

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
RICHMOND, KENTUCKY

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AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kentucky River Foothills Development Council, Inc.
Richmond, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kentucky River Foothills Development Council, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky River Foothills Development Council, Inc., as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentucky River Foothills Development Council, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Change in Accounting Principle

As discussed in Note C to the financial statements, in the year ended June 30, 2023, the Agency adopted new accounting guidance, *ASU 2016-02- Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky River Foothills Development Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Kentucky River Foothills Development Council, Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky River Foothills Development Council, Inc.'s 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 financial statements as a whole. The Schedule of Revenues and Expenses- Contact Basis- Individual Programs, LIHEAP Program – Schedules- Contract Basis, CSBG Budget to Actual, Indirect Costs, and Weatherization Schedules on pages 25-34 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 17-18, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Revenues and Expenses- Contact Basis- Individual Programs, LIHEAP Program – Schedules- Contract Basis, CSBG Budget to Actual, Indirect Costs, Weatherization Schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2023 on our consideration of Kentucky River Foothills Development Council, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kentucky River Foothills Development Council, Inc.'s internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 6, 2023

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	Total
<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 2,761,963
Short-term investments	655,431
Accounts receivable, net allowance for doubtful accounts of \$46,848	2,867,067
Other current assets	16,597
Prepaid expenses	64,682
Total current assets	6,365,740
Property and equipment	
Land	1,037,865
Property, vehicles, and equipment	13,138,245
Less accumulated depreciation	(4,439,031)
Net property and equipment	9,737,079
Noncurrent assets	
Related party receivable	1,080,484
Other noncurrent assets	56,873
Total noncurrent assets	1,137,357
Total Assets	\$ 17,240,176
<u>Liabilities & Net Assets</u>	
<u>Liabilities</u>	
Current liabilities	
Accounts payable	\$ 145,636
Accrued expenses and other liabilities	120,845
Deferred revenue	83
Current portion of notes payable and lease liability	202,534
Total current liabilities	469,098
Noncurrent liabilities	
Accrued annual leave	571,189
Long-term portion of notes payable and lease liability	761,653
Forgivable notes payable	932,807
Total noncurrent liabilities	2,265,649
Total Liabilities	2,734,747
<u>Net Assets</u>	
Net assets without donor restrictions	11,024,243
Net assets with donor restrictions	3,481,186
Total Net Assets	14,505,429
Total Liabilities & Net Assets	\$ 17,240,176

The accompanying notes are an integral part of these financial statements.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
<u>Revenue</u>			
Grant revenues	\$ 4,336,308	\$ 13,294,180	\$ 17,630,488
Management fees and other revenues	2,994,584	239,619	3,234,203
In-kind revenue	-	636,170	636,170
Fundraising revenue	83,630	-	83,630
Interest income	22,870	-	22,870
Gain (loss) on sale of assets	1,631,316	-	1,631,316
Net assets released from restrictions			
Satisfaction of program restrictions	14,652,475	(14,652,475)	-
Total Revenue	<u>23,721,183</u>	<u>(482,506)</u>	<u>23,238,677</u>
<u>Expenses</u>			
Community Action programs	16,080,399	-	16,080,399
Management and general	1,250,705	-	1,250,705
Fundraising	533	-	533
In-kind expenses	636,170	-	636,170
Total Expenses	<u>17,967,807</u>	<u>-</u>	<u>17,967,807</u>
Change in net assets	5,753,376	(482,506)	5,270,870
Net Assets at Beginning of Period	<u>5,270,867</u>	<u>3,963,692</u>	<u>9,234,559</u>
Net Assets at End of Period	<u>\$ 11,024,243</u>	<u>\$ 3,481,186</u>	<u>\$ 14,505,429</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

Expenses	Community Action Programs	Management and General Expenses	Fundraising Expenses	In-Kind	Total Expenses
Personnel costs	\$ 8,935,882	\$ 869,459	\$ -	\$ -	\$ 9,805,341
Travel	108,785	9,887	130	-	118,802
Utilities, telephone, and rent	465,036	124,436	-	-	589,472
Supplies, maintenance, and office	921,953	129,463	403	-	1,051,819
Professional costs and contracts	473,581	75,653	-	-	549,234
Interest expense	24,011	-	-	-	24,011
Other expenses	1,478,362	41,807	-	-	1,520,169
Depreciation	470,918	-	-	-	470,918
Energy assistance and other services	3,201,871	-	-	-	3,201,871
In-kind	-	-	-	636,170	636,170
Total Expenses	<u>\$ 16,080,399</u>	<u>\$ 1,250,705</u>	<u>\$ 533</u>	<u>\$ 636,170</u>	<u>\$ 17,967,807</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in Net Assets	\$ 5,270,870
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	470,918
Gain on disposal of assets	1,631,316
(Increase) decrease in operating assets	
Accounts receivable	(1,243,277)
Prepaid expenses	62,986
Other current assets	(15,163)
Related party receivable	(621,203)
Other noncurrent assets	12,846
Increase (decrease) in operating liabilities	
Accounts payable	(422,138)
Accrued expenses and other liabilities	41,061
Deferred revenue	(16,292)
Accrued annual leave	(87,767)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,084,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant, and equipment	(6,069,847)
Purchase of short-term investments	(250,000)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(6,319,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital leases	(168,615)
Payments on long-term debt	(627,729)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(796,344)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(2,032,034)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>4,793,997</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 2,761,963</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	<u><u>\$ 24,011</u></u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A – Nature of Organization and Operations

Kentucky River Foothills Development Council, Inc. ("the Agency") is a multi-funded community action Agency founded to provide social services to the Central Kentucky area. The Agency operates in accordance with provisions of Kentucky State law regarding the establishment of community action agencies. The Agency is funded through a variety of federal, state, and local sources. The Agency is exempt from Federal income tax as organizations described in Section 501 (c) (3) of the Internal Revenue Code.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Agency are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred in accordance with accounting principles generally accepted in the United States of America (GAAP). The Accounting Standards Codification (ASC) as produced by the Financial Accounting Standards Board (FASB) is the sole source of authoritative GAAP for non-governmental entities.

