

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, 2025



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& COMPANY, PLLC

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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, 2025, 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, 2025, 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.

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.


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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 4, 2025 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.

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Craft, Waninger, Noble & Company, PLLC

Richmond, Kentucky

December 4, 2025

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

	<u>Total</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,988,680
Short-term investments	773,513
Accounts receivable, net allowance for doubtful accounts of \$2,453	2,391,378
Other current assets	22,471
Prepaid expenses	110,846
Total current assets	<u>6,286,888</u>
Property and equipment	
Land	953,864
Property, vehicles, and equipment	19,848,207
Less accumulated depreciation	(5,673,192)
Net property and equipment	<u>15,128,879</u>
Noncurrent assets	
Related party receivable	958,117
Other noncurrent assets	59,838
Total noncurrent assets	<u>1,017,955</u>
Total Assets	<u><u>\$ 22,433,722</u></u>
Liabilities & Net Assets	
Liabilities	
Current liabilities	
Accounts payable	\$ 574,161
Accrued expenses and other liabilities	153,485
Deferred revenue	124,537
Current portion of notes payable and lease liability	215,517
Total current liabilities	<u>1,067,700</u>
Noncurrent liabilities	
Accrued annual leave	585,121
Long-term portion of notes payable and lease liability	1,784,295
Forgivable notes payable	890,585
Total noncurrent liabilities	<u>3,260,001</u>
Total Liabilities	<u><u>4,327,701</u></u>
Net Assets	
Net assets without donor restrictions	12,933,037
Net assets with donor restrictions	<u>5,172,984</u>
Total Net Assets	<u>18,106,021</u>
Total Liabilities & Net Assets	<u><u>\$ 22,433,722</u></u>

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, 2025

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<u>Revenue</u>			
Grant revenues	\$ 1,116,802	\$ 13,411,495	\$ 14,528,297
Management fees and other revenues	802,589	2,929,018	3,731,607
In-kind revenue	-	530,520	530,520
Fundraising revenue	5,792	-	5,792
Interest income	161,143	-	161,143
Gain (loss) on sale of assets	168,364	-	168,364
Net assets released from restrictions			
Satisfaction of program restrictions	<u>15,632,500</u>	<u>(15,632,500)</u>	<u>-</u>
Total Revenue	<u>17,887,190</u>	<u>1,238,533</u>	<u>19,125,723</u>
<u>Expenses</u>			
Community Action programs	16,571,830	-	16,571,830
Management and general	1,316,613	-	1,316,613
Fundraising	-	-	-
In-kind expenses	<u>530,520</u>	<u>-</u>	<u>530,520</u>
Total Expenses	<u>18,418,963</u>	<u>-</u>	<u>18,418,963</u>
Change in net assets	(531,773)	1,238,533	706,760
Net Assets at Beginning of Period	<u>13,464,810</u>	<u>3,934,451</u>	<u>17,399,261</u>
Net Assets at End of Period	<u>\$ 12,933,037</u>	<u>\$ 5,172,984</u>	<u>\$ 18,106,021</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, 2025

Expenses	Community Action Programs	Management and General Expenses	Fundraising Expenses	In-Kind	Total Expenses
Personnel costs	\$ 8,976,294	\$ 778,768	\$ -	\$ -	\$ 9,755,062
Travel	112,096	3,174	-	-	115,270
Utilities, telephone, and rent	595,646	212,242	-	-	807,888
Supplies, maintenance, and office	611,839	107,110	-	-	718,949
Professional costs and contracts	332,943	140,052	-	-	472,995
Interest expense	66,731	-	-	-	66,731
Other expenses	1,122,072	8,573	-	-	1,130,645
Depreciation	805,361	54,842	-	-	860,203
Energy assistance and other services	3,948,848	11,852	-	-	3,960,700
In-kind	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,520</u>	<u>530,520</u>
Total Expenses	<u>\$ 16,571,830</u>	<u>\$ 1,316,613</u>	<u>\$ -</u>	<u>\$ 530,520</u>	<u>\$ 18,418,963</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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$ 706,760
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	860,203
Gain on loan forgiveness	14,074
Gain on disposal of assets	168,364
(Increase) decrease in operating assets	
Accounts receivable	(879,014)
Prepaid expenses	(45,119)
Other current assets	(2,870)
Related party receivable	31,641
Other noncurrent assets	(2,688)
Increase (decrease) in operating liabilities	
Accounts payable	224,756
Accrued expenses and other liabilities	29,367
Deferred revenue	(209,858)
Accrued annual leave	23,188
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>918,804</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant, and equipment	(1,994,157)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,994,157)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital leases	(147,543)
Payments on long-term debt	(72,258)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(219,801)</u>

