

# Kennebec Valley Community Action Program and Subsidiaries

Waterville, Maine

Consolidated Financial Statements  
and Supplementary Information

Years Ended September 30, 2023 and 2022



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# Kennebec Valley Community Action Program and Subsidiaries

Consolidated Financial Statements and Supplementary Information  
Years Ended September 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

#### ***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 29 through 33, 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 April 30, 2024, 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

April 30, 2024  
Madison, Wisconsin

## Kennebec Valley Community Action Program and Subsidiaries

### Consolidated Statements of Financial Position September 30, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,652,922	\$ 6,239,352
Accounts and grants receivable	3,474,409	3,701,784
Current portion of promises to give	251,033	22,000
Current portion of loans receivable, net	1,951	1,838
Current portion of prepaid expenses	381,351	1,615,400
Inventory	1,907,161	1,724,040
Total current assets	14,668,827	13,304,414
Property and equipment:		
Land	98,842	98,842
Buildings and improvements	3,642,592	3,255,706
Equipment and fixtures	1,407,703	1,277,323
Vehicles	3,893,904	3,739,379
Total property and equipment	9,043,041	8,371,250
Less: Accumulated depreciation	(4,149,644)	(4,067,936)
Net property and equipment	4,893,397	4,303,314
Other assets:		
Investments	53,260	47,632
Operating lease right-of-use assets	257,316	-
Promises to give, net of current portion	320,834	52,500
Loans receivable, net of current portion	376,588	378,537
Prepaid expenses, net of current portion	14,332	20,921
Total other assets	1,022,330	499,590
<b>Total assets</b>	<b>\$ 20,584,554</b>	<b>\$ 18,107,318</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt	\$ 338,778	\$ 150,645
Current portion of operating lease obligations	65,692	-
Accounts payable	649,102	1,058,456
Accrued expenses	968,814	1,150,759
Reserve for self insurance	-	477,362
Deferred revenue	744,593	793,390
Refundable advances	4,132,951	4,056,196
Total current liabilities	6,899,930	7,686,808
Non-current liabilities:		
Operating lease obligations, net of current portion	194,909	-
Long-term debt, net of current portion	1,001,297	868,513
Total non-current liabilities	1,196,206	868,513
Total liabilities	8,096,136	8,555,321
Net assets:		
Without donor restrictions:		
Undesignated	10,294,141	8,480,486
Board designated	447,421	426,027
Total net assets without donor restrictions	10,741,562	8,906,513
With donor restrictions	1,746,856	645,484
Total net assets	12,488,418	9,551,997
<b>Total liabilities and net assets</b>	<b>\$ 20,584,554</b>	<b>\$ 18,107,318</b>

See accompanying notes to consolidated financial statements.

## Kennebec Valley Community Action Program and Subsidiaries

### Consolidated Statement of Activities

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Grants	\$ 26,095,492	\$ -	\$ 26,095,492
Contracts	13,138,157	-	13,138,157
Program revenue	5,541,677	-	5,541,677
Other revenue	722,057	1,157,699	1,879,756
Contributed nonfinancial assets	745,045	-	745,045
Net assets released from restrictions	56,327	(56,327)	-
Total revenues, gains, and other support	46,298,755	1,101,372	47,400,127
Expenses:			
Program services:			
Community services	15,498,066	-	15,498,066
Energy & Housing services	12,201,397	-	12,201,397
Child & Family services	12,012,496	-	12,012,496
Agency services	510,762	-	510,762
Cony Village LLC	1,448,886	-	1,448,886
Total program expenses	41,671,607	-	41,671,607
Supporting services:			
Management & general	2,706,960	-	2,706,960
Fundraising	85,139	-	85,139
Total supporting services	2,792,099	-	2,792,099
Total expenses	44,463,706	-	44,463,706
Change in net assets	1,835,049	1,101,372	2,936,421
Net assets, beginning of year	8,906,513	645,484	9,551,997
<b>Net assets, end of year</b>	<b>\$ 10,741,562</b>	<b>\$ 1,746,856</b>	<b>\$ 12,488,418</b>

See accompanying notes to consolidated financial statements.

# Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statement of Activities  
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
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	1,144,310	347,114	1,491,424
Contributed nonfinancial assets	839,825	-	839,825
Net assets released from restrictions	289,722	(289,722)	-
Total revenues, gains, and other support	55,371,816	138,795	55,510,611
Expenses:			
Program services:			
Community services	14,444,884	-	14,444,884
Energy & Housing services	25,456,850	-	25,456,850
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	51,709,506	-	51,709,506
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	54,257,988	-	54,257,988
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
<b>Net assets, end of year</b>	<b>\$ 8,906,513</b>	<b>\$ 645,484</b>	<b>\$ 9,551,997</b>



## Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statement of Functional Expenses  
Year Ended September 30, 2023