Basis of Presentation

The Agency is required to report information regarding its financial position and activities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Entities. ASC 958-205 was effective January 1, 2018. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

- Net assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. The Agency's board may designate assets without restrictions for specific operational purposes from time to time.
- Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Support that is restricted by the donor is reported as an increase in Net Assets With Donor Restrictions. When a restriction expires, Net Assets With Donor Restrictions are reclassified to Net Assets Without Donor Restrictions.

As of June 30, 2023, the Net Assets with Donor Restrictions balance was \$3,481,186 which is restricted for various program restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of grant revenues contracted from various sources and third-party patient receivables for the Healthcare for the Homeless Clinic not yet received as of June 30, 2023. While no allowance for uncollectible accounts has been provided by the Agency for grant receivables, as management considers all balances to be fully collectible, \$46,848 is recorded for the Healthcare for the Homeless Clinic as bad debt allowance.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note B – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment items are recorded at cost or fair market value at date of purchase. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. The Agency capitalizes equipment purchases over \$5,000 that have a useful life of more than one year. Depreciation expense for the year ended June 30, 2023 was \$470,918.

The majority of the Agency's property and equipment items were acquired with Net Assets With Donor Restrictions. As a result, funding sources have a reversionary interest in those assets purchased with its funds and may have a right to determine the use of any proceeds from the sale of these assets. A portion of the Agency's property and equipment includes real estate that is being held for future sale. At June 30, 2023, total real estate held for sale was \$132,625 and is included in the fixed assets on the Statement of Financial Position.

Fixed assets consisted of the following at June 30, 2023:

Land	\$ 1,037,865
Right of Use Assets	708,267
Building and Improvements	8,056,688
Property and Equipment	515,828
Vehicles	3,857,462
Subtotal	<u>14,176,110</u>
Accumulated Depreciation	<u>(4,439,031)</u>
Property and Equipment, net	<u>\$ 9,737,079</u>

Functional Expenses

The cost of providing various programs and supporting services have been reported on a functional basis in the statement of activities and the statement of functional expenses. Separate expenditure categories and ledgers are maintained by the Agency to account for operations of each individual program, all of which are included in the accompanying financial statements. Expenses are charged directly to program or management accounts based on specific information.

Income Taxes

The Agency is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. However, the Agency is subject to income taxes on certain unrelated business income. The Agency must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Agency does not believe there are any material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits or possible related interest or penalties. The Agency is no longer subject to U.S. federal income tax examinations by tax authorities for years prior to 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note B – Summary of Significant Accounting Policies (Continued)

Donated Services and Materials

The Agency receives various donated materials and services to assist in the performance of their programs. The total In-Kind donations for the year ended June 30, 2023 were \$636,170.

The Agency is required to make matching in-kind donations by various grants. These matching in-kind donations include office space, materials, and volunteer hours. The volunteer time is recorded at rates ordinarily paid for similar work and materials recorded at market value due to them increasing the nonfinancial assets of the Agency in the form of the services the Agency can provide. The amount of in-kind donation match for the year ended June 30, 2023 was \$636,170.

<u>InKind Categories</u>	<u>Value</u>	<u>Usage In Programs/Activities</u>	<u>Fair Value Technique</u>
Medicines	80,733	Healthcare for the Homeless	Wholesale value of medications provided by pharmaceutical companies
Supplies, Clothing, Furniture, etc	65,147	Agency discretion	Estimated wholesale value of goods if purchased from Donor
Supplies, Clothing, Furniture, etc	109,558	Community Collaboration for Children	Estimated wholesale value of goods if purchased from Donor
Aging Volunteers	8,669	Foothills Senior Centers	Estimated based on average wage for services to be performed
Donated Software	26,010	Community Collaboration for Children	Estimated wholesale value of software
Meeting Space	55,895	Richmond Active Living Center	Estimated value based on regional rental value and utility costs
Meeting Space	88,265	Community Collaboration for Children	Estimated value based on regional rental value
Supplies, Clothing, Furniture, etc	72,385	Foothills Senior Centers	Estimated wholesale value of goods if purchased from Donor
Volunteers	1,252	Community Services Block Grant	Estimated based on average wage for services to be performed
Meeting Space	55,895	Community Services Block Grant	Estimated value based on regional rental value and utility costs
Supplies, Clothing, Furniture, etc	72,361	Community Services Block Grant	Estimated wholesale value of goods if purchased from Donor
	\$ 636,170		

Note C – Change in Accounting Principle

The Agency adopted *ASU 2016-02- Leases*, for the year ended June 30, 2023. This guidance changes how not-for-profit entities recognize their leases both operating and financing. It is designed to improve the information provided by not-for-profit entities for better comparison across entities relating to leasing activity.