NET (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,295,154)
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CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	4,283,834
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CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,988,680</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ 72,093
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KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 it's 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, 2025, the Net Assets with Donor Restrictions balance was \$5,172,984 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, 2025. While no allowance for uncollectible accounts has been provided by the Agency for grant receivables, as management considers all balances to be fully collectible, \$2,453 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, 2025

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, 2025 was \$860,203.

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.

Fixed assets consisted of the following at June 30, 2025:

Land	\$ 953,864
Construction in progress	4,145
Right of Use Assets	376,735
Building and Improvements	13,705,494
Property and Equipment	750,451
Vehicles	<u>5,011,382</u>
Subtotal	20,802,071
Accumulated Depreciation	(5,673,192)
Property and Equipment, net	<u>\$ 15,128,879</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 2022.

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, 2025

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, 2025 were \$530,520.

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, 2025 was \$530,520.

InKind Categories	Value	Usage In Programs/Activities	Fair Value Technique
Medicines	73,372	Healthcare for the Homeless	Wholesale value of medications provided by pharmaceutical companies
Supplies, Clothing, Furniture, etc	1,537	Community Collaboration for Children	Estimated wholesale value of goods if purchased from Donor
Aging Volunteers	6,938	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	139,200	Community Collaboration for Children	Estimated value based on regional rental value
Meeting Space	142,762	Foothills Senior Centers	Estimated wholesale value of goods if purchased from Donor
Volunteers	4,873	Community Services Block Grant	Estimated based on average wage for services to be performed
Parking Space	135,828	Transportation	Estimated value based on regional rental value
	<u>\$ 530,520</u>		

Note C – 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, 2025, the total market value of the fund was \$54,586.

Note D – 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 19.30% of salaries.

Note E – 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, 2025, Kentucky River Foothills Development Council, Inc.'s uninsured cash balance totaled \$2,385,323. This amount is collateralized by government securities at these financial institutions.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note F – Concentrations of Revenues

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

Foothills Health & Wellness	\$ 3,196,997
Transportation	\$ 3,872,321
Verterans	\$ 2,601,555

Note G – 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, 2025, 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 2024 is for the plan's year end at June 30, 2024. 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 indicates whether the Agency's contribution rate for 2025 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, 2025

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

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status	Contributions during the year ended	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
CERS	61-6027948	Red	N/A	\$ 1,161,246	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 19.71% for the year ended June 30, 2025. Contributions for the Agency for the year ended June 30, 2025 were \$1,161,246. This expense was allocated fully to the CERS pension fund and no contributions were allocated 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, 2025

Note G – 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, 2025, the Agency estimates that its total unfunded liability would be approximately \$10,267,072 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the Agency’s proportion was 0.171678%, which was a decrease from its proportion of 0.188698% at June 30, 2023. The liability is not recorded on the Agency’s financial statements.

OPEB Liabilities(Asset) – At June 30, 2025, the Agency estimates that the total funded asset would be approximately \$5,389,341 based upon its proportionate share of the total OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset 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, 2024, the Agency’s proportion was 0.171835%, which was a decrease from its proportion of 0.188690% at June 30, 2023. The liability is not recorded on the Agency’s financial statements.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2025

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

Actuarial assumptions - The total pension and OPEB liabilities in the June 30, 2024 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	6.50%, net of Plan investment expense, including inflation
Healthcare Cost Trend	
Rate	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 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, 2023 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 was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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 2.50% 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:

Asset Class	Target	Long-term Expected Real
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	<u>5.35%</u>
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Pension Discount rate - The projection of cash flows used to determine the discount rate of 6.50% 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 27 years (closed) amortization period of the unfunded actuarial accrued liability.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2025

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

OPEB Discount rate - Single discount rates of 5.93% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2024. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. 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 \$15,576,667,000 and fiduciary net position was \$9,596,244,000 resulting in a net pension liability of \$5,980,423,000. Therefore, the Plan’s net position as a percentage of the total pension liability was 61.61%.

