

APPALACHIAN COMMUNITY ACTION &
DEVELOPMENT AGENCY, INC.

Financial Statements and Supplementary Information

June 30, 2023

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Financial Statements and Supplementary Information
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	<u>Page</u>
<u>Table of Contents</u>	
Independent Auditors' Report	3
Financial Statements:	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Other Supplementary Information	
SCHEDULE 1: Statement of Source and Status of Subgrant Funds - Weatherization	17
SCHEDULE 2: Statement of Subgrant Program Costs - Weatherization	18
SCHEDULE 3: Statement of Revenues and Expenses - Community Services Block Grant	19
Compliance Section	
Independent Auditors' 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	20
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance	22
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	28



Independent Auditors' Report

The Board of Directors
Appalachian Community Action &
Development Agency, Inc.
Gate City, VA 24251

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Appalachian Community Action & Development Agency, Inc. (a nonprofit 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Appalachian Community Action & Development Agency, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities 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 auditors' 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 Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Schedules 1-3 on pages 16-18 but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2024, on our consideration of Appalachian Community Action & Development Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Appalachian Community Action & Development Agency, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Appalachian Community Action & Development Agency, Inc.'s internal control over financial reporting and compliance.

Rodger Messer & Co, PLLC

Norton, Virginia
April 19, 2024

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.

Statement of Financial Position

June 30, 2023

ASSETS

Cash and cash equivalents	\$	117,579
Investments		281,075
Due from grantor		521,368
Notes receivable - Program		122,977
Inventory		81,640
Prepaid expenses		18,842
Property and equipment, net		647,833
Cash and cash equivalents, restricted		<u>25,122</u>

Total assets	\$	<u>1,816,436</u>
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LIABILITIES

Accounts payable	\$	184,737
Accrued expenses		56,403
Accrued compensated absences		53,395
Deferred revenue - Program		122,977
Deferred revenue - Other		25,000
Note payable		<u>16,638</u>

Total liabilities		<u>459,150</u>
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NET ASSETS

Without donor restrictions		783,949
With donor restrictions		<u>573,337</u>

Total net assets		<u>1,357,286</u>
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Total liabilities and net assets	\$	<u>1,816,436</u>
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APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.

Statement of Activities

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT:			
Grants	\$ -	\$ 2,955,733	\$ 2,955,733
Program income	-	26,154	26,154
Contributions	-	34,825	34,825
Other	44	-	44
Investment return, net	16,270	-	16,270
Net assets released from restriction	<u>3,001,413</u>	<u>(3,001,413)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>3,017,727</u>	<u>15,300</u>	<u>3,033,027</u>
EXPENSES:			
<u>Program services:</u>			
Weatherization-DOE	161,334	-	161,334
Bipartisan Infrastructure Law	1,231	-	1,231
Weatherization Readiness Funds	7,800	-	7,800
Weatherization-LIHEAP	834,361	-	834,361
CSBG - Federal	241,109	-	241,109
CSBG - TANF	211,065	-	211,065
CSBG - Supplemental	49,165	-	49,165
CHP-AEP	445,837	-	445,837
DHCD-ARP	10,800	-	10,800
E.H.R.P.	10,879	-	10,879
WDR/HIEE	321,406	-	321,406
Client Services	9,500	-	9,500
BB&T Grant	1,538	-	1,538
Program Development-Agency	18,381	-	18,381
FAHE - Ballad	20,518	-	20,518
Dolly Parton	2,750	-	2,750
ODP Utility Fund	4,000	-	4,000
Christmas Cart	7,865	-	7,865
EDA of Scott County	1,000	-	1,000
Lee Co Community Services Board	9,114	-	9,114
RSVP	41,780	-	41,780
I.P.R.	4,405	-	4,405
EITC	11,214	-	11,214
Rural LISC HUD	16,156	-	16,156
Rural Lisc Healthy Housing	16,655	-	16,655
Rural Lisc FOC	4,089	-	4,089
VDE	17,457	-	17,457
VHDA-HCE	52,609	-	52,609
VHDA-Tech Grant	41,468	-	41,468
VITA	9,283	-	9,283
<u>Support services:</u>			
Management & General	<u>294,724</u>	<u>-</u>	<u>294,724</u>
Total Expenses	<u>2,879,493</u>	<u>-</u>	<u>2,879,493</u>
Change in net assets	138,234	15,300	153,534
Net assets - Beginning of year	645,715	558,037	1,203,752
Net assets - End of year	<u>\$ 783,949</u>	<u>\$ 573,337</u>	<u>\$ 1,357,286</u>