	Program Services						Supporting Services			Total
	Community services	Energy & Housing services	Child & Family services	Agency services	Cony Village, LLC	Total program	Management & general	Fundraising	Total supporting services	
Personnel	\$ 3,558,089	\$ 1,736,433	\$ 6,107,626	\$ 14,192	\$ -	\$ 11,416,340	\$ 1,583,053	\$ 21,737	\$ 1,604,790	\$ 13,021,130
Payroll taxes and employee benefits	1,030,885	569,451	1,993,795	46,478	-	3,640,609	386,672	6,901	393,573	4,034,182
Staff development	120,698	80,454	627,398	1,399	-	829,949	49,779	-	49,779	879,728
Travel	34,139	35,071	125,460	-	-	194,670	20,562	225	20,787	215,457
Direct client assistance - common carrier	3,212,895	-	-	-	-	3,212,895	-	-	-	3,212,895
Direct client assistance - other	5,303,148	8,469,748	49,624	17,640	-	13,840,160	-	-	-	13,840,160
Office costs	37,690	32,588	195,977	757	-	267,012	58,883	-	58,883	325,895
Insurance	(1,699)	145,174	20,973	1,918	13,993	180,359	79,244	-	79,244	259,603
Telecommunications	143,571	33,115	58,072	-	-	234,758	22,203	789	22,992	257,750
Space and occupancy	341,236	354,014	191,038	12,622	21,482	920,392	-	-	-	920,392
Space and occupancy - in-kind	-	-	730,827	-	-	730,827	-	-	-	730,827
Contract services	153,759	334,886	1,157,645	7,937	-	1,654,227	338,246	37,518	375,764	2,029,991
Vehicle	838,931	15,694	-	-	-	854,625	-	-	-	854,625
Housing property costs	-	86,516	-	-	1,409,968	1,496,484	-	-	-	1,496,484
Material & supplies	83,102	85,275	536,044	2,400	-	706,821	62,143	3,467	65,610	772,431
Material & supplies - in-kind	-	-	14,218	-	-	14,218	-	-	-	14,218
Administration	9,880	4,902	12,515	38	-	27,335	-	4,078	4,078	31,413
Interest	59,668	-	-	-	3,443	63,111	-	-	-	63,111
Depreciation	524,369	85,932	26,417	395,311	-	1,032,029	22,066	-	22,066	1,054,095
Provision for bad debts/loan losses	-	24,367	265	(1,229)	-	23,403	-	-	-	23,403
Other	47,705	107,777	164,602	11,299	-	331,383	84,109	10,424	94,533	425,916
<b>Total expenses</b>	<b>\$ 15,498,066</b>	<b>\$ 12,201,397</b>	<b>\$ 12,012,496</b>	<b>\$ 510,762</b>	<b>\$ 1,448,886</b>	<b>\$ 41,671,607</b>	<b>\$ 2,706,960</b>	<b>\$ 85,139</b>	<b>\$ 2,792,099</b>	<b>\$ 44,463,706</b>

## Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statement of Functional Expenses  
Year Ended September 30, 2022

	Program Services						Supporting Services			Total
	Community services	Energy & Housing services	Child & Family services	Agency services	Cony Village, LLC	Total program	Management & general	Fundraising	Total supporting services	
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 & supplies	89,940	77,255	418,529	14,726	-	600,450	41,439	1,493	42,932	643,382
Material & 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	-	-	-	9,275	-	-	-	-	23,773
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
<b>Total expenses</b>	<b>\$ 14,444,884</b>	<b>\$ 25,456,850</b>	<b>\$ 11,320,920</b>	<b>\$ 454,899</b>	<b>\$ 31,953</b>	<b>\$ 51,709,506</b>	<b>\$ 2,466,977</b>	<b>\$ 81,505</b>	<b>\$ 2,548,482</b>	<b>\$ 54,257,988</b>

# Kennebec Valley Community Action Program and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended September 30, 2023 and 2022

	2023	2022
<b>Change in cash and cash equivalents:</b>		
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,936,421	\$ 1,252,623
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,054,095	755,546
Noncash lease expense	64,847	-
(Gain) loss on investment	(5,628)	5,170
Gain on sale of property	-	(230,263)
Granted vehicles	(399,750)	-
Contributions restricted for long-term purposes	(497,367)	(74,500)
Change in assets and liabilities:		
Accounts and grants receivable	227,375	(58,476)
Prepaid expenses	1,240,638	(1,037,072)
Inventory	(183,121)	(787,698)
Accounts payable	(409,354)	(267,711)
Accrued expenses	(181,945)	(231,475)
Reserves	(477,362)	(329,043)
Deferred revenue	(48,797)	189,255
Refundable advances	76,755	(2,465,457)
Operating lease obligations	(61,562)	-
Net cash from operating activities	3,335,245	(3,279,101)
<b>Cash flows from investing activities:</b>		
Proceeds on sale of property & equipment	-	362,200
Issuance of loans receivable	-	(81,403)
Payments received on loans receivable	1,836	1,867
Purchase of property and equipment	(422,072)	(918,258)
Net cash from investing activities	(420,236)	(635,594)
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(501,439)	(129,901)
Net cash from financing activities	(501,439)	(129,901)
<b>Change in cash and cash equivalents</b>	<b>2,413,570</b>	<b>(4,044,596)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,239,352</b>	<b>10,283,948</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,652,922</b>	<b>\$ 6,239,352</b>
<b>Supplemental cash flow disclosures:</b>		
Cash paid during the year for interest	\$ 63,111	\$ 23,773
<b>Noncash transactions:</b>		
Debt incurred to purchase vehicles	\$ 474,356	\$ 772,962
Debt incurred to purchase facility & equipment	\$ 348,000	\$ -
<b>Cash paid for amounts included in the measurement of lease obligations:</b>		
Operating cash flows from capitalized operating leases	\$ 57,069	\$ -