Total OPEB Plan Assets, Liabilities and Funded Status - The plan’s total OPEB asset was approximately \$3,534,297,000 and fiduciary net position was \$3,707,277,000 resulting in a net OPEB asset of \$172,980,000. Therefore, the Plan’s net position as a percentage of the total OPEB liability was 104.89%.

Note H –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, 2025 total lease expenses were \$148,395. The future amounts of the lease commitments under non-cancelable operating leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2026	\$ 160,205
2027	162,610
2028	32,392
2029	20,357
2030	<u>14,607</u>
Total	<u>\$ 390,171</u>
Amount Representing Interest	<u>\$ (16,478)</u>
Present Value of net minimum lease payments	<u><u>\$ 373,693</u></u>

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2025

Note I – Notes Payable

Notes payable at June 30, 2025 consist of the following:

<u>Description</u>	<u>Current</u>	<u>Noncurrent</u>
5.10% Loan, secured by real estate, matures July 2053	55,156	1,470,815
Demand variable interest rate note, interest due quarterly, unsecured, matures July 2025.	3	-
5% Loan, secured by real estate, matures May 2042	9,570	90,575
Total	\$ 64,729	\$ 1,561,390

The maturities of the notes payable of \$1,628,916 for the year ending June 30, 2025 are as follows:

<u>June 30,</u>	<u>Amount</u>
2026	\$ 64,729
2027	63,301
2028	66,038
2029	69,316
2030	67,148
Thereafter	<u>1,295,587</u>
Total	<u>\$ 1,626,119</u>

Note J – 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, 2025, the accumulated balance of this note is \$98,519.

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, 2025, the accumulated balance of this note is \$492,066.

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, 2025, the accumulated balance of this note is \$300,000.

Note K – 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, 2025, the Agency had a receivable from the Partnership of approximately \$332,359.

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note K – 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, 2024, the Agency had a receivable from the Partnership of approximately \$625,533.

Note L – Schedule of Liquidity

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

	<u>June 30, 2025</u>
Cash and cash equivalents	\$ 2,988,680
Short-term investments	773,513
Accounts receivable	2,391,378
Financial assets available for operations within one year	<hr/> \$ 6,153,571 <hr/>

Note M – Subsequent Events

Management of the Agency has considered subsequent events through December 4, 2025, 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, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Award Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Direct programs</i>				
Health Care for the Homeless Cluster	93.224	22H80CS04432	\$ -	\$ 1,326,086
Health Care for the Homeless Cluster	93.224	25H80VD04432	-	342,237
Expanding Capacity for Coronavirus Testing	93.224	23H8GCS47701	-	1,056
Health Care Infrastructure Support	93.526	4 C8ECS44658-01		330,845
Bridge Access Program	93.527	6 H8LCS51890-01		10,660
HRSA Rural Communities Opiod Response	93.912	23G39RH49490	-	87,339
Total			-	2,098,223
<i>Passed through Gateway Community Action Partnership</i>				
New Pathways for Fathers & Families	93.086*	N/A		333,354
Healthly Marriage	93.086*	N/A	-	331,050
Subtotal passed through Gateway Community Action Partnership			-	664,404
<i>Passed through Commonwealth of Kentucky CHFS</i>				
Promoting Safe & Stable Families	93.556	DO7362400002930	-	704,105
Community-Based Child Abuse Prevension Grants	93.590	PON27362400001816	-	73,644
Community Services Block Grant	93.569	PON2736240003332	-	423,493
Subtotal passed through Commonwealth of Kentucky CHFS			-	1,201,242
<i>Passed through Bluegrass Area Development District</i>				
Aging Cluster				
Special Programs for the Aging- Title III, Part B	93.044	AS-2024-2025	-	112,382
Special Programs for the Aging- Title III, Part C	93.045	AS-2024-2025	-	157,633
Subtotal passed through Bluegrass Area Development District			-	270,015
<i>Passed through Community Action Kentucky</i>				
Low Income Energy Assistance (LIHEAP)	93.568*	LIHEAP-010	-	1,883,981
Weatherization	93.568*	LH25-0608-02	-	274,342
Subtotal passed through Community Action Kentucky			-	2,158,323
Total U.S. Department of Health and Human Services			-	6,392,207
<u>Department of Transportation</u>				
<i>Passed through Commonwealth of Kentucky Transportation Cabinet</i>				
Formula Grants for Other than Urbanized Areas	20.509	O113321300	-	859,616
Formula Grants for Other than Urbanized Areas	20.509	O113321648	-	200,000
Formula Grants for Other than Urbanized Areas	20.509	A110723620	-	233,637
Formula Grants for Other than Urbanized Areas	20.509	O113321634	-	69,899
Formula Grants for Other than Urbanized Areas	20.509	R11072635	-	11,219
Formula Grants for Other than Urbanized Areas	20.509	C111120114	-	334,471
Formula Grants for Other than Urbanized Areas	20.509	C113321111	-	11,403
Formula Grants for Other than Urbanized Areas	20.509	C393221111	-	369,112
Formula Grants for Other than Urbanized Areas	20.526	C39211811	-	184,413
Subtotal passed through Commonwealth of Kentucky Transportation Cabinet			-	2,273,770
Total Department of Transportation			-	2,273,770

