

**CENTRAL KENTUCKY COMMUNITY  
ACTION COUNCIL, INC.  
AUDIT REPORT  
JUNE 30, 2019**

## CONTENTS

Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Functional Expenses - Other Programs	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16
Supplementary Information:	
Statement of Revenues and Expenses – Head Start Grant No. 04CH-004778/04	17
Statement of Revenues and Expenses – Head Start Grant No. 04CH-004778/05	18
Reconciliation of SF 269 and SF 272 to Audit Report	19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Statement of Financial Position – LiHeap Program	22
Statement of Program Expenditures, Questioned Costs, and Budget and Actual – LiHeap Program	23-25
Statement of Financial Participation – Community Services Block Grant	26
Statement of Allowable Expenses, Statement of Obligated Fund Balance Sheet, Questioned Costs, and Budget and Actual – Community Services Block Grant	29-30
Statement of Financial Position – Weatherization	31
Statement of Program Expenses, Questioned Costs and Budget and Actual Weatherization	32-34
Statement of Financial Position – Weatherization - LiHeap Assistance Program	35
Statement of Program Expenses, Questioned Costs and Budget and Actual Weatherization - LiHeap Assistance Program	36-38

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 <i>Government Auditing Standards</i>	39-40
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	41-42
Schedule of Findings and Questioned Costs	43
Schedule of Prior Year Audit Findings	44
Letter to Those Charged with Governance	45-47
Exit Conference	48

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**INDEPENDENT AUDITOR'S REPORT**

October 18, 2019

Board of Directors  
Central Kentucky Community Action Council, Inc.

**Report on the Financial Statements**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Change in Accounting Principle***

As discussed in Note P to the financial statements, in 2019, Central Kentucky Community Action Council, Inc. adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

### ***Opinion***

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

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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* on page 20 and the supplemental reports on pages 17-19 and 21-38 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of Central Kentucky Community Action Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Central Kentucky Community Action Council, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Kentucky Community Action Council, Inc.'s internal control over financial reporting and compliance.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

Central Kentucky Community Action Council, Inc.  
Statement of Financial Position  
June 30, 2019

Assets

Current Assets	
Cash (Note B)	578,004
Restricted Cash	667,358
Total Cash	1,245,362
Grants Receivable (Note C)	894,809
Other Receivables	200,943
Other Current Assets	30,653
Total Current Assets	2,371,767
Land	527,454
Property and Equipment (Notes A-2 & D)	3,558,894
Construction in Progress	140,957
Accumulated Depreciation	(2,102,412)
Total Net Land, Property, and Equipment	2,124,893
Total Assets	4,496,660

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	540,599
Accrued Salaries and Wages	221,377
Accrued Retirement	50,845
Current Portion of Capital Lease Obligation	25,793
Current Portion of Notes Payable - Farmers National Bank	7,738
Other Liabilities	172,624
Refundable Advances (Note A-5)	662,544
Total Current Liabilities	1,681,520
Notes Payable - Farmers National Bank	71,627
Capital Lease Obligation	246,204
Total Liabilities	1,999,351
Net Assets	
Without Donor Restrictions	887,507
With Donor Restrictions	1,609,802
Total Net Assets	2,497,309
Total Liabilities and Net Assets	4,496,660

- See independent auditor's report and accompanying notes to financial statements.

Central Kentucky Community Action Council, Inc.  
Statement of Activities  
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Revenues</b>			
Grant & Contract Income (Note A-4)	13,421,951	1,032,550	14,454,501
Contributions	251,724	0	251,724
Client Fees	140,025	0	140,025
Miscellaneous Income	35,060	0	35,060
Interest Income	189	0	189
In-Kind Income (Notes A-6 & H)	407,793	0	407,793
	<u>14,256,742</u>	<u>1,032,550</u>	<u>15,289,292</u>
<b>Total Revenues, Gains, and Other Support</b>			
<b>Expenses</b>			
<b>Program Services</b>			
Weatherization - LiHeap	354,818	0	354,818
Kentucky Works	645,848	1,048	646,896
Head Start	5,360,633	0	5,360,633
CSBG	860,212	2,358	862,570
Transportation-5311	2,983,615	94,012	3,077,627
Section 5339 and 5339b	41,058	187,511	228,569
LiHeap	1,736,126	0	1,736,126
Congregate Meals	534,684	996	535,680
Unaffiliated Centers	530,442	315	530,757
Other Programs	1,154,109	85,785	1,239,894
	<u>14,201,545</u>	<u>372,025</u>	<u>14,573,570</u>
<b>Total Expenses by Program</b>			
Changes in Net Assets	55,197	660,525	715,722
Net Assets - Beginning of Year	<u>832,310</u>	<u>949,277</u>	<u>1,781,587</u>
Net Assets - End of Year	<u><u>887,507</u></u>	<u><u>1,609,802</u></u>	<u><u>2,497,309</u></u>

- See independent auditor's report and accompanying notes to financial statements.

Central Kentucky Community Action Council, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Weatherization LiHeap	Kentucky Works	Head Start	CSBG	Transportation 5311	Section 5339 and 5339b	LiHeap	Congregate Meals	Unaffiliated Centers	Other Programs	Total
Program Services:											
Salaries	125,153	302,400	2,612,736	276,662	1,391,405	-	97,284	178,918	34,846	272,685	5,292,089
Fringe Benefits	65,383	144,359	1,069,785	98,750	594,986	-	34,170	68,899	17,962	133,910	2,228,204
Contracts & Consultants	44,858	4,060	59,075	14,365	8,538	-	-	4,713	-	110,848	246,457
Travel & Transportation Costs	18,058	11,024	97,395	20,290	614,399	14,058	423	34,065	2,003	56,889	868,604
Training Costs	-	15	45,140	3,417	664	-	50	15	204	12,267	61,772
Space Costs/Utilities	4,756	92,884	365,060	73,163	47,343	-	-	27,489	1,788	12,884	625,367
Consumable Supplies	71,788	6,227	441,559	14,087	35,317	-	11,290	13,719	794	84,505	679,286
Equipment Expense	3,670	4,569	14,610	9,730	18,587	424,452	-	1,399	190	91,289	568,496
Insurance	3,076	9,231	29,821	6,529	21,615	-	-	6,304	48	5,760	82,384
Renovation	-	-	81,988	-	-	-	-	-	-	-	81,988
Land	-	-	425,000	-	-	-	-	-	-	-	425,000
Construction	-	-	111,828	-	-	-	-	-	-	-	111,828
Program/Client Benefits	-	28,358	282	208,881	-	-	1,578,298	72,721	467,290	353,986	2,709,816
In-Kind Expenses	-	-	133,938	94,445	22,800	-	-	99,640	-	56,970	407,793
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	10,600	744	15,664	-	150	202	-	8,424	35,784
Total Program Services	336,742	603,127	5,498,817	821,063	2,771,318	438,510	1,721,665	508,084	525,125	1,200,417	14,424,868
Management and General:											
Indirect Costs (Note N)	18,076	46,139	398,644	42,594	212,297	-	14,461	27,299	5,317	42,626	807,453
Total Expenses by Program	354,818	649,266	5,897,461	863,657	2,983,615	438,510	1,736,126	535,383	530,442	1,243,043	15,232,321
Less: Federal Fixed Asset Additions	-	(3,418)	(425,000)	(3,445)	-	(397,452)	-	(699)	-	(92,870)	(922,884)
Less: Federal Construction in Progress	-	-	(111,828)	-	-	-	-	-	-	-	(111,828)
Add: Depreciation of assets purchased with federal funds	-	1,048	-	2,358	94,012	187,511	-	996	315	89,721	375,961
Total Expenses	354,818	646,896	5,360,633	862,570	3,077,627	228,569	1,736,126	535,680	530,757	1,239,894	14,573,570