See accompanying notes to consolidated financial statements.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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, Mary Street Housing GP, LLC, and Hartland Senior Housing II, LP. KVCAP also has a 100% interest in Hartland II State Credit Partner, LLC that holds a minority interest in Hartland Senior Housing II, LP. 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 Organizations' service area.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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 Organizations 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

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### **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. 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, 2023 and 2022, refundable advances included \$3,085,814 and \$3,001,271 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

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

##### Revenue from Contracts with Customers

Total revenue from contracts with customers during the years ended September 30, 2023 and 2022, and included on the consolidated statements of activities is summarized below:

	<u>2023</u>	<u>2022</u>
MaineCare transportation services	\$ 10,790,658	\$ 9,319,291
Childcare services	1,952,024	1,848,725
Developer fees	365,955	76,640
Educational services	29,520	34,957
Totals	\$ 13,138,157	\$ 11,279,613

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 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.

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.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

The Organizations determined at September 30, 2023 and 2022 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, 2021	\$ 38,382
Accounts receivable from contracts with customers at September 30, 2022	48,613
Accounts receivable from contracts with customers at September 30, 2023	99,463
Deferred revenue from contracts with customers at October 1, 2021	\$ 604,135
Deferred revenue from contracts with customers at September 30, 2022	793,390
Deferred revenue from contracts with customers at September 30, 2023	744,593

#### 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 consolidated financial statements.



# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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

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### **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 4-15 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 \$1,301,065 at September 30, 2023 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, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

Type	2023	2022	Usage in Programs	Donor-imposed restrictions	Fair Value Techniques
Space & occupancy	\$ 730,827	\$ 818,655	Early/Head Start	No	Professional appraisal
Vehicles	399,750	0	Transportation	No	FMV at date of donation
Supplies	14,218	16,735	Early/Head Start	No	Purchase price
Contract Services	0	4,435	Early/Head Start	No	Hourly wage based on professional training
Totals	\$ 1,144,795	\$ 839,825			

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 \$77,665 and \$105,432 worth of non-professional volunteer services during the years ended September 30, 2023 and 2022, respectively. These amounts are not recognized in the September 30, 2023 and 2022 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

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### 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

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organizations adopted this guidance for the year ended September 30, 2023, with modified retrospective application to October 1, 2022, through a cumulative-effect adjustment. The Organizations have elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organizations accounted for their existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustment (as of September 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organizations did not reassess service contracts evaluated for lease treatment under FASB ASC 840 for embedded leases under FASB ASC 842.

As a result of the adoption of the new lease accounting guidance, the Organizations recognized the following right-of-use (“ROU”) assets and lease obligations as of October 1, 2022:

ROU assets – Operating leases	\$ 322,163
Lease obligation – Operating leases	\$ 322,163

The standard did not have a material impact on the Organizations’ net assets or cash flows from operations and had an immaterial impact on the Organizations’ operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating leases.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Adoption of Accounting Policy (Continued)**

The Organizations are lessees in multiple noncancelable operating leases. If the contract provides the Organizations the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments.

The Organizations have elected to use a risk-free rate for a term similar to the underlying lease as the discounted rate if the implicit rate in the lease contract is readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organizations have elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 month or less at lease commencement and do not include an option to purchase the underlying asset that the Organizations are reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organizations recognize short-term lease cost on a straight-line basis over the lease term.

The Organizations made an accounting policy election to not separate the lease components of a contract and its associated non-lease components (i.e., lessor-provided maintenance and other services).

#### **Reclassification**

A reclassification has been made to the 2022 consolidated financial statements to conform to the 2023 presentation. The reclassification had no effect on the 2022 consolidated change in net assets.

#### **Upcoming Accounting Pronouncement**

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, will require the Organizations to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on the relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard will be effective for September 30, 2024 consolidated financial statements. Management is currently evaluating the impact of adoption on its consolidated financial statements.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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 Organizations, which provides a collateralized perfected interest in certain securities held by the bank for the checking account balances. As of September 30, 2023, 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.