Note D – Endowment Fund

During fiscal year ended June 30, 2000, an endowment fund was established with the Blue Grass Community Foundation with funds contributed by Kentucky River Foothills Development Council, Inc. Under the terms of the fund agreement, the Blue Grass Community Foundation has variance power and is the legal owner of the fund. The net assets of this fund are not reflected in the accompanying financial statements. Kentucky River Foothills Development Council, Inc. is the beneficiary of the fund and receives distributions of income. As of June 30, 2023, the total market value of the fund was \$41,729.

Note E – Indirect Cost Rate

The U.S. Department of Health and Human Services has approved an indirect cost allocation plan for Kentucky River Foothills Development Council, Inc. The approved provisional rate is 18.90% of salaries.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note F – Concentrations of Credit Risk

The Agency maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. At June 30, 2023, Kentucky River Foothills Development Council, Inc.'s uninsured cash balance totaled \$2,237,735. This amount is collateralized by government securities at these financial institutions.

Note G – Concentrations of Revenues

Revenues from programs comprising more than 10% of the Agency's funding sources are as follows:

Foothills Health & Wellness	\$	2,639,629
Transportation	\$	7,314,923

Note H – County Employees' Retirement System Plan

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

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

1. Assets contributed to the multi-employer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Agency chooses to stop participating in its multi-employer plan, it may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability. At this time, the Agency has not established any liabilities because withdrawal from this plan is not probable.

The Agency's participation in the plan for the year ended June 30, 2023, is outlined in the table below. The Agency is contributing less than 5% of the total contributions to the plan. Form 5500 is not required for this plan. Unless otherwise noted, the most recent "Pension Protection Act Zone Status" available in 2022 is for the plan's year end at June 30, 2022. The zone status is based on information that the Agency received from the plan. A plan in the "red" zone has been determined to be in "critical status", based on criteria established under the Tax Code and is generally less than 65% funded. A plan in the "yellow" zone has been determined to be in "endangered status", based on criteria established under the Tax Code and is generally less than 80% funded. A plan in the "green" zone is generally at least 80% funded.

The "FIP/RP Status Pending/Implemented" column indicates a plan for which a financial improvement plan (FIP), as required under the Code is adopted by a plan in the "yellow" zone, or a Rehabilitation Plan (RP), as required under the Code to be adopted by a plan in the "red" zone, is either pending or has been implemented.

The "Surcharge Imposed" column indicated whether the Agency's contribution rate for 2023 included an amount in addition to the contribution rate specified in the applicable collective bargaining agreement, as imposed by a plan in "critical status", in accordance with the requirement of the Code. The last column lists the expiration dates of the collective bargaining agreements to which the plan is subject. Finally, there have been no significant changes that affect the comparability of the comparison of the current and prior year contributions.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note H – County Employees’ Retirement System Plan (Continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status June 30, 2022	FIP/RP Status Pending/Implemented	Contributions during the year ended June 30, 2023	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
CERS	61-6027948	Red	N/A	\$ 1,492,781	N/A	N/A

Contributions – The Agency has a retirement plan, in conjunction with the Kentucky County Employees Retirement System, covering substantially all of its full-time employees. Both the employer and the employee contribute to this state-wide plan. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Nonhazardous plan members are required to contribute 5% of their annual covered compensation on accounts established prior to September 1, 2008 and 6% on accounts established on and after September 1, 2008 and the Agency is required to contribute at an actuarially determined rate. The Agency's percentage of each eligible employee's salary contributed to the plan was 26.79% for the year ended June 30, 2023. Contributions for the Agency for the year ended June 30, 2023 were \$1,492,781. This expense was allocated \$1,303,885 to the CERS pension fund and \$188,896 to the CERS insurance fund.

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or at least 4 years of service and 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

Note H – County Employees’ Retirement System Plan (Continued)

Benefits provided – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. For insurance purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
	Participation date	Before September 1, 2008 but after July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Pension Liabilities – At June 30, 2023, the Agency estimates that its total unfunded liability would be approximately \$15,238,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Agency’s proportion was 0.210798%, which was a decrease from its proportion of 0.224420% at June 30, 2021. The liability is not recorded on the Agency’s financial statements.

OPEB Liabilities – At June 30, 2023, the Agency estimates that the total unfunded liability would be approximately \$4,159,496 based upon its proportionate share of the total OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on the projection of the Agency’s long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Agency’s proportion was 0.210766%, which was a decrease from its proportion of 0.224368% at June 30, 2021. The liability is not recorded on the Agency’s financial statements.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note H – County Employees’ Retirement System Plan (Continued)

Actuarial assumptions - The total pension and OPEB liabilities in the June 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Cost Trend Rate	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 6.30% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2019. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Real</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Pension Discount rate - The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note H – County Employees’ Retirement System Plan (Continued)

OPEB Discount rate - Single discount rates of 5.70% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Total Pension Plan Assets, Liabilities and Funded Status - The plan’s total pension liability was approximately \$15,192,599,000 and fiduciary net position was \$7,963,586,000 resulting in a net pension liability of \$7,229,013,000. Therefore, the Plan’s net position as a percentage of the total pension liability was 52.42%.

