	\$ 18,107,318
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Current portion of long-term debt	144,343	6,302	-	150,645
Accounts payable	1,058,456	635,944	(635,944)	1,058,456
Accrued expenses	1,150,759	-	-	1,150,759
Reserve for self insurance	477,362	-	-	477,362
Deferred revenue	793,390	-	-	793,390
Refundable advances	4,056,196	-	-	4,056,196
Total current liabilities	7,680,506	642,246	(635,944)	7,686,808
Non-current liabilities:				
Long-term debt, net of current portion	554,104	314,409	-	868,513
Total non-current liabilities	554,104	314,409	-	868,513
Total liabilities	8,234,610	956,655	(635,944)	8,555,321
Net assets:				
Without donor restrictions				
Undesignated	8,480,486	379,917	(379,917)	8,480,486
Board designated	426,027	-	-	426,027
Total net assets without donor restrictions	8,906,513	379,917	(379,917)	8,906,513
With Donor Restrictions	645,484	-	-	645,484
Total net assets	9,551,997	379,917	(379,917)	9,551,997
Total liabilities and net assets	\$ 17,786,607	\$ 1,336,572	\$ (1,015,861)	\$ 18,107,318

Kennebec Valley Community Action Program and Subsidiaries

Schedule 2

Consolidating Statement of Activities
Year Ended September 30, 2022

	2022			
	KVCAP	Cony Village, LLC	Eliminations	Total
Revenues:				
Grants	\$ 38,257,641	\$ 43,809	\$ -	\$ 38,301,450
Contracts	11,279,613	-	-	11,279,613
Program revenue	3,598,299	-	-	3,598,299
Other revenue	1,650,706	5,950	(17,806)	1,638,850
Contributed nonfinancial assets	839,825	-	-	839,825
Total revenues	55,626,084	49,759	(17,806)	55,658,037
Expenses:				
Program services:				
Community services	14,444,884	-	-	14,444,884
Energy services	25,604,276	-	-	25,604,276
Child & family services	11,320,920	-	-	11,320,920
Agency services	454,899	-	-	454,899
Cony Village LLC	-	31,953	-	31,953
Total program expenses	51,824,979	31,953	-	51,856,932
Supporting services:				
Management & general	2,466,977	-	-	2,466,977
Fundraising	81,505	-	-	81,505
Total supporting services	2,548,482	-	-	2,548,482
Total expenses	54,373,461	31,953	-	54,405,414
Change in net assets	1,252,623	17,806	(17,806)	1,252,623
Net assets, beginning of year	8,299,374	362,111	(362,111)	8,299,374
Net assets, end of year	\$ 9,551,997	\$ 379,917	\$ (379,917)	\$ 9,551,997