### Note 3: Investments and Fair Value Measurements

Marketable investments are stated at fair value and consist of US Equity exchange traded funds of \$53,260 and \$47,632 at September 30, 2023 and 2022. The investments are traded in an active market and therefore are measured as Level 1 in the fair value hierarchy. Investment return on these funds consisted of unrealized gains of \$5,628 and unrealized losses of \$5,170 for the years ended September 30, 2023 and 2022, 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:

	2023	2022
Direct federal programs	\$ 264,154	\$ 734,735
Other federal programs	1,270,030	1,901,469
State and local programs	1,940,225	1,065,580
Totals	\$ 3,474,409	\$ 3,701,784

### Note 5: Promises to Give

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

	2023	2022
Unconditional promises expected to be collected in:		
Less than one year	\$ 251,033	\$ 22,000
One year to five years	320,834	52,500
Totals	\$ 571,867	\$ 74,500

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

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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.

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, 2023 and 2022, \$1,000,000 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 a loan receivable balance of \$255,094, net of the discount, as of September 30, 2023 and 2022. 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 \$2,148 and \$3,984 at September 30, 2023 and 2022, 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, 2023 and 2022.

#### 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, 2023 and 2022.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

### 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. As of September 30, 2023, the reserves had been depleted and the Organizations have prepaid medical costs in the amount of \$199,020 that is reported as an asset in the consolidated statements of financial position as the amount prepaid can be recovered through future plan contributions. As of September 30, 2022, the Organizations have accumulated a reserve of \$477,362 in anticipation of cost fluctuations. 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:

	2023	2022
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.	\$ 40,494	\$ 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.	40,494	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.	40,494	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.	172,411	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.	260,024	325,144
Note payable to Kennebec Savings Bank, payable in monthly installments of \$1,126 including interest at a fixed rate of 5.25% through October 26, 2027, secured by agency vehicles.	49,558	-
Note payable to Kennebec Savings Bank, payable in monthly installments of \$7,881 including interest at a fixed rate of 5.25% through October 20, 2027, secured by agency vehicles.	346,890	-
Note payable to Kennebec Savings Bank, payable in monthly installments of \$2,718 including interest at a fixed rate of 6.99% for the first five years, followed by a variable rate based on the highest Prime rate as quoted in the Wall Street Journal plus 0.5% adjusted annually through April 4, 2043, secured by real estate.	344,710	-



# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 8: Long-Term Debt (Continued)

	2023	2022
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. Note was paid in full during the year ended September 30, 2023.	\$ -	\$ 32,296
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. Note was paid in full during the year ended during the year ended September 30, 2023.	-	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.	45,000	120,000
Total long-term debt	1,340,075	1,019,158
Current portion	( 338,778)	(150,645)
<u>Long-term portion</u>	<u>\$ 1,001,297</u>	<u>\$ 868,513</u>

Principal requirements on long-term debt for years ending after September 30, 2023, are as follows:

2024	\$ 338,778
2025	260,980
2026	273,783
2027	205,056
2028	11,342
Thereafter	250,136
<u>Total</u>	<u>\$1,340,075</u>

### Note 9: Lines of Credit

At September 30, 2023 and 2022, the Organizations had the following lines of credit available for use:

A working capital line of credit agreement with a bank in the amount of \$1,000,000. 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 August 31, 2024, and it can be renewed. There were no outstanding balances on this line of credit at September 30, 2023 and 2022.

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 February 1, 2025, and it can be renewed. There were no outstanding balances on this line of credit at September 30, 2023 and 2022.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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 \$367,550 and \$355,340 for the years ended September 30, 2023 and 2022, respectively.

### Note 11: Operating Leases – FASB ASC 842

The Organizations hold operating leases for space and equipment. The space leases can be extended beyond the initial term upon mutual agreement of the parties. Renewal options are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organizations' lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payment due under the lease contracts include fixed payments.

Operating Lease Cost \$ 76,079

Supplemental consolidated statement of financial position information related to operating leases is as follows as of September 30, 2023:

Weighted-average remaining lease term 3.8 years

Weighted-average discount rate 3.91%

Maturity of lease obligations are as follows as of September 30, 2023:

2024	\$ 74,430
2025	76,114
2026	69,184
2027	50,108
2028	8,800
Thereafter	1,468
Total lease payments	280,104
Less: imputed interest	(19,503)

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Total \$ 260,601

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Current portion of operating lease obligations \$ 65,692  
Long-term portion of operating lease obligations 194,909

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Total \$ 260,601

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# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 12: Operating Leases – FASB ASC 840

As previously disclosed in the Organizations' 2022 consolidated financial statements and pursuant to FASB ASC 840, Leases, the predecessor to FASB ASC 842, future minimum lease payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2022 were as follows:

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

### Note 13: Net Assets With Donor Restrictions

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

	2023	2022
<i>Subject to expenditure for specified purpose:</i>		
MSHA housing preservation revolving loan fund	\$ 91,297	\$ 91,297
COVID-19 Emergency Fund	17,565	18,244
Child Care Supportive Funding	466	1,663
Skowhegan School Development	1,081,047	82,200
Community Meals Program	11	11
Fuel Assistance	30,775	11,391
Teen Center Supportive Funds/Scholarship Funding	27,787	24,327
Hope Fund/Somerset PAC	23,448	22,284
Transportation Supportive Funds	219,366	138,973
CDBG grant funds – Hartland Project	255,094	255,094
<hr/>		
Totals	\$ 1,746,856	\$ 645,484