Total OPEB Plan Assets, Liabilities and Funded Status - The plan’s total OPEB liability was approximately \$5,053,498,000 and fiduciary net position was \$3,079,984,000 resulting in a net OPEB liability of \$1,973,514,000. Therefore, the Plan’s net position as a percentage of the total OPEB liability was 60.95%.

The Agency also offers employees the option to participate in a 401(k) defined contribution plan. However, the Agency does not contribute.

Note I –Leases

Lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Agency’s incremental borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. The Agency leases equipment and office space. For the year ended June 30, 2023 total lease expenses were \$187,908. The future amounts of the lease commitments under non-cancelable operating leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2024	\$ 206,443
2025	160,935
2026	159,148
2027	161,553
2028	31,335
Thereafter	34,083
Total	<u>\$ 753,497</u>
Amount Representing Interest	<u>\$ (65,375)</u>
Present Value of net minimum lease payments	<u>\$ 688,122</u>

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note J – Notes Payable

Notes payable at June 30, 2023 consist of the following:

<u>Description</u>	<u>Current</u>	<u>Noncurrent</u>
1% Loan, secured by real estate, matures July 2035	9,287	119,000
Demand variable interest rate note, interest due quarterly, unsecured, matures July 2023.	3	-
5% Loan, secured by real estate, matures May 2042	4,394	131,526
Total	<u>\$ 13,684</u>	<u>\$ 250,526</u>

The maturities of the notes payable of \$264,210 for the year ending June 30, 2023 are as follows:

<u>June 30,</u>	<u>Amount</u>
2024	\$ 14,000
2025	14,330
2026	14,674
2027	15,031
2028	15,402
Thereafter	190,773
Total	<u>\$ 264,210</u>

Note K – Forgivable Note Payable

KHC issued a note to the Agency during 2012 for construction of Estill Fourplex property for income qualified individuals to lease, pursuant to its Specialized Housing Program and the Act. The note will be forgiven annually beginning in the eleventh year equal to ten percent of the original principal amount for the following ten years. As of June 30, 2023, the accumulated balance of this note is \$140,439.

KHC issued an agreement to the Agency during 2015 for construction of Holly Street Housing for income qualified individuals to lease, pursuant to HOME funding. The note will be forgiven July 2035. As of June 30, 2023, the accumulated balance of this note is \$492,368.

KHC issued an agreement to the Agency during 2015 for construction of Holly Street Housing for income qualified individuals to lease, pursuant to AHTF funding. The note will be forgiven July 2045. As of June 30, 2023, the accumulated balance of this note is \$300,000.

Note L – Related Party Transaction

Eastern Scholar House

On November 9, 2015, the Agency formed Eastern Scholar House LLLP (the Partnership). The Agency served as the general partner for the Partnership. The purpose of the partnership is to develop affordable multi-family rental housing and related childcare facilities in Richmond, Kentucky. In August 2016, the general partner of the Partnership had changed to ESH, GP, LLC, a limited liability company controlled by the Agency, and the limited partner of the Partnership became Ohio Equity Fund for Housing Limited Partnership XXVI. As of June 30, 2023, the Agency had a receivable from the Partnership of approximately \$331,927.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note L – Related Party Transaction (Continued)

Kit Carson Commons

On September 17, 2018, the Agency formed Kit Carson Commons LLLP (the Partnership). The Agency served as the general partner for the Partnership. The purpose of the partnership is to develop affordable multi-family rental housing for veterans returning to college in Richmond, Kentucky. In September 2018, the general partner of the Partnership had changed to KCC, GP, LLC, a limited liability company controlled by the Agency, and the limited partner of the Partnership became Ohio Equity Fund for Housing Limited Partnership XXIX. As of June 30, 2023, the Agency had a receivable from the Partnership of approximately \$717,957.

Liberty Place

During the fiscal year ending June 30, 2019, the agency developed a related party receivable with Liberty Place. The amount of this receivable as of June 30, 2023, is \$200.

Garden Place

During the fiscal year ending June 30, 2021, the agency developed a related party receivable with Garden Place. The amount of this receivable as of June 30, 2023, is \$30,400.

Note M – Schedule of Liquidity

The following table shows the Agency's financial assets, reduced by amounts not available within one year:

	<u>June 30, 2023</u>
Cash and cash equivalents	\$ 2,761,963
Short-term investments	655,431
Accounts receivable	2,867,067
Financial assets available for operations within one year	<u>\$ 6,284,461</u>