Central Kentucky Community Action Council, Inc.  
Statement of Functional Expenses - Other Programs  
For the Year Ended June 30, 2019

	<u>RSVP</u>	<u>FCCH</u>	<u>CCC</u>	<u>Senior Companion</u>	<u>Transportation 5310</u>	<u>Weatherization</u>	<u>Miscellaneous</u>	<u>Total</u>
Salaries	31,039	20,955	101,710	44,896	-	53,943	20,142	272,685
Fringe Benefits	10,322	9,685	48,454	15,018	-	27,057	23,374	133,910
Contracts & Consultants	4	8	12	-	-	35,920	74,904	110,848
Travel & Transportation Costs	6,668	709	8,113	21,867	253	13,280	5,998	56,888
Training Costs	253	219	439	884	-	345	10,127	12,267
Space Costs/Utilities	7,945	1,563	2,387	275	-	714	-	12,884
Consumable Supplies	2,083	595	3,131	13,008	-	55,245	10,443	84,505
Equipment Expense	138	-	-	-	90,708	443	-	91,289
Insurance	963	43	-	625	-	4,129	-	5,760
Program/Client Benefits	-	176,141	12,075	126,423	-	-	39,347	353,986
In-Kind Expenses	18,746	-	23,891	14,333	-	-	-	56,970
Indirect Costs	4,736	3,197	15,519	6,850	-	9,300	3,024	42,626
Interest Expense	-	-	-	-	-	-	-	-
Other Expenses	-	-	152	-	-	(13)	8,285	8,424
<b>Total Expenses by Program</b>	<u>82,897</u>	<u>213,115</u>	<u>215,883</u>	<u>244,179</u>	<u>90,961</u>	<u>200,363</u>	<u>195,644</u>	<u>1,243,042</u>
Less: Federal Fixed Asset Additions	-	-	-	-	(90,708)	-	(2,162)	(92,870)
Add: Depreciation of assets purchased with federal funds	-	840	1,078	-	81,609	2,257	3,937	89,721
<b>Total Expenses</b>	<u>82,897</u>	<u>213,955</u>	<u>216,961</u>	<u>244,179</u>	<u>81,862</u>	<u>202,620</u>	<u>197,419</u>	<u>1,239,893</u>

Central Kentucky Community Action Council, Inc.  
Statement of Cash Flows  
Year Ended June 30, 2019

Operating Activities	
Changes in Net Assets	715,722
Add: Charges Not Requiring Funds	
Depreciation	412,848
Changes in Operating Assets and Liabilities	
Increase in Grants Receivable	(193,663)
Increase in Other Receivables	(3,642)
Decrease in Other Current Assets	6,619
Increase in Accounts Payable	182,714
Increase in Salaries and Wages Payable	30,982
Increase in Accrued Retirement	9,948
Decrease in Other Liabilities	(481,780)
Increase in Refundable Advances	<u>635,943</u>
Net Cash Provided by Operating Activities	1,315,691
Investing Activities	
Purchase of Assets	<u>(1,051,379)</u>
Net Cash Used in Investing Activities	(1,051,379)
Financing Activities	
Repayment of Debt and Capital Leases	<u>(31,983)</u>
Net Cash Used in Financing Activities	<u>(31,983)</u>
Increase in Cash	232,329
Cash - Beginning of Year	<u>1,013,033</u>
Cash - End of Year	<u><u>1,245,362</u></u>
Cash paid for interest	19,857
Cash paid for taxes	0

- See independent auditor's report and accompanying notes to financial statements.

Central Kentucky Community Action Council, Inc.

Notes to Financial Statements  
Year Ended June 30, 2019

**A. Summary of Significant Accounting Policies**

1. Nature of Activities

Central Kentucky Community Action Council, Inc. is a nonprofit corporation organized to fight poverty in an eight county area of Central Kentucky. It administers numerous grants from various federal, state, and local sources.

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Further, in 2014, the Agency adopted FASB Accounting Standards Codification (ASC) No. 958, *Recognition of Depreciation By Not-for-Profit Organizations*. Depreciable assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, ranging from approximately five to thirty-nine years. See Note D for further detail regarding fixed assets.

3. Basis of Presentation

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are 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 donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Agency, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying net assets from net assets with donor restrictions to net assets without donor restrictions.

4. Revenue

Central Kentucky Community Action Council receives substantially all of its grant revenue from federal, state, and local agencies. Revenue restricted by the grantor for

particular purposes is deemed to be earned and reported as revenues when the Council has incurred expenses in compliance with the specific restrictions.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by Central Kentucky Community Action Council, Inc. with the terms of the grants.

5. Refundable Advances

The balance of refundable advances at June 30, 2019, represents amounts received under contracts that will be expended in the next fiscal year in accordance with the grant provisions.

6. In-Kind Income

The Agency received in-kind contributions in the form of labor, donated space, and equipment. Non-specialized labor hours are recorded at the prevailing minimum wage rate. Donated space is recorded at fair rental value and equipment at fair market value at date of the donation. In-kind contributions are recorded as revenues with the offsetting charge to in-kind expense.

7. Income Taxes

The Agency is a nonprofit corporation, incorporated under the laws of the State of Kentucky, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from Kentucky income tax. The Agency has adopted ASC 740-10 as it relates to uncertain tax positions for the year ended June 30, 2019, and has evaluated its tax positions taken for all open tax years. Currently, the 2019, 2018, 2017, and 2016 tax years are open and subject to examination by the Internal Revenue Service. However, the Agency is not currently under audit nor has the Agency been contacted by Internal Revenue Service. Based on the evaluation of the Agency's tax positions, management believes all positions taken would be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2019.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

9. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Cash and Cash Equivalents

Cash and cash equivalents include all moneys in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Notes to Financial Statement (Continued)

11. Accounts Receivable

The Council considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. The Council considers that amount to be immaterial.