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

	Salaries & Wages	Fringe Benefits	Travel & Training	Materials & Supplies	Contractual Services	Insurance	Other	Depreciation	TOTAL
<u>Program Services:</u>									
Weatherization-DOE	\$ 97,130	\$ 25,333	\$ -	\$ 9,244	\$ 595	\$ 3,439	\$ 17,108	\$ 8,485	\$ 161,334
Bipartisan Infrastructure Law	-	-	-	1,023	-	-	208	-	1,231
Weatherization Readiness Funds	-	-	-	-	7,800	-	-	-	7,800
Weatherization-LIHEAP	396,261	105,525	31,244	147,581	29,714	20,322	73,183	30,531	834,361
CSBG - Federal	101,037	31,811	5,095	36,241	26,993	1,538	25,401	12,993	241,109
CSBG - TANF	46,319	14,747	4,941	103,152	16,773	764	18,355	6,014	211,065
CSBG - Supplemental	5,373	2,697	-	27,067	-	(325)	14,353	-	49,165
CHP-AEP	22,904	6,998	-	115,601	299,230	1,052	(227)	279	445,837
DHCD-Digital Literacy	7,776	3,024	-	-	-	-	-	-	10,800
E.H.R.P.	-	-	-	-	10,879	-	-	-	10,879
WDR/HIEE	3,202	2,842	-	110,069	204,197	792	304	-	321,406
Client Services - Lee	-	-	-	9,500	-	-	-	-	9,500
BB&T Grant	1,538	-	-	-	-	-	-	-	1,538
Program Development-Agency	-	-	-	-	-	-	5,071	13,310	18,381
FAHE - Ballard	1,421	11	-	83	17,738	39	1,226	-	20,518
Dolly Parton	-	-	-	2,750	-	-	-	-	2,750
ODP Utility Fund	-	-	-	-	-	-	4,000	-	4,000
Christmas Cart	-	-	-	-	-	-	7,865	-	7,865
EDA of Scott County	-	-	-	-	-	-	-	1,000	1,000
Lee Co Community Services Board	(154)	1	-	-	-	18	9,249	-	9,114
RSVP	24,991	8,149	1,373	5,006	6	1,174	1,081	-	41,780
I.P.R.	-	-	-	700	3,650	-	55	-	4,405
EITC	6,361	1,913	-	-	-	(144)	3,084	-	11,214
Rural Lisc HUD	10,266	2,610	2,300	-	-	-	-	980	16,156
Rural Lisc Healthy Housing	13,922	2,442	-	-	-	(90)	381	-	16,655
Rural Lisc FOC	3,128	589	-	-	-	11	361	-	4,089
VDE - After School/Summer Feeding	-	77	-	13,684	3,276	-	420	-	17,457
VHDA HCE	39,304	9,786	-	(115)	(21)	(503)	4,158	-	52,609
VHDA HSCLP	31,547	7,658	-	-	23	951	1,289	-	41,468
VITA	6,329	1,934	-	713	-	-	307	-	9,283
<u>Support Services:</u>									
Management & General	158,462	27,589	33,794	16,841	2,707	47,448	7,883	-	294,724
TOTAL FUNCTIONAL EXPENSES	\$ 977,117	\$ 255,736	\$ 78,747	\$ 599,140	\$ 623,560	\$ 76,486	\$ 195,115	\$ 73,592	\$ 2,879,493

See accompanying notes to financial statements.