Note N – Subsequent Events

Management of the Agency has considered subsequent events through December 6, 2023, the date this report became available for issuance.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Pass-Through Award Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services				
<i>Direct programs</i>				
Health Care for the Homeless Cluster	93.527 *	2 H80CS04432-18	\$ -	\$ 1,197,223
Health Care for the Homeless Cluster	93.224 *	2 H80CS04432-18	-	379,125
American Rescue Plan Act Funding for Health Centers	93.224 *	H8F41266	-	208,587
Expanding Capacity for Coronavirus Testing	93.224 *	1 H8ECS37893	-	21,442
COVID-19 Provider Relief Funding	93.498 *	N/A	-	398,335
HRSA Rural Communities Opioid Response	93.912	G25RH32962	-	369,788
Total			-	2,574,500
<i>Passed through Gateway Community Action Partnership</i>				
New Pathways for Fathers & Families	93.086	N/A	-	220,072
Healthy Marriage	93.086	N/A	-	308,638
Subtotal passed through Gateway Community Action Partnership			-	528,710
<i>Passed through Commonwealth of Kentucky CHFS</i>				
Promoting Safe & Stable Families	93.556	PON2 736 2300000983	-	727,139
Community-Based Child Abuse Prevention Grants	93.590	PON2 736 2200002464	-	13,827
Community Services Block Grant	93.569	PON2 736 2200002009	-	407,888
Subtotal passed through Commonwealth of Kentucky CHFS			-	1,148,854
<i>Passed through Bluegrass Area Development District</i>				
<i>Aging Cluster</i>				
Special Programs for the Aging- Title III, Part B	93.044	AS-2021-2022	-	199,230
Special Programs for the Aging- Title III, Part C	93.045	AS-2021-2022	-	166,544
Subtotal passed through Bluegrass Area Development District			-	365,774
<i>Passed through Community Action Kentucky</i>				
Low Income Energy Assistance (LIHEAP)	93.568	LIHEAP-010	-	1,835,849
Weatherization	93.568	LH23-0608-02	-	296,359
Subtotal passed through Community Action Kentucky			-	2,132,208
Total U.S. Department of Health and Human Services			-	6,750,046
Department of Transportation				
<i>Passed through Commonwealth of Kentucky Transportation Cabinet</i>				
Formula Grants for Other than Urbanized Areas	20.509 *	C111120114	-	77,295
Formula Grants for Other than Urbanized Areas	20.509 *	O111121300	-	416,568
Formula Grants for Other than Urbanized Areas	20.509 *	O111120300	-	613,192
Formula Grants for Other than Urbanized Areas	20.509 *	O111120634	-	135,115
Formula Grants for Other than Urbanized Areas	20.509 *	O111120111	-	94,282
Formula Grants for Other than Urbanized Areas	20.509 *	C111121114	-	3,671,091
Formula Grants for Other than Urbanized Areas	20.509 *	O111518300	-	714,943
Formula Grants for Other than Urbanized Areas	20.509 *	R111518635	-	6,530
Formula Grants for Other than Urbanized Areas	20.509 *	C111121114	-	110,348
Formula Grants for Other than Urbanized Areas	20.513	O101721300	-	4,372
Formula Grants for Other than Urbanized Areas	20.526	C393221111	-	142,960
Subtotal passed through Commonwealth of Kentucky Transportation Cabinet			-	5,986,696
Total Department of Transportation			-	5,986,696

* Audited as a Major Program under Uniform Guidance

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Pass-Through Award Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Energy</u>				
<i>Passed through Community Action Kentucky</i>				
Weatherization Assistance for Low-Income Persons	81.042	WX23-0608-02	-	150,667
Weatherization Assistance for Low-Income Persons (BIL)	81.042	BIL23-0608-02	-	152,719
Subtotal passed through Community Action Kentucky			-	303,386
Total U.S. Department of Energy			-	303,386
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Kentucky Housing Corporation</i>				
Estill County Fourplex	14.235	C22-01000-04	-	26,758
Tenant Based Rental Assistance	14.239	TB20-0100-01	-	54,425
Tenant Based Rental Assistance	14.239	TB22-0100-01	-	127,123
Home CHDO	14.239	CO22-0100-01	-	7,500
Home CHDO	14.239	CO23-0100-01	-	15,000
Home Housing	14.239	HB21-0100-01	-	229,110
Subtotal passed through Kentucky Housing Corporation			-	459,916
<i>Passed through City of Richmond</i>				
Community Development Block Grant	14.228	N/A	-	190,000
Subtotal passed through City of Richmond			-	190,000
Total U.S. Department of Housing and Urban Development			-	649,916
<u>U.S. Department of Agriculture</u>				
<i>Passed through Kentucky Department of Education</i>				
Child Care Food Program- Head Start	10.558	11102	-	48,928
Adult Day Food Service	10.558	11327	-	28,141
Subtotal passed through Kentucky Department of Education			-	77,069
Total U.S. Department of Agriculture			-	77,069
<u>U.S. Department of Veteran Affairs</u>				
Supportive Services for Veteran Families	64.033	20-KY-204	-	1,525,266
Supportive Services for Veteran Families	64.033	20-KY-204SS	-	325,152
Total U.S. Department of Veteran Affairs			-	1,850,418
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024	N/A	-	19,289
Total U.S. Department of Homeland Security			-	19,289
Total Expenditures of Federal Awards			\$ -	\$ 15,636,820

* Audited as a Major Program under Uniform Guidance

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kentucky River Foothills Development Council, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from those numbers.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note C – Indirect Cost Rates

Kentucky River Foothills Council, Inc. did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D – Subrecipients

The Agency did not pass through any funds to subrecipients during the year ended June 30, 2023.