12. Inventory

The only inventory reported in the Statement of Financial Position is office supply inventory, which is recorded at cost.

**B. Cash and Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. Deposits (cash and certificates of deposit) are carried at cost that approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash." At June 30, 2019, the bank balances totaled \$1,245,362. Of that, \$500,000 was covered by Federal Depository Insurance and the remainder was fully collateralized.

Restricted cash is cash required to be used by a grantor or donor for a specific program or purpose.

**C. Grants Receivable**

Grants receivable are deemed to be fully collectible by management.

**D. Property and Equipment**

Property and equipment consist of the following at June 30, 2019:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
Non-Depreciable Assets:				
Land	102,454	425,000	-	527,454
Construction in Progress	29,129	111,828	-	140,957
Depreciable Assets:				
Buildings & Building Improvements	677,068	8,935		686,003
Vehicles	2,152,152	484,161	35,842	2,600,471
Furniture, Fixtures, & Equipment	<u>250,964</u>	<u>21,456</u>	<u>-</u>	<u>272,420</u>
TOTAL AT HISTORICAL COST	3,211,767	1,051,380	35,842	4,227,305
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	253,161	35,857	-	289,018
Vehicles	1,267,422	359,222	35,842	1,590,802
Furniture, Fixtures, & Equipment	<u>204,823</u>	<u>17,769</u>	<u>-</u>	<u>222,592</u>
TOTAL ACCUMULATED DEPRECIATION	<u>1,725,406</u>	<u>412,848</u>	<u>35,842</u>	<u>2,102,412</u>
CAPITAL NET	<u><u>1,486,361</u></u>	<u><u>638,532</u></u>	<u><u>0</u></u>	<u><u>2,124,893</u></u>

**D. Property and Equipment (Continued)**

Total depreciation expense for the year ended June 30, 2019 was \$412,848. Of this, \$375,961 is the depreciation expense for assets purchased with federal funding and \$36,887 is the depreciation expense for assets purchased with Council funds.

**E. Lease Commitments**

The Council leases office space, automobiles, and equipment. The Council paid \$305,600 in rent during the year ended June 30, 2019. The following is a schedule of years of future minimum rental payments required under operating leases:

Year Ended June 30,	
2020	214,200
2021	105,200
2022	96,300
2023	82,800
2024	<u>8,400</u>
Total	<u>506,900</u>

**F. Pension Plan**

The Council contributes to a multiemployer defined benefit pension plan, the County Employees Retirement System (CERS), in conjunction with other nonprofit and governmental organizations. The Council does not directly manage this multiemployer plan, which is managed by a board of trustees. A majority of the Council's employees are participants in the multiemployer plan as of June 30, 2019 and 2018, subject to eligibility requirements.

This plan is organized as a nonelecting noncontributory multiemployer retirement plan, and therefore the plan is not subject to certain reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The plan's certified zone status is not available since the plan is not subject to ERISA reporting requirements.

The risks of participating in a multiemployer plan are different from a single employer plan in the following aspects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if an employer chooses to stop participating in a multiemployer plan, the entity may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdraw liability. If a plan were to terminate, if participants voluntarily withdrew or there was a mass withdrawal, the Council may also be required to make additional payments to the plan for its proportionate share of the underfunded liabilities.

Notes to Financial Statements (Continued)

**F. Pension Plan (Continued)**

The following table presents information on the plans and the Organization's participation in the plans (in thousands):

<u>Plan Employer Identification &amp; Plan Number</u>	<u>Plan Funded Status as of June 30, 2018</u>		<u>Council Contributions for the Year Ended</u>		<u>Total Plan Contributions for the Year Ended</u>		<u>Council Contributions Greater Than 5% of Total?</u>
	<u>Assets</u>	<u>Accumulated Benefit Obligation</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>	
61-6027948 CERS	6,950,225	13,191,505	871	720	355,473	339,649	No

As noted in the table above, the Council did not make contributions greater than 5% of the total contributions to CERS.

The plans' accumulated benefit obligations are determined annually by the plans' actuary. Significant actuarial assumptions utilized for CERS include a discount rate of 6.25%, and expected rate of investment return of 6.25%, and an expected rate of salary increase of 3.05% on average, including inflation. Plan assets are invested in public equity, US equity, Non-US equity, fixed income, global, credit real return, private equity, real estate, absolute return, and cash; the funds' investments are determined by the Board of Kentucky Retirements Systems according to Kentucky Revised Statute 61.650. Funded status information was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**G. Other Post-employment Benefits**

A portion of the contributions plan participants make to CERS are for other post-employment benefits, of which the primary benefit offered is health insurance. The following table presents information on the plans and the Organization's participation in the plans (in thousands):

<u>Plan Employer Identification &amp; Plan Number</u>	<u>Plan Funded Status as of June 30, 2018</u>		<u>Council Contributions for the Year Ended</u>		<u>Total Plan Contributions for the Year Ended</u>		<u>Council Contributions Greater Than 5% of Total?</u>
	<u>Assets</u>	<u>Accumulated Benefit Obligation</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>	
CERS Non- hazardous Insurance Fund	2,371,430	3,092,623	282	234	124,619	120,712	No

As noted in the table above, the Council did not make contributions greater than 5% of the total contributions to CERS.

The plans' accumulated benefit obligations are determined annually by the plans' actuary. Significant actuarial assumptions utilized for CERS include a discount rate of 5.85%, and expected rate of investment return of 6.25%, and an expected rate of salary increase of 4% on average, including inflation. Funded status information was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**H. FASB ASC 958 Eliminations**

In-kind salaries of \$173,680 and fringes of \$60,381 have been removed from program services expenses since they do not meet the requirements of FASB ASC 958. The following schedule recaps:

<b>Program</b>	<b>Total In-Kind Services</b>	<b>In-Kind Salaries</b>	<b>In-Kind Fringes</b>	<b>Total Recognized In-Kind Services</b>
Congregate Meals	101,079	1,066	373	99,640
CSBG	140,427	34,061	11,921	94,445
Head Start	303,082	125,593	43,551	133,938
RSVP	18,746	0	0	18,746
Senior Companion Grant	14,333	0	0	14,333
CCC	41,387	12,960	4,536	23,891
CATS – Section 5311	<u>22,800</u>	<u>0</u>	<u>0</u>	<u>22,800</u>
	<u>641,854</u>	<u>173,680</u>	<u>60,381</u>	<u>407,793</u>

**I. Contingent Liability - Unemployment Insurance Trust**

The Agency is a member of the Kentucky Grantees Unemployment Insurance Trust. They do not contribute to the State’s unemployment insurance fund. Earnings on CKCAC’s balance are used to reimburse the State for its actual cost for unemployment insurance benefits paid to former employees. The Council’s policy is to maintain the Trust’s balance at 50% of the previous fourth quarter’s wages. During the year ended June 30, 2019, the Agency contributed \$46,496 to the Trust. The Trust was fully funded as of June 30, 2019.