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

	2023	2022
<i>Satisfaction of restrictions:</i>		
COVID-19 Emergency Fund	\$ 679	\$ 7,497
Community Celebration – Book Project	-	3,950
Child Care Supportive Funding	1,197	-
Community Meals Program	-	789
Fuel Assistance	16,356	4,146
Teen Center Supportive Funds/Scholarship Funding	13,090	18,748
Hope Fund/Somerset PAC	24,971	35,307
Transportation Supportive Funds	34	219,285
<hr/>		
Totals	\$ 56,327	\$ 289,722

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 14: Net Assets Without Donor Restrictions

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

	2023	2022
Board designated:		
Agency Reserves	\$ -	\$ 783
Educare Building Reserve	428,294	386,519
Homeless Bridge Funding	1,830	10,006
Weatherization Supports	12,518	28,719
Community Transportation Needs	4,779	-
Unrestricted, undesignated	10,294,141	8,480,486
Totals	\$ 10,741,562	\$ 8,906,513

### Note 15: 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:

	2023	2022
Cash and cash equivalents	\$ 8,652,922	\$ 6,239,352
Accounts and grants receivable	3,474,409	3,701,784
Promises to give – current portion	251,033	22,000
Total financial assets	12,378,364	9,963,136
Less: accounts payable	(649,102)	(1,058,456)
Less: accrued expenses and reserve for self-insurance	(968,814)	(1,628,121)
Less: refundable advances	(4,132,951)	(4,056,196)
Less: net assets with donor restrictions in cash	(827,473)	(224,593)
Less: board designated net assets	(447,421)	(426,027)
Totals	\$ 5,352,603	\$ 2,569,743

KVCAP does not have a formal liquidity policy. KVCAP has one line of credit available for cash flow needs up to \$1,000,000, 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 \$17,210,000 as described in Note 16.

### Note 16: Grant Awards

At September 30, 2023, KVCAP had received future funding commitments under various grants of approximately \$17,210,000. These commitments are not recognized in the accompanying consolidated financial statements as revenues and receivables as they are conditional awards.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 17: Concentration in Revenue**

Of the revenues received by KVCAP in fiscal years 2023 and 2022, approximately 79% and 87% were from state and federal funded grants, contracts, and fee agreements. Changes in reimbursement methods or reductions in available funds could adversely affect operations if alternative funding sources are not readily available.

### **Note 18: 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 \$543,902 and \$669,000 in the accompanying consolidated statements of activities for the free use of the facility during the years ended September 30, 2023 and 2022, respectively. In addition, Educare Central Maine passes through funds from private foundation grants to KVCAP. These funds totaled \$334,642 and \$277,608 for the years ended September 30, 2023 and 2022, respectively. At September 30, 2023 and 2022, there were recorded receivables of \$172,575 and \$23,862 from Educare Central Maine.

During the years ended September 30, 2023 and 2022, KVCAP advanced \$125,199 and \$10,000, respectively, to Hartland Senior Housing Associates, LP to cover a cash shortfall. At September 30, 2023 and 2022, there were recorded receivables of \$135,199 and \$10,000 from Hartland Senior Housing Associates, LP.

At September 30, 2023 and 2022, there were \$165,955 and \$365,955, respectively, of deferred development fees recorded as receivables from Hartland Senior Housing Associates, LP.

### **Note 19: 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.

KVCAP is serving as guarantor on \$9,291,048 in loans and has guaranteed other commitments relating to general partner obligations under the partnership agreement of Hartland Senior Housing Associates II Limited Partnership.

# Kennebec Valley Community Action Program and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 20: Subsequent Events**

KVCAP is in the pre-development stages of a 30-37 unit affordable housing project in the South End of Waterville. As of the date of this report, one lot has been purchased toward the development with an option to purchase signed for the remaining properties; the Waterville Planning Board has approved the development proposal; the Federal Home Loan Bank of Boston has committed \$800,000 toward the project; and the LIHTC application for the 4% tax credit program has been submitted to Maine State Housing Authority. KVCAP should receive word about the LIHTC application in June or July 2024. If the application is successful, groundbreaking on the project could be in late 2024.

In 2023, the State of Maine issued a request for proposal (RFP) for the Non-Emergency Medical Transportation (NEMT) contracts, referred to as the Brokerage program. This program provides transportation services for individuals enrolled in the MaineCare program. Penquis, who KVCAP collaborates with to manage the administrative services as well as provide transportation services for the program, holds the current Brokerage contract for Region 4. As a result of the RFP, the State review team ultimately selected Modivcare to serve as broker for all regions of the State. Penquis filed for a stay and an appeal, alleging that the process was fundamentally flawed and unfair.