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*

To the Board of Directors
Kentucky River Foothills Development Council, Inc.
Richmond, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky River Foothills Development Council, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kentucky River Foothills Development Council, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kentucky River Foothills Development Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Kentucky River Foothills Development Council, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal 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 Kentucky River Foothills Development Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 6, 2023

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

To the Board of Directors
Kentucky River Foothills Development Council, Inc.
Richmond, Kentucky

Opinion on Each Major Federal Program

We have audited Kentucky River Foothills Development Council, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kentucky River Foothills Development Council, Inc.'s major federal programs for the year ended June 30, 2023. Kentucky River Foothills Development Council, Inc.'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, Kentucky River Foothills Development Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Kentucky River Foothills Development Council, Inc. 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 Kentucky River Foothills Development Council, Inc.'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 Kentucky River Foothills Development Council, Inc.'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 to Kentucky River Foothills Development Council, Inc.'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 Kentucky River Foothills Development Council, Inc.'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 Kentucky River Foothills Development Council, Inc.'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 the Kentucky River Foothills Development Council, Inc.'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 Kentucky River Foothills Development Council, Inc.'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.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 6, 2023

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I- SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Kentucky River Foothills Development Council, Inc.
2. Our report on the financial statements disclosed no material weaknesses or significant deficiencies in the internal control structure.
3. No instances of noncompliance material to the financial statements of Kentucky River Foothills Development Council, Inc. were disclosed during our audit.
4. Our report on the major federal awards programs disclosed no material weaknesses or significant deficiencies in the internal control structure.
5. The auditor's report on compliance for the major federal awards programs for Kentucky River Foothills Development Council, Inc. expresses an unmodified opinion on all major federal programs.
6. Our audit report disclosed no audit finding required to be reported in accordance with 2 CFR 200.516(a).
7. The programs tested as major programs included:

Health Care Center Program Cluster	CFDA #93.224/93.527	Type A
COVID-19 Provider Relief Funding	CFDA #93.498	Type B
Formula Grants for Other Than Urbanized Areas	CFDA #20.509	Type A
8. The threshold to determine Type A: \$750,000.
9. Kentucky River Foothills Development Council, Inc. was determined to be a low-risk auditee.

SECTION II- FINANCIAL STATEMENT FINDINGS

1. There were no financial statement finds reported as part of our audit.

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. There were no questioned costs with respect to major programs selected for compliance tests.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF REVENUES AND EXPENSES- CONTRACT BASIS
INDIVIDUAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

	Adult Care	Aging Title III	Agency For Substance Abuse	Affordable Housing Fund	Community Collaboration for Children	Client Assistance	Compass	Community Services Block Grant	Eastern Scholarhouse	Eastern Scholar House Child Development	Facilities
REVENUES											
Contract and Grant	\$ 28,141	\$ 685,983	\$ 60,000	\$ 153,913	\$ 741,396	\$ -	\$ 32,028	\$ 407,888	\$ 6,000	\$ 526,751	\$ -
Management fees and other income	372,750	110,674	-	-	-	1,000	-	-	57,675	106,405	109,758
In Kind Revenue	-	136,950	-	-	223,833	-	-	129,508	-	-	-
Fundraising Income	5,303	5,369	-	-	-	2,231	-	-	-	500	-
Interest Income	-	-	-	-	-	-	-	-	-	-	-
Gain/Loss on Sale	-	-	-	-	-	-	-	-	-	-	-
Total REVENUES	406,194	938,976	60,000	153,913	965,229	3,231	32,028	537,396	63,675	633,656	109,758
EXPENSES											
Indirect costs	54,071	57,716	-	1,146	76,038	-	3,968	38,437	8,518	70,472	7,771
Salaries	286,091	305,376	-	6,063	402,317	-	20,992	203,370	45,070	372,866	41,117
Payroll Taxes and Fringe Benefits	66,989	144,482	-	2,716	168,267	-	6,640	104,167	24,116	138,041	23,455
Travel	7,451	4,213	-	218	16,210	-	428	4,561	31	-	15,996
Utilities, telephone, and rent	28,705	42,704	-	-	7,561	-	-	27,459	1,684	3,870	4,027
Supplies, maintenance, and office	12,630	71,069	-	-	8,508	1,976	-	9,305	834	24,632	16,822
Professional costs and contracts	33,177	51,000	34,985	750	-	-	-	-	375	-	30,700
Interest expense	-	-	-	-	-	-	-	-	-	-	13,952
Other expenses	(67,113)	23,722	14,938	127,177	34,184	-	-	16,807	838	5,517	50,262
Depreciation	-	-	-	-	-	-	-	-	-	-	53,069
Energy assistance and other services	30,759	9,710	-	1,404	46,575	10,922	-	3,782	6,036	45,195	-
In-Kind/Match Expense	-	136,950	-	-	223,833	-	-	129,508	-	-	-
Total EXPENSES	452,760	846,942	49,923	139,474	983,493	12,898	32,028	537,396	87,502	660,593	257,171
Surplus/Deficit	\$ (46,566)	\$ 92,034	\$ 10,077	\$ 14,439	\$ (18,264)	\$ (9,667)	\$ -	\$ -	\$ (23,827)	\$ (26,937)	\$ (147,413)

See Independent Auditor's Report.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF REVENUES AND EXPENSES- CONTRACT BASIS
INDIVIDUAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