**J. Capital Lease Payable**

The Agency entered into an agreement with the Marion County Fiscal Court and KACO in order to fund the purchase of the land and building of their current main offices. The total lease agreement is for \$495,000 at 4.75% for twenty (20) years.

The following is an analysis of leased assets included in Property and Equipment:

Land	37,500
Building and improvements	<u>564,527</u>
	602,027
Less accumulated depreciation	<u>(256,465)</u>
	<u>345,562</u>



**J. Capital Lease Payable (Continued)**

The following is a schedule of future minimum lease payments by year required under the lease together with their present value as of June 30, 2019:

Year ending June 30:	
2020	37,571
2021	37,584
2022	37,579
2023	37,569
2024	37,557
2025-2028	<u>143,951</u>
Total minimum lease payments	331,811
Less amount representing interest	<u>(59,814)</u>
Present value of minimum lease payments	<u>271,997</u>

**K. Long-Term Debt**

On July 16, 2012, the Agency entered into a 15-year loan with Farmers National Bank, Lebanon, Kentucky, in the amount of \$121,475 for the purpose of funding the purchase of a building located at 356 West Main Street, Lebanon, Kentucky. The interest rate is 6% and is a fixed rate over the life of the loan. Payments are made monthly at a fixed amount of \$1,031. The date of the final maturity of the obligation is August 1, 2027. As of June 30, 2019, the outstanding principal balance was \$79,365. Principal payment requirements for the remaining term of the loan are as follows:

Year ending June 30:	Principal
2020	7,738
2021	8,234
2022	8,749
2023	9,297
2024	9,872
2025-2028	<u>35,475</u>
Total principal due	<u>79,365</u>

**L. Commitments: Construction Projects – Head Start**

The Agency is in the process of constructing a new Head Start facility in Radcliff, Kentucky. Construction costs to date, which have been capitalized as construction in progress, are \$140,957. The Agency expects the additional costs of the building and its contents to be approximately \$2,203,631. The Agency also anticipates that the total cost of the building, including the land purchased by the Agency, to be 100% funded by federal grant funds from the Department of Health and Human Services, Offices of Head Start.

In June of 2019, the Agency purchased two plots of land, one in Marion County, Kentucky and the second in Washington County, Kentucky, for the construction sites of two additional new Head Start facilities. The Agency has committed to spend \$198,400 for architect fees related to these construction projects.

**M. Subsequent Events**

Subsequent to June 30, 2019, the Agency received from the Department of Health and Human Services, Offices of Head Start, approval to carry forward construction funds awarded to the Agency that would not be expended by the October 31, 2019 grant deadline. These funds will allow the Agency to build the Marion and Washington County facilities with federal funding. The projected costs of these facilities including contents is \$6,378,100.

Management has reviewed subsequent events through October 18, 2019, which is the date the financial statements were available to be issued. There are no additional material subsequent events requiring disclosure.

**N. Functional Classification of Expenses**

Expenses for the year ended June 30, 2019, were allocated as follows:

	Program Services	Supporting Services: Management & General	Total
Salaries	5,292,089	444,389	5,736,478
Fringe Benefits	2,228,204	218,394	2,446,598
Contracts & Consultants	246,457	48,950	295,407
Travel & Transportation Costs	868,604	12,253	880,857
Training Costs	61,772	5,414	67,186
Space Costs / Utilities	625,367	15,631	640,998
Consumable Supplies	679,286	27,024	706,310
Equipment Expense	568,496	5,848	574,344
Insurance	82,384	28,939	111,323
Renovation	81,988	-	81,988
Land	425,000	-	425,000
Construction	111,828	-	111,828
Program/Client Benefits	2,709,816	-	2,709,816
In-Kind Expenses	407,793	-	407,793
Other Expenses	35,784	611	36,395
Total	<u>14,424,868</u>	<u>807,453</u>	<u>15,232,321</u>

**O. Liquidity**

The following reflects the Agency's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Notes to Financial Statements (Continued)

**O. Liquidity (Continued)**

Financial assets at year-end	\$ 1,245,362
Less those unavailable for general expenditures within one year, due to:	
Amounts due to grantors	(32,806)
Other due to amounts	(1,290)
Donor Restricted – Local and State	(4,814)
Deferred Revenue – Restricted	<u>(662,544)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$543,908</u>

As part of the Agency’s liquidity management, it places cash in excess of monthly requirements in on demand or savings accounts.

**P. Change in Accounting Principle**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The Agency has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Agency’s financial statements:

- 1) The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- 2) The financial statements include a new disclosure about the liquidity and availability of resources (Note O).
- 3) The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted Net Assets	\$ 832,310	\$ -
Temporarily Restricted Net Assets	\$ 949,277	\$ -
Net Assets without Donor Restrictions	\$ -	\$ 832,310
Net Assets with Donor Restrictions	\$ -	\$ 949,277

Central Kentucky Community Action Council, Inc.  
Head Start Grant No. 04-CH4778/04  
Statement of Revenues and Expenses  
Year Ended June 30, 2019

	Approved * Budget	11/1/17 to 6/30/2018	7/1/18 to 6/30/2019	Total
<u>Revenues</u>				
<u>OCD Funds</u>				
Amount Awards This Budget Period	5,299,031	2,520,386	2,249,165	4,769,551
Program Income	0	0	1,277	1,277
STARS Incentive Income	0	123,790	(123,790)	0
Cash Donation	0	1,600	(1,600)	0
Other Income	0	7,850	(7,850)	0
Grantee's Contributions	824,758	488,467	101,201	589,668
Total Revenues	<u>6,123,789</u>	<u>3,142,093</u>	<u>2,218,403</u>	<u>5,360,496</u>
<u>Expenses</u>				
<u>OCD's Share</u>				
<u>Head Start Full-Year/Full-Day PA22</u>				
Direct Costs				
Salaries	2,961,860	1,360,429	1,001,464	2,361,893
Fringe Benefits	1,044,632	520,887	383,189	904,076
Contracts & Consultants	22,400	81,617	2,240	83,857
Travel & Transportation Costs	140,100	39,243	35,373	74,616
Training & Staff Development	5,000	0	0	0
Consumable Supplies	84,470	115,581	320,330	435,911
Equipment Expense	10,200	7,988	4,407	12,395
Facility Construction	0	29,129	57	29,186
Other Expenses	483,922	274,812	199,011	473,823
Subtotal	<u>4,752,584</u>	<u>2,429,686</u>	<u>1,946,071</u>	<u>4,375,757</u>
Indirect Costs	<u>479,303</u>	<u>186,113</u>	<u>141,814</u>	<u>327,927</u>
Total PA22 Costs	5,231,887	2,615,799	2,087,885	4,703,684
<u>Child Development Association Grant PA20</u>				
Direct Costs - Early Head Start				
Travel & Transportation	0	758	6,109	6,867
Other Expenses	8,749	1,979	17,196	19,175
Direct Costs - Head Start				
Travel & Transportation	0	19,213	5,849	25,062
Other Expenses	58,395	15,877	163	16,040
Subtotal	<u>67,144</u>	<u>37,827</u>	<u>29,317</u>	<u>67,144</u>
Indirect Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total PA20 Costs	<u>67,144</u>	<u>37,827</u>	<u>29,317</u>	<u>67,144</u>
Total OCD Costs	5,299,031	2,653,626	2,117,202	4,770,828
Grantee's Share	824,758	488,467	101,201	589,668
Total Expenses	<u>6,123,789</u>	<u>3,142,093</u>	<u>2,218,403</u>	<u>5,360,496</u>
Revenue Over (Under) Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