* 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, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Award Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Energy				
<i>Passed through Community Action Kentucky</i>				
Weatherization Assistance for Low-Income Persons	81.042	WX25-0608-02	-	262,270
Weatherization Assistance for Low-Income Persons (BIL)	81.042	BIL25-0608-02	-	20,427
Subtotal passed through Community Action Kentucky			-	282,697
Total U.S. Department of Energy			-	282,697
U.S. Department of Housing and Urban Development				
<i>Passed through Kentucky Housing Corporation</i>				
Tenant Based Rental Assistance	14.239	TB24-0100-01	-	94,274
Home Housing	14.239	CO24-0100-01	-	15,000
Subtotal passed through Kentucky Housing Corporation			-	109,274
<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			-	299,274
U.S. Department of Agriculture				
<i>Passed through Kentucky Department of Education</i>				
Child Care Food Program- CACFP	10.558	11102	-	76,524
Adult Day Food Service	10.558	11327	-	29,957
Subtotal passed through Kentucky Department of Education			-	106,481
Total U.S. Department of Agriculture			-	106,481
U.S. Department of Veteran Affairs				
Supportive Services for Veteran Families	64.033	24-KY-204	-	1,979,990
Supportive Services for Veteran Families	64.033	25-KY-204	-	621,564
Total U.S. Department of Veteran Affairs			-	2,601,554
Total Expenditures of Federal Awards			<u>\$</u> <u>-</u>	<u>\$</u> <u>11,955,983</u>

* 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, 2025**

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 15 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, 2025.

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, 2025, 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 4, 2025.

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*.


CRAFT, WANINGER, NOBLE
& COMPANY, PLLC
CPAs & Trusted Advisors

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 4, 2025

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, 2025. 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, 2025.

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,


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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 4, 2025

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

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:

Healthy Marriage Promotion & Responsible Fatherhood Grants	CFDA #93.086	Type B
Low-Income Energy Assistance	CFDA #93.568	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 findings 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, 2025