	Health Center	Holly Street Operations	Housing Programs	Kit Carson Commons	KYNECT	Liberty Place	LIHEAP	New Pathways for Families and Fathers	Rural Communities Opiod Crisis	Supportive Services for Veteran Families	Transportation- Administrative & Operating
REVENUES											
Contract and Grant	\$ 1,806,378	\$ -	\$ 410,471	\$ -	\$ 386,213	\$ 704,422	\$ 1,835,849	\$ 528,710	\$ 369,788	\$ 1,850,418	\$ 2,012,433
Management fees and other income	760,811	50,442	406,593	-	-	213,419	-	-	-	-	851,052
In Kind Revenue	80,733	-	-	-	-	-	-	-	-	36,193	-
Fundraising Income	-	-	-	10,000	-	58,963	-	-	-	-	-
Interest Income	-	-	-	-	-	415	-	-	-	-	-
Gain/Loss on Sale	-	-	47,582	-	-	-	-	-	-	-	-
Total REVENUES	2,647,922	50,442	864,646	10,000	386,213	977,219	1,835,849	528,710	369,788	1,886,611	2,863,485
EXPENSES											
Indirect costs	238,120	227	22,818	1,090	38,852	79,488	13,575	56,882	27,084	129,907	227,420
Salaries	1,259,896	1,199	120,731	5,770	205,567	420,573	71,824	300,964	143,299	542,968	1,203,283
Payroll Taxes and Fringe Benefits	546,735	3,417	52,497	(11,209)	106,473	159,403	29,249	153,987	53,695	263,227	573,959
Travel	11,530	212	4,919	130	9,444	6,534	367	11,214	880	9,357	-
Utilities, telephone, and rent	79,399	11,392	20,271	2,968	14,507	15,120	31,726	34,603	8,201	56,776	31,203
Supplies, maintenance, and office	278,397	14,263	49,407	6,329	7,653	106,258	30,616	29,377	31,419	19,603	47,205
Professional costs and contracts	43,928	5	12,940	25,175	-	10,203	-	8,000	25,000	2,475	330
Interest expense	2,076	363	7,620	-	-	-	-	-	-	-	-
Other expenses	(2,599)	7,152	388,490	9,895	3,717	36,088	13,473	3,189	77,966	26,247	549,666
Depreciation	43,046	37,483	27,225	-	-	1,908	-	-	-	-	-
Energy assistance and other services	40,689	-	181,884	2,223	-	164,181	1,645,019	3,209	2,244	799,858	-
In-Kind/Match Expense	80,733	-	-	-	-	-	-	-	-	36,193	-
Total EXPENSES	2,621,950	75,713	888,802	42,371	386,213	999,756	1,835,849	601,425	369,788	1,886,611	2,633,066
Surplus/Deficit	\$ 25,972	\$ (25,271)	\$ (24,156)	\$ (32,371)	\$ -	\$ (22,537)	\$ -	\$ (72,715)	\$ -	\$ -	\$ 230,419

See Independent Auditor's Report.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF REVENUES AND EXPENSES- CONTRACT BASIS
INDIVIDUAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

	Transportation- Capital	Transportation- Inter City	Transportation- Local	Transportation- RTAP	Weatherization	Wintercare	Other Programs	Indirect	Total
REVENUES									
Contract and Grant	\$ 4,303,792	\$ 135,115	\$ -	\$ 4,372	\$ 599,745	\$ 21,150	\$ 19,532	\$ -	\$ 17,630,488
Management fees and other income	1	8,158	-	-	-	-	185,465	-	3,234,203
In Kind Revenue	-	-	-	-	-	-	28,953	-	636,170
Fundraising Income	-	-	-	-	-	-	1,264	-	83,630
Interest Income	-	-	-	-	-	-	22,455	-	22,870
Gain/Loss on Sale	-	-	-	-	-	-	1,583,734	-	1,631,316
Total REVENUES	4,303,793	143,273	-	4,372	599,745	21,150	1,841,403	-	23,238,677
EXPENSES									
Indirect costs	-	8,589	-	-	34,014	-	3,143	(1,199,346)	-
Salaries	-	45,444	-	-	179,969	-	17,002	643,279	6,845,030
Payroll Taxes and Fringe Benefits	-	31,365	-	-	90,394	-	2,066	226,180	2,960,311
Travel	-	-	15	-	3,528	-	1,677	9,887	118,802
Utilities, telephone, and rent	-	45	660	-	11,670	-	30,485	124,436	589,472
Supplies, maintenance, and office	97,482	2,046	88	-	19,658	-	36,779	129,463	1,051,819
Professional costs and contracts	-	-	-	-	575	-	193,963	75,653	549,234
Interest expense	-	-	-	-	-	-	-	-	24,011
Other expenses	3,990	56,770	1,245	4,372	30,925	-	64,698	38,553	1,520,169
Depreciation	255,668	-	-	-	15,655	-	36,864	-	470,918
Energy assistance and other services	-	-	-	-	169,738	21,150	14,039	3,254	3,201,871
In-Kind/Match Expense	-	-	-	-	-	-	28,953	-	636,170
Total EXPENSES	357,140	144,259	2,008	4,372	556,126	21,150	429,669	51,359	17,967,807
Surplus/Deficit	\$ 3,946,653	\$ (986)	\$ (2,008)	\$ -	\$ 43,619	\$ -	\$ 1,411,734	\$ (51,359)	\$ 5,270,870

See Independent Auditor's Report.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
LIHEAP PROGRAM
DELEGATE AGREEMENT
SCHEDULE OF PROGRAM EXPENSES AND QUESTIONED COSTS
CONTRACT BASIS
FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