\* Grant Period is November 1, 2017 through October 31, 2018.

Central Kentucky Community Action Council, Inc.

Head Start Grant No. 04CH4778/05

Statement of Revenues and Expenses

Year Ended June 30, 2019

	Approved * Budget	Actual 11/1/18 to 6/30/2019	COB Balance Current Year
<u>Revenues</u>			
<u>OCD Funds</u>			
Amount Awards This Budget Period	14,637,642	3,461,214	11,176,428
Program Income	0	781	(781)
STARS Incentive Income	0	166,626	(166,626)
Other Income	0	17,700	(17,700)
Grantee's Contributions	1,301,642	201,881	1,099,761
Total Revenues	<u>15,939,284</u>	<u>3,848,202</u>	<u>12,091,082</u>
<u>Expenses</u>			
<u>OCD's Share</u>			
<u>Head Start Full-Year/Full-Day PA22</u>			
Direct Costs			
Salaries	3,370,257	1,611,262	1,758,995
Fringe Benefits	1,207,780	634,278	573,502
Contracts & Consultants	57,400	54,798	2,602
Travel & Transportation Costs	301,133	36,230	264,903
Training & Staff Development	69,000	167	68,833
Consumable Supplies	1,366,198	112,139	1,254,059
Equipment Expense	10,200	10,203	(3)
Land & Facility Construction	7,032,906	536,771	6,496,135
Other Expenses	663,446	350,268	313,178
Subtotal	<u>14,078,320</u>	<u>3,346,116</u>	<u>10,732,204</u>
Indirect Costs	<u>539,322</u>	<u>256,830</u>	<u>282,492</u>
Total PA22 Costs	14,617,642	3,602,946	11,014,696
<u>Child Development Association Grant PA20</u>			
Direct Costs - Early Head Start			
Travel & Transportation	0	9,326	(9,326)
Other Expenses	20,000	25,326	(5,326)
Direct Costs - Head Start			
Travel & Transportation	0	4,397	(4,397)
Other Expenses	0	4,325	(4,325)
Subtotal	<u>20,000</u>	<u>43,374</u>	<u>(23,374)</u>
Indirect Costs	<u>0</u>	<u>0</u>	<u>0</u>
Total PA20 Costs	<u>20,000</u>	<u>43,374</u>	<u>(23,374)</u>
Total OCD Costs	14,637,642	3,646,320	10,991,322
Grantee's Share	1,301,642	201,882	1,099,760
Total Expenses	<u>15,939,284</u>	<u>3,848,202</u>	<u>12,091,082</u>
Revenue Over (Under) Expenses	<u>0</u>	<u>0</u>	<u>0</u>

Central Kentucky Community Action Council, Inc.  
Reconciliation of SF 269 and SF 272 to Audit Report

**Grant Number 04-CH-004778/04**

Federal Expenditures Per Final SF 269 and SF 272		4,769,551
Federal Expenditures Per Audited Financials		
11/01/17 through 6/30/18	2,520,386	
7/01/18 through 10/31/18	<u>2,249,165</u>	
Total Expenditures Per Audited Financials		<u>4,769,551</u>
Difference		<u><u>0</u></u>

**Grant Number 04-CH-004778/05**

Federal Expenditures Per Approved Budget		14,637,642
Federal Expenditures Per Audited Financials		
11/01/18 through 6/30/19	3,461,214	
7/01/19 through 10/31/19 (Post Audit Period)	<u>0</u>	
Total Expenditures Per Audited Financials		<u>3,461,214</u>
Difference to be Expended Subsequent to Audit Year Ending 6/30/19		<u><u>11,176,428</u></u>

Central Kentucky Community Action Council, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

	Federal CFDA Number	Contract Number	Expenditures	Amounts Provided to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Head Start	93.600	04CH4778/04	2,249,165	0
Head Start	93.600	04CH4788/05	3,461,214	0
Total Head Start Cluster			5,710,379	0
Passed through Corporation for National Community Service				
Retired & Senior Volunteer Program	94.002	16SRSKY001	42,550	0
Retired & Senior Volunteer Program	94.002	19SRSKY001	17,149	0
Senior Companion Grant	94.016	18SCSKY004	210,529	0
Total Corporation for National Community Service			270,228	0
Passed through Kentucky Cabinet for Health and Family Services				
Community Services Block Grant	93.569	PON2 736 1800001929	602,828	0
Kentucky Works	93.558	PON2 736 1800001660	649,266	0
Community Collaboration for Children - Intensive Inhome	93.590	PON2 736 1800002003	110,439	0
Community Collaboration for Children - Promoting Safe & Stable Families	93.556	PON2 736 1800002003	76,185	0
Total Kentucky Cabinet for Health and Family Services			1,438,718	0
Passed through Lincoln Trail Area Development District				
Special Programs for the Aging - Title IIIB	93.044	#04/FY19	73,591	0
Congregate Meals III C-1	93.044	#04/FY19	261,758	0
Congregate Meals III-D Preventative Health	93.044	#04/FY19	12,450	0
Total Passed through Lincoln Trail Area Development District			347,799	0
Passed through Community Action Kentucky				
Low-Income Home Energy Assistance	93.568	736 1800001946 3 LIHEAP005	1,736,126	0
Passed through Kentucky Housing Corporation				
Weatherization - LiHeap	93.568	LH19-0602-02 LHWX-005	354,818	0
Total U.S. Department of Health and Human Services			9,858,068	0
<u>U.S. Department of Agriculture</u>				
Passed through Kentucky Department of Education:				
Child and Adult Care Food Program - Unaffiliated Centers	10.558	11581	106,878	0
Child and Adult Care Food Program - Unaffiliated Centers	10.558	11581	423,467	0
Child and Adult Care Food Program - Family Child Care Homes	10.558	11030	50,014	0
Child and Adult Care Food Program - Family Child Care Homes	10.558	11030	161,662	0
Child and Adult Care Food Program - Head Start	10.558	11400	331,773	0
Total Child and Adult Care Food			1,073,794 *	0
Passed through Lincoln Trail Area Development District				
USDA AKA NSIP	10.570	#04/FY19	71,528	0
Total U.S. Department of Agriculture			1,145,322	0
<u>U.S. Department of Transportation</u>				
Passed through Kentucky Department of Transportation:				
Section 5311 - Public Transportation	20.509	KY-2018-015-00	1,177,295	0
DOT RTAP	20.509	KY-2016-002-01	17,216	0
Total Section 5311 / Formula Grants for Rural Areas Cluster			1,194,511 *	0
Section 5310 - Capital Equipment	20.513	KY-2018-006-00	88,385	0
Section 5339(b) - Capital Equipment	20.526	KY-2017-003-02	142,180	0
Section 5339 - Capital Equipment	20.526	KY-2018-0XX-00	292,765	0
Total Section 5339			434,945 *	0
Total Kentucky Department of Transportation			1,717,841	0
<u>U.S. Department of Energy</u>				
Passed through Kentucky Housing Corporation				
Weatherization	81.042	WX19-0602-02 DOEWX-005	200,361	0
<u>Other Passed through Funds</u>				
Emergency Food & Shelter	97.024	#340200 Phase 35	39,204	0
Total Federal Financial Assistance			12,960,796	0