Penquis was informed on April 25, 2024 that the appeal was unsuccessful. It is KVCAP's understanding that Modivcare will take over as the broker for the NEMT contract effective July 1, 2024. The change of brokers will change Transportation programming, as KVCAP's status will be that of provider only. The volume of services will likely decrease based upon Modivcare's business model and the administrative structure of the program could potentially be decreased due to the reduced volume of services. At this time, there has been no communication from the State or from Modivcare regarding the intent to utilize KVCAP as a transportation provider. KVCAP is working on various plans in preparation if a change in broker occurs. This includes what the programmatic and financial impacts will be along with contingency options.

Subsequent events have been evaluated through April 30, 2024, which is the date the consolidated financial statements were available to be issued.

# **Supplementary Information**

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# Kennebec Valley Community Action Program and Subsidiaries

Schedule 1

## Consolidating Statement of Financial Position September 30, 2023

	KVCAP	Cony Village, LLC	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 7,560,332	\$ 1,092,590	\$ -	\$ 8,652,922
Accounts and grants receivable	3,474,409	-	-	3,474,409
Due (to)/from Cony Village	1,709,610	(1,709,610)	-	-
Current portion of promises to give	251,033	-	-	251,033
Current portion of loans receivable, net	1,951	-	-	1,951
Current portion of prepaid expenses	381,351	-	-	381,351
Inventory	773,848	1,133,313	-	1,907,161
Total current assets	14,152,534	516,293	-	14,668,827
Property and equipment:				
Land	98,842	-	-	98,842
Buildings and improvements	3,642,592	-	-	3,642,592
Equipment and fixtures	1,407,703	-	-	1,407,703
Vehicles	3,893,904	-	-	3,893,904
Total property and equipment	9,043,041	-	-	9,043,041
Less: Accumulated depreciation	(4,149,644)	-	-	(4,149,644)
Net property and equipment	4,893,397	-	-	4,893,397
Other assets:				
Investments	433,177	-	(379,917)	53,260
Operating lease right-of-use assets	257,316	-	-	257,316
Promises to give, net of current portion	320,834	-	-	320,834
Loans receivable, net of current portion	346,588	30,000	-	376,588
Prepaid expenses, net of current portion	14,332	-	-	14,332
Total other assets	1,372,247	30,000	(379,917)	1,022,330
<b>Total assets</b>	<b>\$ 20,418,178</b>	<b>\$ 546,293</b>	<b>\$ (379,917)</b>	<b>\$ 20,584,554</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Current portion of long-term debt	\$ 293,778	\$ 45,000	\$ -	\$ 338,778
Current portion of operating lease obligations	65,692	-	-	65,692
Accounts payable	649,064	38	-	649,102
Accrued expenses	968,814	-	-	968,814
Deferred revenue	744,593	-	-	744,593
Refundable advances	4,132,951	-	-	4,132,951
Total current liabilities	6,854,892	45,038	-	6,899,930
Non-current liabilities:				
Operating lease obligations, net of current portion	194,909	-	-	194,909
Long-term debt, net of current portion	1,001,297	-	-	1,001,297
Total non-current liabilities	1,196,206	-	-	1,196,206
Total liabilities	8,051,098	45,038	-	8,096,136
Net assets:				
Without donor restrictions:				
Undesignated	10,172,803	501,255	(379,917)	10,294,141
Board designated	447,421	-	-	447,421
Total net assets without donor restrictions	10,620,224	501,255	(379,917)	10,741,562
With donor restrictions				
	1,746,856	-	-	1,746,856
Total net assets	12,367,080	501,255	(379,917)	12,488,418
<b>Total liabilities and net assets</b>	<b>\$ 20,418,178</b>	<b>\$ 546,293</b>	<b>\$ (379,917)</b>	<b>\$ 20,584,554</b>



# Kennebec Valley Community Action Program and Subsidiaries

Schedule 2

## Consolidating Statement of Activities Year Ended September 30, 2023

	KVCAP	Cony Village, LLC	Eliminations	Total
Revenues, gains, and other support:				
Grants	\$ 26,045,090	\$ 50,402	\$ -	\$ 26,095,492
Contracts	13,138,157	-	-	13,138,157
Program revenue	4,081,855	1,459,822	-	5,541,677
Other revenue	1,819,756	60,000	-	1,879,756
Contributed nonfinancial assets	745,045	-	-	745,045
Total revenues, gains, and other support	45,829,903	1,570,224	-	47,400,127
Expenses:				
Program services:				
Community services	15,498,066	-	-	15,498,066
Energy services	12,201,397	-	-	12,201,397
Child & family services	12,012,496	-	-	12,012,496
Agency services	510,762	-	-	510,762
Cony Village LLC	-	1,448,886	-	1,448,886
Total program expenses	40,222,721	1,448,886	-	41,671,607
Supporting services:				
Management & general	2,706,960	-	-	2,706,960
Fundraising	85,139	-	-	85,139
Total supporting services	2,792,099	-	-	2,792,099
Total expenses	43,014,820	1,448,886	-	44,463,706
Change in net assets	2,815,083	121,338	-	2,936,421
Net assets, beginning of year	9,551,997	379,917	(379,917)	9,551,997
<b>Net assets, end of year</b>	<b>\$ 12,367,080</b>	<b>\$ 501,255</b>	<b>\$ (379,917)</b>	<b>\$ 12,488,418</b>