Cost Category	Actual	Questioned Costs	Balance
Salaries	\$ 62,273	\$ -	\$ 62,273
Fringe benefits	24,545	-	24,545
Travel	367	-	367
Utilities and rent	31,726	-	31,726
Equipment	-	-	-
Office supplies	21,574	-	21,574
Postage	-	-	-
Other	25,870	-	25,870
Total Administrative	166,355	-	166,355
Leveraging			
Benefits:			
Fall Subsidy	332,162	-	332,162
Spring Subsidy	228,462	-	228,462
Winter Crisis	806,464	-	806,464
Summer Cooling	301,866	-	301,866
Total Benefits	1,668,954	-	1,668,954
Total Expenses	\$ 1,835,309	\$ -	\$ 1,835,309
Less: Contract Payments Received Before June 30, 2023			(1,835,226)
Plus: Refund to CAK Paid Before June 30, 2023			-
Less: Contract Payments Received After June 30, 2023			-
Balance Owed to CAK as of June 30, 2023			\$ 83

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
LIHEAP PROGRAM
DELEGATE AGREEMENT
SCHEDULE OF BUDGET AND ACTUAL EXPENSES- CONTRACT BASIS
FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

<u>Cost Category</u>	<u>Actual</u>	<u>Budget</u>	<u>(Over) Under Budget</u>
Administrative	\$ 166,355	\$ 244,984	\$ 78,629
Leveraging	-	-	-
Subsidiary	560,624	956,442	395,818
Crisis	806,464	1,190,245	383,781
Cooling	301,866	303,303	1,437
Total	\$ 1,835,309	\$ 2,694,974	\$ 859,665

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 CSBG BUDGET TO ACTUAL
 FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

Cost Category	Actual	Budget	(Over) Under Budget
Salaries	\$ 203,370	\$ 203,370	\$ -
Fringe	108,702	107,546	(1,156)
Contractual	-	-	-
Space costs	15,573	16,040	467
Supplies	6,235	6,000	(235)
Utilities	12,427	11,300	(1,127)
Travel	700	1,700	1,000
Client services	3,783	4,694	911
Staff development	1,935	1,800	(135)
Other	16,725	17,000	275
Administration	38,438	38,438	-
Total	\$ 407,888	\$ 407,888	\$ -

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
INDIRECT COSTS
FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

Cost Category	Balance
Salaries	\$ 643,279
Fringe Benefits	226,180
Travel	9,887
Utilities, telephone, maintenance and rent	2,305
Supplies	39,253
Professional costs and contracts	75,653
Other expenses	202,789
	\$ 1,199,346
Total Indirect Costs	\$ 1,199,346
Total Direct Salaries	\$ 6,201,751
Indirect Rate	19.3%

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
WEATHERIZATION LIHEAP
FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

Cost Category	2022-2023	Questioned Costs	Balance	Budget	(Over) Under Budget
Administration	\$ 17,947	\$ -	\$ 17,947	\$ 17,947	\$ -
WX materials	22,078	-	22,078	20,915	(1,163)
Program support	142,373	-	142,373	144,829	2,456
WX labor	20,975	-	20,975	20,915	(60)
H&S materials	33,576	-	33,576	35,224	1,648
H&S labor	33,062	-	33,062	35,224	2,162
Financial audit	-	-	-	-	-
Liability insurance	1,850	-	1,850	3,121	1,271
Training	24,498	-	24,498	27,379	2,881
WX Ready	-	-	-	-	-
Total	\$ 296,359	\$ -	\$ 296,359	\$ 305,554	\$ 9,195
Less: Contract Payments Received Before June 30, 2023			(238,395)		
Balance due from KHC as of June 30, 2023			<u>\$ 57,964</u>		

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 WEATHERIZATION DOE
 FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

<u>Cost Category</u>	<u>2022-2023</u>	<u>Questioned Costs</u>	<u>Balance</u>	<u>Budget</u>	<u>(Over) Under Budget</u>
Administration	\$ 26,808	\$ -	\$ 26,808	\$ 26,922	\$ 114
WX materials	5,767	-	5,767	34,048	28,281
Program support	68,095	-	68,095	68,095	-
WX labor	9,875	-	9,875	34,048	24,173
H&S materials	10,642	-	10,642	10,214	(428)
H&S labor	6,883	-	6,883	10,214	3,331
Financial audit	-	-	-	-	-
Liability insurance	1,967	-	1,967	4,565	2,598
Training	20,630	-	20,630	20,630	-
Total	\$ 150,667	\$ -	\$ 150,667	\$ 208,736	\$ 58,069
Less: Contract Payments Received Before June 30, 2023			(131,613)		
Balance due from KHC as of June 30, 2023			<u>\$ 19,054</u>		

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 WEATHERIZATION DOE- BIL
 FOR THE YEAR JULY 1, 2022 THROUGH JUNE 30, 2023

Cost Category	2022-2023	Questioned Costs	Balance	Budget	(Over) Under Budget
Administration	\$ 21,530	\$ -	\$ 21,530	\$ 51,203	\$ 29,673
WX materials	4,257	-	4,257	83,301	79,044
Program support	50,225	-	50,225	166,602	116,377
WX labor	1,215	-	1,215	83,301	82,086
H&S materials	4,599	-	4,599	24,990	20,391
H&S labor	4,489	-	4,489	24,990	20,501
Financial audit	-	-	-	-	-
Liability insurance	-	-	-	12,500	12,500
Vehicles	59,274	-	59,274	196,000	136,726
Training	7,130	-	7,130	69,486	62,356
Total	\$ 152,719	\$ -	\$ 152,719	\$ 712,373	\$ 559,654
Less: Contract Payments Received Before June 30, 2023			-		
Balance due from KHC as of June 30, 2023			<u>\$ 152,719</u>		