\* Tested as major program

Central Kentucky Community Action Council, Inc.

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Central Kentucky Community Action Council, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Central Kentucky Community Action Council, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Central Kentucky Community Action Council, Inc.

**NOTE B – 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 and/or OMB Circular A0122, Cost Principles for Non-profit Organization, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – FEDERAL NON-CASH ASSISTANCE**

Central Kentucky Community Action Council, Inc. received no federal non-cash assistance for the year ended June 30, 2019.

**NOTE D – DE MINIMIS INDIRECT COST RATE**

Central Kentucky Community Action Council, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



Central Kentucky Community Action Council, Inc.  
LiHeap Program  
Delegate Agreement Number 5  
Contract Number 736 1800001946 3 LIHEAP005

Statement of Financial Position  
June 30, 2019

Assets

Current Assets	
Cash	0
Accounts Receivable - June 30, 2019 Program Year	<u>0</u>
Total Assets	<u><u>0</u></u>

Liabilities and Net Assets

Current Liabilities	
Due to CAK	<u>0</u>
Net Assets - Unrestricted	<u>0</u>
Total Liabilities and Net Assets	<u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
 LiHeap Program  
 Delegate Agreement Number 5  
 Contract Number 736 1800001946 3 LIHEAP005

Statement of Program Expenditures  
 Year Ended June 30, 2019

<u>Cost Category</u>	<u>Expenses</u>
Administrative	
Salaries	97,284
Fringe Benefits	34,170
Travel	423
Postage	155
Supplies	8,628
Miscellaneous	2,708
Indirect Costs	<u>14,461</u>
Total Administrative	157,829
Benefits	
Subsidy	475,394
Crisis	<u>1,102,903</u>
Total Benefits	<u>1,578,297</u>
Total Expenses	1,736,126
Less: Questioned Costs	0
Less: In-Kind Contributions	<u>0</u>
Total Allowable Expenses	1,736,126
Less: Contract Payments Received As of June 30, 2019	<u>(1,736,126)</u>
Under/(Over) Payment Due to Agency (CAK)	<u><u>-</u></u>

Central Kentucky Community Action Council, Inc.  
 LiHeap Program  
 Delegate Agreement Number 5  
 Contract Number 736 1800001946 3 LIHEAP005

Statement of Questioned Costs  
 Year Ended June 30, 2019

<u>Cost Category</u>	<u>Actual</u>	<u>Questioned Cost</u>	<u>Balance</u>
Administrative			
Salaries	97,284	0	97,284
Fringe Benefits	34,170	0	34,170
Travel	423	0	423
Postage	155	0	155
Office Supplies	8,628	0	8,628
Miscellaneous	2,708	0	2,708
Indirect Costs	14,461	0	14,461
Total Administrative	<u>157,829</u>	<u>0</u>	<u>157,829</u>
Benefit Cost			
Subsidy	475,394	0	475,394
Crisis	1,102,903	0	1,102,903
Total Benefits	<u>1,578,297</u>	<u>0</u>	<u>1,578,297</u>
Total	<u><u>1,736,126</u></u>	<u><u>0</u></u>	<u><u>1,736,126</u></u>

Central Kentucky Community Action Council, Inc.  
 LiHeap Program  
 Delegate Agreement Number 5  
 Contract Number 736 1800001946 3 LIHEAP005

Statement of Budget and Actual Expenses  
 Year Ended June 30, 2019

<u>Cost Category</u>	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
Administrative Liheap	157,829	157,829	0
Benefit Cost			
Liheap - Subsidy	475,394	475,394	0
Liheap - Crisis	<u>1,102,903</u>	<u>1,102,903</u>	<u>0</u>
Total	<u><u>1,736,126</u></u>	<u><u>1,736,126</u></u>	<u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
Community Services Block Grant  
Contract Number PON2 736 1800001929

Statement of Financial Participation  
Year Ended June 30, 2019

	CSBG	CSBG Scholarship	Total
<u>Obligated Fund</u>			
CSBG Financial			
Participation at 80% and 100%	598,328	4,500	602,828
Total Financial Participation	598,328	4,500	602,828
Less: Contract Payments Received	(598,328)	(4,500)	(602,828)
Less: Receivable Due from State	0	0	0
Total Obligated Funds	0	0	0
<u>Overpayment</u>			
Total Allowable Expenses	598,328	4,500	602,828
Less: Contract Payments Received	(598,328)	(4,500)	(602,828)
Less: Receivable Due from State	0	0	0
<u>CSBG Local Match Requirement</u>			
CSBG Allowable Expenses	598,328	4,500	602,828
Funding Level Restated at 100% (\$598,328 Multiplied by 120%)	717,994	4,500	722,494
Local Match Required at 20%	119,666	0	119,666
Less: Local Match Provided	(306,811)	0	(306,811)
Excess Local Match	(187,145)	0	(187,145)

Central Kentucky Community Action Council, Inc.  
Community Services Block Grant  
Contract Number PON2 736 1800001929