Kennebec Valley Community Action Program

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
U.S. Department of Agriculture:				
Pass-through Maine State Department of Education:				
Child & Adult Care Food Program	10.558	C144	10/01/21-09/30/22	\$ 188,614
U.S. Department of Housing & Urban Development:				
Pass-through NeighborWorks America:				
Housing Counseling Assistance Program / HUD Home Ownership Ed & Counseling	14.169	G-OUT-2022-67809	04/01/21-03/31/22	17,574
Pass-through Maine State Department of Department of Economic & Community Development/City of Rockland, ME				
Community Development Block Grants/State's Program / Home Repair	14.228	None	07/01/22-06/30/23	49,580
Community Development Block Grants/State's Program / Home Repair	14.228	None	04/01/20-04/30/22	191,721
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	285,065
Subtotal AL #14.228				526,366
U.S. Department of Justice:				
Pass-through Alford Youth Center:				
Juvenile Mentoring Program / BGCA Teen Center OJP	16.726	OJJDP 2021-49606	02/07/22-12/31/22	7,200
Juvenile Mentoring Program / BGCA Teen Center OJP	16.726	OJJDP 2020-48428	01/01/21-12/31/21	808
Subtotal AL #16.726				8,008
U.S. Department of Transportation:				
Pass-through Maine State Department of Transportation:				
COVID-19 - Formula Grants for Rural Areas & Tribal Transit Program / FTA CARES Act	20.509	CSN 41595	02/01/20-12/31/22	628,440
COVID-19 - Formula Grants for Rural Areas & Tribal Transit Program / FTA CRRSAA Act	20.509	CSN 43892	05/01/22-12/31/22	290,900
COVID-19 - Formula Grants for Rural Areas & Tribal Transit Program / FTA ARP	20.509	CSN 44070	07/01/22-12/31/23	116,257
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 43520	12/01/21-04/30/22	8,000
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 43912	04/20/22-06/30/22	600
Subtotal AL #20.509				1,044,197
U.S. Department of Treasury:				
Pass-through NeighborWorks America:				
COVID-19 - NeighborWorks America / Food Insecurity	21.000	G-PRI-2021-62254	04/21/21-Open	8,446
NeighborWorks America / Expendable Grant (2022)	21.000	G-NEC-2022-66429	10/01/21-Open	95,879
NeighborWorks America / Expendable Grant (2021)	21.000	G-NEC-2021-61436	10/01/20-Open	27,795
NeighborWorks America / Expendable Grant (2020)	21.000	G-NEC-2020-56412	10/01/19-Open	890
NeighborWorks America / Training Grant	21.000	G-SUPINT-2021-61846	Open	5,482
NeighborWorks America / Neighborworks Week	21.000	G-NWW-2022-66788	05/11/22-06/11/22	1,000
Subtotal AL #21.000				139,492
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	01/21/21-09/30/22	13,322,683
COVID-19 - Emergency Rental Assistance / ERA Round 2	21.023	N/A	08/02/21-12/31/22	5,067,626
COVID-19 - Emergency Rental Assistance / Housing Stability - ERA Round 2	21.023	N/A	08/02/21-12/31/22	187,589
Subtotal AL #21.023				18,577,898
Pass-through Maine Department of Professional and Financial Regulation				
COVID-19 - Homeowner Assistance Fund/MEHAF - Counseling	21.026	N/A	03/21/22-03/21/23	29,167
COVID-19 - Homeowner Assistance Fund/MEHAF - Underwriting	21.026	N/A	03/21/22-03/21/23	29,167
Subtotal AL #21.026				58,334
Pass-through City of Waterville				
COVID-19 - Coronavirus State & Local Fiscal Recovery Funds / Family Alliance & Program Ambassadors	21.027	N/A	Open	1,124
U.S. Department of Energy:				
Pass-through Maine State Housing Authority:				
Weatherization Assistance for Low-Income Persons	81.042	N/A	04/01/22-03/31/23	234,066
Weatherization Assistance for Low-Income Persons	81.042	N/A	04/01/21-03/31/22	200,020
Subtotal AL #81.042				434,086
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-21-5706B	02/1/21-06/30/22	45,192