	Adult Care	Aging Title III	Agency For Substance Abuse	Affordable Housing Trust Fund	Community Collaboration for Children	Client Assistance	Community Services Block Grant	Eastern Scholarhouse	Facilities	Health Center
REVENUES										
Contract and Grant	\$ -	\$ 472,794	\$ 60,000	\$ 127,859	\$ 777,749	\$ -	\$ 423,493	\$ 719,062	\$ -	\$ 1,989,731
Management fees and other income	563,653	131,017	-	-	-	-	-	171,322	379,290	675,523
In Kind Revenue	-	149,700	-	-	24,870	-	146,750	-	-	73,372
Fundraising Income	2,403	-	-	-	-	294	-	500	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Gain/Loss on Sale	-	-	-	-	-	-	-	-	-	-
Total REVENUES	566,056	753,511	60,000	127,859	802,619	294	570,243	890,884	379,290	2,738,626
EXPENSES										
Indirect costs	61,888	57,493	-	1,963	74,405	-	40,088	111,032	12,028	232,063
Salaries	320,661	297,892	-	10,171	385,519	-	207,711	575,297	62,324	1,202,398
Payroll Taxes and Fringe Benefits	159,176	143,922	-	3,983	163,992	-	78,609	231,485	28,914	445,841
Travel	12,048	5,048	-	196	25,813	-	3,325	105	5,796	17,355
Utilities, telephone, and rent	108,357	39,845	-	-	9,486	-	58,079	5,190	808	93,923
Supplies, maintenance, and office	12,483	26,950	-	-	11,555	116	12,608	25,855	24,674	214,631
Professional costs and contracts	-	-	57,855	752	1,350	-	-	457	15,677	48,596
Interest expense	-	-	-	-	-	-	-	-	75,059	-
Other expenses	21,458	20,621	2,618	104,758	28,503	3,008	20,422	13,480	(10,699)	(120,264)
Depreciation	84,631	-	-	-	-	-	-	-	96,116	76,417
Energy assistance and other services	38,726	19,153	-	767	77,126	-	2,651	72,777	-	28,793
In-Kind/Match Expense	-	149,700	-	-	24,870	-	146,750	-	-	73,372
Total EXPENSES	819,428	760,624	60,473	122,590	802,619	3,124	570,243	1,035,678	310,697	2,313,125
Surplus/Deficit	\$ (253,372)	\$ (7,113)	\$ (473)	\$ 5,269	\$ -	\$ (2,830)	\$ -	\$ (144,794)	\$ 68,593	\$ 425,501

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, 2025

	Holly Street Operations	Housing Programs	KYNECT	Liberty Place	LIHEAP	New Pathways for Families and Fathers	Rural Communities Opiod Crisis	Supportive Services for Veteran Families	Transportation- Administrative & Operating	Transportation- Appalachian
REVENUES										
Contract and Grant	\$ -	\$ 337,014	\$ 458,371	\$ 190,000	\$ 1,883,981	\$ 664,404	\$ 600,817	\$ 2,601,555	\$ 1,338,252	\$ 200,000
Management fees and other income	42,676	403,974	-	14,000	-	-	-	-	788,450	207,441
In Kind Revenue	-	-	-	-	-	-	-	-	135,828	-
Fundraising Income	-	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Gain/Loss on Sale	-	150,955	-	-	-	-	-	-	-	-
Total REVENUES	42,676	891,943	458,371	204,000	1,883,981	664,404	600,817	2,601,555	2,262,530	407,441
EXPENSES										
Indirect costs	247	28,943	49,691	-	16,186	59,431	30,364	90,819	204,809	35,414
Salaries	1,280	149,962	257,467	-	83,864	307,934	157,322	677,584	1,061,184	183,491
Payroll Taxes and Fringe Benefits	2,255	58,608	106,749	-	37,391	157,121	74,019	283,647	454,980	129,753
Travel	151	5,183	10,425	-	1,281	15,795	1,211	7,397	-	-
Utilities, telephone, and rent	10,933	23,590	20,328	-	42,723	35,383	2,763	77,793	48,347	-
Supplies, maintenance, and office	12,709	56,543	8,902	-	11,302	44,548	2,626	31,101	44,764	-
Professional costs and contracts	480	6,458	-	194,000	-	-	825	4,522	1,299	-
Interest expense	(8,328)	-	-	-	-	-	-	-	-	-
Other expenses	8,330	276,523	4,809	15	13,274	12,969	24,120	21,752	(567,982)	58,780
Depreciation	37,483	34,009	-	-	-	-	-	-	463,517	-
Energy assistance and other services	-	85,196	-	-	1,677,960	31,245	307,567	1,406,940	-	-
In-Kind/Match Expense	-	-	-	-	-	-	-	-	135,828	-
Total EXPENSES	65,540	725,015	458,371	194,015	1,883,981	664,426	600,817	2,601,555	1,846,746	407,438
Surplus/Deficit	\$ (22,864)	\$ 166,928	\$ -	\$ 9,985	\$ -	\$ (22)	\$ -	\$ -	\$ 415,784	\$ 3