# Kennebec Valley Community Action Program

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

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	10/01/22-09/30/23	\$ 216,982
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	10/01/22-09/30/23	29,000
Pass-through Maine State Department of Economic & Community Development/City of Rockland, ME:				
Community Development Block Grants/State's Program / Home Repair	14.228	None	06/01/23-05/31/24	9,790
Community Development Block Grants/State's Program / Home Repair	14.228	None	06/01/22-05/31/23	133,265
Subtotal AL #14.228				<b>143,055</b>
U.S. Department of Justice:				
Pass-through Alford Youth Center:				
Juvenile Mentoring Program / BGCA Teen Center OJP	16.726	OJJDP 2022-51391	01/01/23-12/31/23	7,200
U.S. Department of Transportation:				
Pass-through Maine State Department of Transportation:				
COVID-19 - Formula Grants for Rural Areas & Tribal Transit Program / FTA CRRSAA Act	20.509	CSN 43892	05/01/22-12/31/24	626,276
COVID-19 - Formula Grants for Rural Areas & Tribal Transit Program / FTA ARP	20.509	CSN 44070	07/01/22-12/31/23	383,743
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 43358	06/01/21-12/31/22	275
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 44566	11/10/22-12/31/22	1,200
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 44706	01/01/23-04/30/23	2,400
Formula Grants for Rural Areas & Tribal Transit Program / RTAP	20.509	CSN 45405	07/01/23-12/31/23	600
Subtotal AL #20.509				<b>1,014,494</b>
Transit Services Programs Cluster:				
Pass-through Maine State Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities / Micro Transit	20.513	CSN 45375	07/01/23-06/30/25	10,335
Pass-through Maine State Department of Transportation:				
Federal Transit Cluster - Bus and Bus Facilities	20.526	CSN 43919	05/13/22-05/13/28	319,800
U.S. Department of Treasury:				
Pass-through NeighborWorks America:				
NeighborWorks America / SENA Strategic & Marketing Plan	21.000	G-CLI-2021-62830	05/03/21-Open	1,274
NeighborWorks America / Expendable Grant (2023)	21.000	R-NEC-2023-70048	10/01/22-Open	53,553
NeighborWorks America / Expendable Grant (2022)	21.000	G-NEC-2022-66429	10/01/21-Open	71,121
NeighborWorks America / Expendable Grant (2021)	21.000	G-NEC-2021-61436	10/01/20-Open	2,776
NeighborWorks America / Training Grant	21.000	G-SUPINT-2023-70987	03/21/23-Open	5,750
NeighborWorks America / Training Grant	21.000	R-SUPINT-2022-67021	03/22/22-Open	6,000
NeighborWorks America / Training Grant	21.000	G-SUPINT-2021-61846	Open	5,895
Subtotal AL #21.000				<b>146,369</b>
Pass-through Maine Department of Administrative and Financial Services/Maine State Housing Authority:				
COVID-19 - Emergency Rental Assistance / ERA Round 2	21.023	None	03/01/21-06/30/23	3,800,792
COVID-19 - Emergency Rental Assistance / Housing Stability - ERA Round 2	21.023	None	03/01/21-12/31/22	34,128
Subtotal AL #21.023				<b>3,834,920</b>
Pass-through Maine Department of Administrative and Financial Services/Maine State Housing Authority:				
Homeowner Assistance Fund / MEHAF Counseling	21.026	None	03/06/23-02/29/24	133,210
Pass-through Maine Department of Professional and Financial Regulation:				
COVID-19 - Homeowner Assistance Fund/MEHAF - Counseling	21.026	None	03/21/22-03/21/23	12,659
COVID-19 - Homeowner Assistance Fund/MEHAF - Underwriting	21.026	None	03/21/22-03/21/23	23,333
Subtotal AL #21.026				<b>169,202</b>
U.S. Department of Energy:				
Pass-through Maine State Housing Authority:				
Weatherization Assistance for Low-Income Persons/SERC	81.042	None	04/01/23-03/31/24	82,702
Weatherization Assistance for Low-Income Persons	81.042	None	04/01/23-03/31/24	276,063
Weatherization Assistance for Low-Income Persons	81.042	None	04/01/22-03/31/23	261,059
Subtotal AL #81.042				<b>619,824</b>