Kennebec Valley Community Action Program

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
Pass-through Maine State Department of Health & Human Services:				
COVID-19 - Epidemiology & Laboratory Capacity for Infectious Diseases / Social Supports	93.323	COM-22-6008	01/01/22-12/31/22	81,570
COVID-19 - Epidemiology & Laboratory Capacity for Infectious Diseases / Social Supports	93.323	COM-21-5009	02/01/21-12/31/21	44,404
Subtotal AL #93.323				125,974
Pass-through Maine Children's Trust:				
Title IV-E Prevention Program/ Maine Families - Families First	93.472	Sub CDO-21-4230C	01/01/21-09/30/22	53,481
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	206,305
Temporary Assistance for Needy Families / State Head Start	93.558	CFS-22-1406	07/01/21-06/30/23	54,595
Pass-through Maine State Department of Health & Human Services and Maine Children's Trust:				
Temporary Assistance for Needy Families / Maine Families	93.558	Sub CDO-21-4230C	01/01/21-09/30/22	92,180
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	30,814
Subtotal AL #93.558				383,894
Pass-through Maine State Housing Authority:				
Low-Income Home Energy Assistance / Fuel Assistance	93.568	N/A	07/01/22-09/30/23	225,532
Low-Income Home Energy Assistance / Fuel Assistance	93.568	N/A	07/01/21-09/30/22	803,939
Low-Income Home Energy Assistance / Heat Pump Program	93.568	N/A	10/01/20-03/31/23	395,268
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2021)	93.568	N/A	10/01/20-03/31/23	779,075
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2019)	93.568	N/A	10/01/18-04/30/22	157,547
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2018)	93.568	N/A	10/01/17-03/31/22	20,076
Low-Income Home Energy Assistance / Heat Pump Supplemental Program	93.568	N/A	07/01/21-03/31/24	718,276
Low-Income Home Energy Assistance / Weatherization & CHIP Supplemental Program	93.568	N/A	07/01/21-03/31/24	227,492
Subtotal AL #93.568				3,327,205
Pass-through State Department of Health & Human Services:				
Community Services Block Grant	93.569	CFS-21-7004A	10/01/21-09/30/22	316,184
COVID-19 - Community Services Block Grant / CARES Act	93.569	CFS-20-7104	01/01/20-09/30/22	216,729
Subtotal AL #93.569				532,913
Pass-through Maine Children's Trust:				
Community-Based Child Abuse Prevention Grants / Standards Grant	93.590	N/A	10/01/21-09/30/22	2,500
Community-Based Child Abuse Prevention Grants / Front Porch - Somerset	93.590	N/A	10/01/21-09/30/22	5,000
COVID-19 - Community-Based Child Abuse Prevention Grants / American Rescue Funding - Somerset	93.590	N/A	10/01/21-09/30/22	3,200
Community-Based Child Abuse Prevention Grants / Front Porch - Kennebec	93.590	N/A	10/01/21-09/30/22	5,000
COVID-19 - Community-Based Child Abuse Prevention Grants / American Rescue Funding - Kennebec	93.590	N/A	10/01/21-09/30/22	3,189
Subtotal AL #93.590				18,889
Pass-through State Department of Judicial Branch:				
Grants to States for Access & Visitation Programs / Kids First	93.597	N/A	10/01/21-9/30/22	9,400
Head Start Cluster:				
Direct Awards:				
Head Start	93.600	01CH011233-04-00	09/01/22-08/31/23	194,752
Head Start	93.600	01CH011233-03-02	09/01/21-08/31/22	3,809,457
Head Start / Early Head Start/Child Care Partnership	93.600	01HP000391-04-01	09/01/22-08/31/23	89,802
Head Start / Early Head Start/Child Care Partnership	93.600	01HP000391-03-01	09/01/21-08/31/22	2,124,630
COVID-19 - Head Start / HS/EHS COVID	93.600	01HE000099-01-00	04/01/21-03/31/23	68,347
COVID-19 - Head Start / HS/EHS American Rescue Plan	93.600	01HE000099-01-01	04/01/21-03/31/23	212,812
Subtotal AL #93.600				6,499,800
Pass-through Maine State Department of Health & Human Services:				
Social Services Block Grant / KV Van Low-Income & Child Welfare	93.667	CFS-23-4014A	07/01/22-06/30/23	52,206
Social Services Block Grant / KV Van Low-Income & Child Welfare	93.667	CFS-22-4014	07/01/21-06/30/22	140,434
Subtotal AL #93.667				192,640
Pass-through Maine Children's Trust:				
COVID-19 - Maternal, Infant, & Early Childhood Home Visiting Grant / Maine Families ARP	93.870	Sub CDO-21-4230C	01/01/21-09/30/22	55,727
Maternal, Infant, & Early Childhood Home Visiting Grant / Maine Families	93.870	Sub CDO-21-4230C	01/01/21-09/30/22	676,654
Subtotal AL #93.870				732,381

Kennebec Valley Community Action Program

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
Corporation for National and Community Service:				
Pass-through Maine Commission for Community Service/				
Maine Department of Education:				
AmeriCorps	94.006	21ESFME001-0002 KVCAP	08/29/22-08/28/23	18,093
AmeriCorps	94.006	21AFFME001-0011 KVCAP	09/01/21-08/31/22	81,579
COVID-19 - AmeriCorps / American Rescue Funding	94.006	21AFFME001-0011 KVCAP	09/01/21-08/31/22	19,909
Subtotal AL #94.006				119,581
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 33,037,043

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, 2022. 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 consolidated financial statements of Kennebec Valley Community Action Program and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2022, 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, and have issued our report thereon dated May 25, 2023. 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.

Report on 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 consolidated 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 or significant deficiencies may exist that have not been identified.

Report on 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 consolidated 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.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

May 25, 2023
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

Opinion on Each Major Federal Program

We have audited Kennebec Valley Community Action Program's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Kennebec Valley Community Action Program and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kennebec Valley Community Action Program's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kennebec Valley Community Action Program's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kennebec Valley Community Action Program's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kennebec Valley Community Action Program's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kennebec Valley Community Action Program's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kennebec Valley Community Action Program's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kennebec Valley Community Action Program's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

May 25, 2023
Madison, Wisconsin

Kennebec Valley Community Action Program

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

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?	None Reported
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)]?	No

Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>AL No.</u>
Formula Grants for Rural Areas	20.509
Emergency Rental Assistance Program	21.023
Community Services Block Grant	93.569
Head Start Cluster	93.600

Dollar threshold used to distinguish between Type A and Type B programs:	\$991,111
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Kennebec Valley Community Action Program

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

Summary Schedule of Prior Year Findings

Findings and Questioned Costs for Major Federal Awards

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.

Current Status: The recommendations were implemented for the year ended September 30, 2022. No similar findings were noted in the September 30, 2022 audit.