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, 2025

	Transportation- Capital	Transportation- Inter City	Transportation- RTAP	Weatherization	Wintercare	Other Programs	Indirect	Total
REVENUES								
Contract and Grant	\$ 996,797	\$ 69,899	\$ 11,219	\$ 557,040	\$ 30,567	\$ 17,693	-	\$ 14,528,297
Management fees and other income	50,420	74,016	-	-	-	229,825	-	3,731,607
In Kind Revenue	-	-	-	-	-	-	-	530,520
Fundraising Income	-	-	-	-	-	2,595	-	5,792
Interest Income	-	-	-	-	-	161,143	-	161,143
Gain/Loss on Sale	-	-	-	(31,965)	-	49,374	-	168,364
Total REVENUES	1,047,217	143,915	11,219	525,075	30,567	460,630	-	19,125,723
EXPENSES								
Indirect costs	-	10,554	-	34,604	-	19,536	(1,171,558)	-
Salaries	-	54,683	-	179,296	-	101,229	570,381	6,847,650
Payroll Taxes and Fringe Benefits	-	27,071	-	88,706	-	26,123	205,067	2,907,412
Travel	-	-	-	900	-	1,044	2,197	115,270
Utilities, telephone, and rent	-	-	-	15,733	-	7,297	207,310	807,888
Supplies, maintenance, and office	43,583	761	-	28,314	-	34,708	70,216	718,949
Professional costs and contracts	-	-	-	275	-	50,397	90,052	472,995
Interest expense	-	-	-	-	-	-	-	66,731
Other expenses	1,003,634	50,846	11,219	40,912	-	36,154	51,385	1,130,645
Depreciation	-	-	-	13,186	-	54,844	-	860,203
Energy assistance and other services	-	-	-	169,279	30,567	6,957	4,996	3,960,700
In-Kind/Match Expense	-	-	-	-	-	-	-	530,520
Total EXPENSES	1,047,217	143,915	11,219	571,205	30,567	338,289	30,046	18,418,963
Surplus/Deficit	\$ -	\$ -	\$ -	\$ (46,130)	\$ -	\$ 122,341	\$ (30,046)	\$ 706,760

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, 2024 THROUGH JUNE 30, 2025

Cost Category	Actual	Questioned Costs		Balance
Salaries	\$ 61,809	\$ -	\$ 61,809	
Fringe benefits	29,031	-	29,031	
Travel	1,132	-	1,132	
Utilities and rent	15,956	-	15,956	
Equipment	-	-	-	
Office supplies	11,302	-	11,302	
Postage	-	-	-	
Other	52,042	-	52,042	
Total Administrative	171,272	-	171,272	

Leveraging

Benefits:

Fall Subsidy	310,163	-	310,163
Spring Subsidy	256,394	-	256,394
Winter Crisis	782,103	-	782,103
Summer Cooling	364,049	-	364,049
Total Benefits	1,712,709	-	1,712,709
Total Expenses	\$ 1,883,981	\$ -	\$ 1,883,981

Less: Contract Payments Received Before June 30, 2025 (1,765,959)

Plus: Refund to CAK Paid Before June 30, 2025 -

Less: Contract Payments Received After June 30, 2025 (118,022)

Balance Owed to CAK as of June 30, 2025 \$ -

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 LIHEAP PROGRAM
 DELEGATE AGREEMENT
 SCHEDULE OF BUDGET AND ACTUAL EXPENSES- CONTRACT BASIS
 FOR THE YEAR JULY 1, 2024 THROUGH JUNE 30, 2025

Cost Category	Actual	Budget	(Over) Under Budget
Administrative	\$ 171,272	\$ 227,059	\$ 55,787
Leveraging	-	-	-
Subsidiary	566,557	1,135,671	569,114
Crisis	782,103	826,737	44,634
Cooling	364,049	364,577	528
Total	\$ 1,883,981	\$ 2,554,044	\$ 670,063

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
CSBG PROGRAM
SCHEUDLE OF BUDGET AND ACTUAL EXPENSES- CONTRACT BASIS
FOR THE YEAR JULY 1, 2024 THROUGH JUNE 30, 2025

Cost Category	Actual	Budget	(Over) Under Budget
Salaries	\$ 207,711	\$ 205,611	\$ (2,100)
Fringe	78,609	79,522	913
Contractual	-	-	-
Space costs	53,941	53,200	(741)
Supplies	7,628	7,000	(628)
Utilities	2,008	2,700	692
Travel	3,325	3,325	-
Client services	2,651	3,500	849
Staff development	-	-	-
Other	27,532	27,532	-
Administration	<u>40,088</u>	<u>41,103</u>	<u>1,015</u>
Total	\$ 423,493	\$ 423,493	\$ -