Statement of Allowable Expenses  
Year Ended June 30, 2019

	<u>CSBG</u>	<u>CSBG Scholarship</u>	<u>Total</u>
<u>Expenses</u>			
Personnel	375,018	0	375,018
Travel	17,936	0	17,936
Equipment	9,730	0	9,730
Supplies	6,504	0	6,504
Contracts	0	0	0
Space Costs	73,163	0	73,163
Transportation	2,378	0	2,378
In-Kind Expenses	140,427	0	140,427
Indirect - Administrative	42,594	0	42,594
Other Expenses	<u>237,389</u>	<u>4,500</u>	<u>241,889</u>
Total Expenses	905,139	4,500	909,639
Less: Questioned Costs	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses Adjusted	905,139	4,500	909,639
Less: In-Kind & Cash Contributions	<u>(306,811)</u>	<u>0</u>	<u>(306,811)</u>
Total Allowable Expenses	598,328	4,500	602,828
Less: Contract Payments Received	<u>(598,328)</u>	<u>(4,500)</u>	<u>(602,828)</u>
Under/(Over) Payment Due the Agency/CFC	<u>0</u>	<u>0</u>	<u>0</u>

Central Kentucky Community Action Council, Inc.  
 Community Services Block Grant  
 Contract Number PON2 736 1800001929

Statement of Obligated Fund Balance  
 Year Ended June 30, 2019

	<u>CSBG</u>	<u>CSBG Scholarship</u>	<u>Total</u>
Beginning Obligated Fund Balance as of July 1, 2018	245,885	0	245,885
Less: Carryover Applied	<u>0</u>	<u>0</u>	<u>0</u>
	245,885	0	245,885
Total Financial Participation	598,328	4,500	602,828
Less: Total Allowable Expenses	<u>(598,328)</u>	<u>(4,500)</u>	<u>(602,828)</u>
Ending Obligated Fund Balance as of June 30, 2019	<u><u>245,885</u></u>	<u><u>0</u></u>	<u><u>245,885</u></u>

Central Kentucky Community Action Council, Inc.  
Community Services Block Grant  
Contract Number PON2 736 1800001929

Statement of Questioned Costs  
Year Ended June 30, 2019

<u>Expenses</u>	<u>Actual</u>	<u>Questioned Costs</u>	<u>Balance</u>
<u>CSBG Program</u>			
Personnel	375,018	0	375,018
Travel	17,936	0	17,936
Equipment	9,730	0	9,730
Supplies	6,504	0	6,504
Contracts	0	0	0
Space Costs	73,163	0	73,163
Transportation	2,378	0	2,378
In-Kind Expenses	140,427	0	140,427
Indirect - Administrative	42,594	0	42,594
Other Expenses	<u>237,389</u>	<u>0</u>	<u>237,389</u>
Total CSBG Expenses	<u><u>905,139</u></u>	<u><u>0</u></u>	<u><u>905,139</u></u>
<u>CSBG Scholarship Program</u>			
Scholarship	<u>4,500</u>	<u>0</u>	<u>4,500</u>
Total CSBG Scholarship Program	<u><u>4,500</u></u>	<u><u>0</u></u>	<u><u>4,500</u></u>
Total for All Programs	<u><u>909,639</u></u>	<u><u>0</u></u>	<u><u>909,639</u></u>



Central Kentucky Community Action Council, Inc.  
Community Services Block Grant  
Contract Number PON2 736 1800001929

Statement of Budget and Actual Expenses  
Year Ended June 30, 2019

<u>Cost Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Under(Over) Budget</u>
<u>CSBG Category</u>			
Personnel	375,018	375,018	0
Travel	17,936	17,936	0
Other	469,591	469,591	0
Indirect - Administrative	<u>42,594</u>	<u>42,594</u>	<u>0</u>
Total CSBG Expenses	905,139	905,139	0
<u>CSBG Scholarship Program</u>			
Scholarship	<u>4,500</u>	<u>4,500</u>	<u>0</u>
Total for All Programs	<u><u>909,639</u></u>	<u><u>909,639</u></u>	<u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
Weatherization Assistance Program  
Contract Number WX19-0602-02 DOEWX-005

Statement of Financial Position  
June 30, 2019

Assets

Cash (Overdraft)	0
Contract Receivable	0
Material Inventory	<u>0</u>
Total Assets	<u><u>0</u></u>

Liabilities and Net Assets

Liabilities

Due to Grantor Agency	<u>0</u>
Total Liabilities	0
Net Assets	<u>0</u>
Total Liabilities and Net Assets	<u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
 Weatherization Assistance Program  
 Contract Number WX19-0602-02 DOEWX-005  
 DOE 7/01/18-06/30/19  
 Statement of Program Expenses  
 Year Ended June 30, 2019

<u>Expenses</u>	<u>7/01/18 to 6/30/2019</u>
Administration	20,477
Materials	42,210
H & S Materials	10,548
Program Support	52,559
Liability Insurance	4,129
Labor Expense	40,803
H & S Labor	13,028
Vehicles and Equipment	0
Training	12,695
Audit	<u>3,913</u>
 Total Expenses	 200,362
 Questioned Costs	 <u>0</u>
 Total Allowable Expenses	 200,362
 Less: Contract Payments Received	 <u>(200,362)</u>
 Under/(Over) Payment Due the Agency/(CHR)	 <u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
Weatherization Assistance Program  
Contract Number WX19-0602-02 DOEWX-005  
DOE 7/01/18-06/30/19  
Statement of Questioned Costs  
Year Ended June 30, 2019

<u>Cost Category</u>	7/01/18 to 6/30/2019 <u>Actual</u>	7/01/18 to 6/30/2019 <u>Questioned Costs</u>	<u>Balance</u>
Administration	20,477	0	20,477
Materials	42,210	0	42,210
H & S Materials	10,548	0	10,548
Program Support	52,559	0	52,559
Liability Insurance	4,129	0	4,129
Labor Expense	40,803	0	40,803
H & S Labor	13,028	0	13,028
Vehicles and Equipment	0	0	0
Training	12,695	0	12,695
Audit	3,913	0	3,913
<b>Total</b>	<u><u>200,362</u></u>	<u><u>0</u></u>	<u><u>200,362</u></u>

Explanation of Questioned Costs

None

Central Kentucky Community Action Council, Inc.  
Weatherization Assistance Program  
Contract Number WX19-0602-02 DOEWX-005  
DOE 7/01/18-06/30/19  
Statement of Budget and Actual Expenses  
Year Ended June 30, 2019

<u>Cost Category</u>	<u>7/01/18 to 6/30/2019 Budget</u>	<u>7/01/18 to 6/30/2019 Actual</u>	<u>(Over) Under Budget</u>
Administration	20,477	20,477	0
Materials	42,210	42,210 *	0
H & S Materials	10,548	10,548 *	0
Program Support	52,559	52,559	0
Liability Insurance	4,129	4,129	0
Labor Expense	40,803	40,803	0
H & S Labor	13,028	13,028	0
Vehicles and Equipment	0	0	0
Training	12,695	12,695	0
Audit	3,913	3,913	0
<b>Total</b>	<b><u><u>200,362</u></u></b>	<b><u><u>200,362</u></u></b>	<b><u><u>0</u></u></b>

\* Does not include \$37,839 of close-out inventory at June 30, 2019.