# Kennebec Valley Community Action Program

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Award Number	Award Term	Federal Expenditures
U.S. Department of Education:				
Pass-through Kennebec Valley Community College: Child Care Access Means Parents in Schools / KVCC CCAMPIS	84.335	P335A220145	10/01/22-12/31/23	17,252
U.S. Department of Health and Human Services:				
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	23,438
Pass-through Maine Children's Trust: Title IV-E Prevention Program / Maine Families - Families First	93.472	Sub CDO-23-4230	10/01/22-09/30/23	117,667
Pass-through Children's Oral Health Network of Maine: Congressional Directives / Children's Oral Health Network	93.493	HRSDA 22-135	08/1/22-07/31/23	5,000
Pass-through Maine State Department of Health & Human Services: Temporary Assistance for Needy Families / Whole Families	93.558	OFI-24-403	07/01/23-06/30/25	71,222
Temporary Assistance for Needy Families / Whole Families	93.558	OFI-22-403	07/01/21-06/30/23	217,021
Temporary Assistance for Needy Families / State Head Start	93.558	CFS-24-1406	07/01/23-06/30/25	10,624
Temporary Assistance for Needy Families / State Head Start	93.558	CFS-22-1406	07/01/21-06/30/23	38,108
Pass-through Alford Youth Center: Temporary Assistance for Needy Families / South End Teen Center	93.558	CFS-23-2115	10/01/22-09/30/23	33,442
Subtotal AL #93.558				370,417
Pass-through Maine State Housing Authority: Low-Income Home Energy Assistance / Fuel Assistance	93.568	None	07/01/23-09/30/24	196,530
Low-Income Home Energy Assistance / Fuel Assistance	93.568	None	07/01/22-09/30/23	1,107,224
Low-Income Home Energy Assistance / Heat Pump Program	93.568	None	08/01/21-03/31/24	538,014
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2022)	93.568	None	07/01/21-03/31/24	287,580
Low-Income Home Energy Assistance / Weatherization & CHIP Program (2021)	93.568	None	10/01/20-06/30/23	60,584
Low-Income Home Energy Assistance / Heat Pump Supplemental Program	93.568	None	07/01/21-03/31/24	161,001
Low-Income Home Energy Assistance / Weatherization & CHIP Supplemental Program	93.568	None	07/01/21-03/31/24	859,007
Subtotal AL #93.568				3,209,940
Pass-through State Department of Health & Human Services: Community Services Block Grant	93.569	CFS-23-7004	10/01/22-09/30/23	471,353
Subtotal AL #93.569				471,353
Pass-through Maine Children's Trust: Community-Based Child Abuse Prevention Grants / Front Porch - Somerset	93.590	None	10/01/22-09/30/23	5,000
Community-Based Child Abuse Prevention Grants / Front Porch - Kennebec	93.590	None	10/01/22-09/30/23	5,000
Subtotal AL #93.590				10,000
Head Start Cluster:				
Direct Awards:				
Head Start	93.600	01CH011233-05-00	09/01/23-08/31/24	420,586
Head Start	93.600	01CH011233-04-01	09/01/22-08/31/23	3,668,699
Head Start / Early Head Start/Child Care Partnership	93.600	01HP000391-05-00	09/01/23-08/31/24	162,989
Head Start / Early Head Start/Child Care Partnership	93.600	01HP000391-04-01	09/01/22-08/31/23	1,998,441
COVID-19 - Head Start / HS/EHS COVID	93.600	01HE000099-01-00	04/01/21-03/31/23	50,268
COVID-19 - Head Start / HS/EHS American Rescue Plan	93.600	01HE000099-01-01	04/01/21-03/31/23	259,994
Subtotal AL #93.600				6,560,977
Pass-through Maine Community Action Association: Social Services Research & Demonstration / MECAP Whole Families	93.647	90XP0450-01-03	09/01/22-08/30/24	23,662
Pass-through Maine State Department of Health & Human Services: Social Services Block Grant / KV Van Low-Income & Child Welfare	93.667	CFS-24-4014	07/01/23-06/30/24	35,227
Social Services Block Grant / KV Van Low-Income & Child Welfare	93.667	CFS-23-4014A	07/01/22-06/30/23	141,408
Subtotal AL #93.667				176,635
Pass-through Maine Children's Trust: COVID-19 Maternal, Infant, & Early Childhood Home Visiting Grant / Maine Families ARP	93.870	Sub CDO-23-4230	10/01/22-09/30/23	58,030
Maternal, Infant, & Early Childhood Home Visiting Grant / Maine Families	93.870	Sub CDO-23-4230	10/01/22-09/30/23	692,686
Subtotal AL #93.870				750,716

# Kennebec Valley Community Action Program

Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2023

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	98,642
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 18,346,880</b>

## 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, 2023. 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, 2023, 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 April 30, 2024. 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 consolidated 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 signature is written in a cursive, flowing style.

Wipfli LLP

April 30, 2024  
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, 2023. 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, 2023.

#### ***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.

*Wipfli LLP*

Wipfli LLP

April 30, 2024  
Madison, Wisconsin

# Kennebec Valley Community Action Program

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2023

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## Section I - Summary of Auditor's Results

### Financial Statements

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

### Federal Awards

Internal control over the major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) 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 Major Federal Program or Cluster</u>	<u>AL No.</u>
Emergency Rental Assistance Program	21.023
Low-Income Home Energy Assistance	93.568
Maternal, Infant, & Early Childhood Home Visiting Grant	93.870

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

Auditee qualified as low-risk auditee? Yes

## Section II - Financial Statement Findings

None

## Section III - Federal Award Findings and Questioned Costs

None

## Section IV - Summary Schedule of Prior Year Findings

None