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
 INDIRECT COSTS
 FOR THE YEAR JULY 1, 2024 THROUGH JUNE 30, 2025

<u>Cost Category</u>	<u>Balance</u>
Salaries	\$ 570,381
Fringe Benefits	205,067
Travel	2,197
Utilities, telephone, maintenance and rent	207,310
Supplies	70,216
Professional costs and contracts	90,052
Other expenses	<u>51,385</u>
Total Indirect Costs	<u>\$ 1,196,608</u>
Total Direct Salaries	\$ 6,070,249
Indirect Rate	19.71%

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
WEATHERIZATION LIHEAP
SCHEDULE OF BUDGET AND ACTUAL EXPENSES- CONTRACT BASIS
FOR THE YEAR JULY 1, 2024 THROUGH JUNE 30, 2025

Cost Category	2024-2025	Questioned Costs	Balance	Budget	(Over) Under Budget
Administration	\$ 17,102	\$ -	\$ 17,102	\$ 17,102	\$ -
WX materials	23,546	-	23,546	27,517	3,971
Program support	150,248	-	150,248	155,035	4,787
WX labor	25,663	-	25,663	27,518	1,855
H&S materials	25,231	-	25,231	47,380	22,149
H&S labor	30,871	-	30,871	47,380	16,509
Financial audit	-	-	-	-	-
Liability insurance	1,682	-	1,682	1,739	57
Training	-	-	-	-	-
WX Ready	-	-	-	-	-
Total	\$ 274,343	\$ -	\$ 274,343	\$ 323,671	\$ 49,328
Less: Contract Payments Received Before June 30, 2025			(133,936)		
Balance due from KHC as of June 30, 2025			<u>\$ 140,407</u>		

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
WEATHERIZATION DOE
SCHEDULE OF BUDGET AND ACTUAL EXPENSES- CONTRACT BASIS
FOR THE YEAR JULY 1, 2024 THROUGH JUNE 30, 2025

Cost Category	2024-2025	Questioned Costs	Balance	Budget	(Over) Under Budget
Administration	\$ 36,747	\$ -	\$ 36,747	\$ 36,747	\$ -
WX materials	12,261	-	12,261	12,904	643
Program support	115,687	-	115,687	115,687	-
WX labor	10,534	-	10,534	12,904	2,370
H&S materials	14,186	-	14,186	14,186	-
H&S labor	18,888	-	18,888	18,888	-
Financial audit	-	-	-	-	-
Liability insurance	951	-	951	951	-
Training	24,972	-	24,972	24,972	-
WX read	28,045	-	28,045	28,045	-
Total	\$ 262,271	\$ -	\$ 262,271	\$ 265,284	\$ 3,013
Less: Contract Payments Received Before June 30, 2025			(185,917)		
Balance due from KHC as of June 30, 2025			<u><u>\$ 76,354</u></u>		

KENTUCKY RIVER FOOTHILLS DEVELOPMENT COUNCIL, INC.
WEATHERIZATION DOE- BIL
SCHEDULE OF BUDGET AND ACTUAL EXPENSES- CONTRACT BASIS
FOR THE YEAR JULY 1, 2024 THROUGH JUNE 30, 2025

Cost Category	2024-2025	Questioned Costs	Balance	Budget	(Over) Under Budget
Administration	\$ 4,029	\$ -	\$ 4,029	\$ 4,029	\$ -
WX materials	-	-	-	75,265	75,265
Program support	2,261	-	2,261	105,067	102,806
WX labor	-	-	-	75,265	75,265
H&S materials	-	-	-	19,871	19,871
H&S labor	-	-	-	19,871	19,871
Financial audit	-	-	-	-	-
Liability insurance	400	-	400	11,560	11,160
Vehicles	6,250	-	6,250	130,069	123,819
Training	7,488	-	7,488	49,308	41,820
Total	\$ 20,428	\$ -	\$ 20,428	\$ 490,305	\$ 469,877
Less: Contract Payments Received Before June 30, 2025			<u>(20,428)</u>		
Balance due from KHC as of June 30, 2025			<u>\$ -</u>		