Close-Out Inventory 6/30/18	28,654
Plus: Materials Purchased	52,758
Less: Materials Installed	<u>(43,573)</u>
Close-Out Inventory 6/30/19	<u><u>37,839</u></u>

Central Kentucky Community Action Council, Inc.  
Weatherization LiHeap Assistance Program  
Contract Number LH19-0602-02 LHWX-005

Statement of Financial Position  
June 30, 2019

Assets

Cash (Overdraft)	0
Contract Receivable	0
Material Inventory	<u>0</u>
Total Assets	<u><u>0</u></u>

Liabilities and Net Assets

Liabilities

Due to Grantor Agency	<u>0</u>
Total Liabilities	0
Net Assets	<u>0</u>
Total Liabilities and Net Assets	<u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
 Weatherization LiHeap Assistance Program  
 Contract Number LH19-0602-02 LHWX-005  
 07/01/18-06/30/19  
 Statement of Program Expenses  
 Year Ended June 30, 2019

<u>Expenses</u>	<u>7/1/18 to 6/30/19</u>
Administration	18,076
Materials	48,687
H & S Materials	20,290
Program Support	137,301
Liability Insurance	3,076
Labor Expense	97,152
H & S Labor	30,237
Vehicles and Equipment	0
Training	0
Audit	0
	<hr/>
Total Expenses	354,819
Questioned Costs	0
	<hr/>
Total Allowable Expenses	354,819
Less: Contract Payments Received	(354,819)
	<hr/>
Under/(Over) Payment Due the Agency	<u><u>0</u></u>

Central Kentucky Community Action Council, Inc.  
Weatherization LiHeap Assistance Program  
Contract Number LH19-0602-02 LHWX-005  
DOE 7/01/18 - 6/30/19  
Statement of Questioned Costs  
Year Ended June 30, 2019

<u>Cost Category</u>	7/01/18 to 6/30/2019 <u>Actual</u>	7/01/18 to 6/30/2019 Questioned <u>Costs</u>	<u>Balance</u>
Administration	18,076	0	18,076
Materials	48,687	0	48,687
H & S Materials	20,290	0	20,290
Program Support	137,301	0	137,301
Liability Insurance	3,076	0	3,076
Labor Expense	97,152	0	97,152
H & S Labor	30,237	0	30,237
Vehicles and Equipment	0	0	0
Training	0	0	0
Audit	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>354,819</u></u>	<u><u>0</u></u>	<u><u>354,819</u></u>

Explanation of Questioned Costs

None



Central Kentucky Community Action Council, Inc.  
Weatherization LiHeap Assistance Program  
Contract Number LH19-0602-02 LHWX-005  
7/01/18 - 6/30/19  
Statement of Budget and Actual Expenses  
Year Ended June 30, 2019

<u>Cost Category</u>	7/01/18 to 6/30/2019 Budget	7/01/18 to 6/30/2019 Actual	(Over) Under Budget
Administration	18,076	18,076	0
Materials	48,687	48,687 *	0
H & S Materials	20,290	20,290 *	0
Program Support	137,301	137,301	0
Liability Insurance	3,076	3,076	0
Labor Expense	97,152	97,152	0
H & S Labor	30,237	30,237	0
Vehicles and Equipment	0	0	0
Training	0	0	0
Audit	0	0	0
<b>Total</b>	<b><u>354,819</u></b>	<b><u>354,819</u></b>	<b><u>0</u></b>

\* Does not include \$5,583 of inventory at June 30, 2019.

Inventory 6/30/18	2,507
Plus: Materials Purchased	68,977
Less: Materials Installed	<u>(65,901)</u>
Inventory 06/30/19	<u><u>5,583</u></u>

**WHITE AND COMPANY, P.S.C.**  
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**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***

October 18, 2019

Board of Directors  
Central Kentucky Community Action Council, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Kentucky Community Action Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Kentucky Community Action Council, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Kentucky Community Action Council, Inc.'s internal control. Accordingly, we do not express an opinion of the effectiveness of Central Kentucky Community Action Council, Inc.'s internal control.

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

Our consideration of 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Kentucky Community Action Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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

October 18, 2019

Board of Directors  
Central Kentucky Community Action Council, Inc.

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

We have audited Central Kentucky Community Action Council, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Kentucky Community Action Council Inc.'s major federal programs for the year ended June 30, 2019. Central Kentucky Community Action Council, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Central Kentucky Community Action Council, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Kentucky Community Action Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Central Kentucky Community Action Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

Management of Central Kentucky Community Action Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Kentucky Community Action Council, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Kentucky Community Action Council Inc.'s internal control over compliance.

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

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

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

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

Central Kentucky Community Action Council, Inc.

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**Section I – Summary of Auditors’ Results**

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported

Noncompliance material to financial statements noted:  Yes  No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR section 200.516(a)?  Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.509	Section 5311 / Formula Grants for Rural Areas Cluster
10.558	Child and Adult Care Food Program
20.526	Section 5339

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

Central Kentucky Community Action Council, Inc.

Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2019

There were no prior year findings.

**WHITE AND COMPANY, P.S.C.**  
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October 18, 2019

Board of Directors  
Central Kentucky Community Action Council, Inc.

We have audited the financial statements of Central Kentucky Community Action Council, Inc. for the year ended June 30, 2019, and have issued our report thereon dated October 18, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, (and, if applicable, *Government Auditing Standards*, and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Central Kentucky Community Action Council, Inc. are described in Note A to the financial statements. As described in Note P, the Agency implemented accounting policies related to ASU 2016-14, Not-for-Profit Entities (Topic 958). We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's calculation of depreciation is based on management's estimate of the useful lives of its assets. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.



### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 18, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Central Kentucky Community Action Council, Inc.'s Board of Directors and management of Central Kentucky Community Action Council, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

Central Kentucky Community Action Council, Inc.

Exit Conference

Subsequent to the conclusion of the audit, a final exit conference was held at the Auditors' office on October 18, 2019. Those in attendance were as follows:

Representatives of the Agency:

Gordon Thomas, Board Chair  
Nancy Addington, Board Vice Chairperson  
David Daugherty, Treasurer  
Millie Cambron, Secretary  
Hal B. Goode, Executive Director  
Jami Sandusky, Finance Administrator  
Jessica Miles, IT/AR Coordinator

Representatives of White and Company, P.S.C.:

Charles M. White  
Joseph A. Montgomery  
Stephanie A. Abell

The following matters were discussed at the exit conference:

- A. The format and content of the audit report draft.
- B. The Council's review and approval of the audit report.
- C. Representatives of the Council were notified that this report was subject to approval by the various funding agencies.