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.

Statement of Cash Flows

For the year ended June 30, 2023

OPERATING ACTIVITIES:

Change in net assets	\$ 153,534
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	73,592
Unrealized gains on investments	(13,387)
(Increase) decrease in due from grantor	(109,009)
(Increase) decrease in inventory	(2,522)
(Increase) decrease in prepaid expenses	14,103
(Increase) decrease in other receivables	19,139
(Decrease) increase in accounts payable	168,605
(Decrease) increase in accrued expenses	7,283
(Decrease) increase in deferred revenue	<u>(14,864)</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES 296,474

INVESTING ACTIVITIES:

Disposal of assets	-
Purchase of assets	<u>(101,057)</u>

NET CASH FLOWS FROM INVESTING ACTIVITIES (101,057)

FINANCING ACTIVITIES

Proceeds from debt	30,000
Principal payments on debt	<u>(161,952)</u>

NET CASH FLOWS FROM FINANCING ACTIVITIES (131,952)

INCREASE (DECREASE) IN CASH 63,465

CASH AND CASH EQUIVALENTS AT JULY 1, 2022 79,236

CASH AND CASH EQUIVALENTS AT JUNE 30, 2023 \$ 142,701

CASH AT JUNE 30, 2023

Displayed as:

Unrestricted	\$ 117,579
Restricted	<u>25,122</u>
	<u>\$ 142,701</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash payments of Interest \$ 2,046

See accompanying notes to financial statements.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Appalachian Community Action & Development Agency, Inc. (the "Agency"), is organized as a non-profit organization under the laws of the State of Virginia to administer state and federal grants and funds for the benefit of low-income groups, minorities, senior citizens and other program-eligible individuals.

Financial Statement Presentation - Appalachian Community Action & Development Agency, Inc., financial statements have been prepared on the accrual basis of accounting. The Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions defined as follows:

With Donor Restrictions - The part of the net assets of the organization resulting (a) from inflows of assets whose use by the organization is limited by donor or grantor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishment subject to the same kinds of stipulations, or (c) from reclassification to or from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Without Donor Restrictions - The part of net assets of the organization that is not restricted by donor or grantor-imposed stipulations.

The organization reports grants of cash and other assets as restricted support if they are received with grantor stipulations that limit the use of the grant asset. When the grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes - Appalachian Community Action & Development Agency, Inc. is organized under Section 501(c)(3) of the Internal Revenue Code as a non-profit organization exempt from income taxes. The Agency evaluates its tax positions in accordance with applicable standards. Management has evaluated the Agency's tax positions and believes that the Agency has none which are uncertain.

Cash and Cash Equivalents - For purposes of reporting cash flows, Appalachian Community Action & Development Agency, Inc. considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments are considered debt securities with original maturities of twelve months or less. Long-term investments are considered debt securities with original maturities greater than twelve months.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs which are unobservable with little or no market data for the asset or liability.

Inventories - Inventories are stated at cost. Inventory consists of materials, and supplies used in the Agency's Weatherization Program.

Revenue Recognition - The Agency recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. Under this method, the Agency follows the five-step model provided by ASC Topic 606 in order to recognize revenue in the following manner: 1) Identify the contract; 2) Identify the performance obligations in the contract; 3) Determine the transaction price of the contract; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue as appropriate. Under this method, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for such goods or services.

The Agency generates a portion of revenues from program services. The direct benefit to the recipient of the service is recognized as a 606 transaction. Performance obligation to the individual recipient is satisfied when the service provided by the program is delivered or provided.

Donated Services and Materials - Appalachian Community Action & Development Agency, Inc. reports gifts of buildings, equipment and services as restricted support due to the restrictions on use placed by the donor. Appalachian Community Action & Development Agency, Inc. reports these amounts as In-Kind contributions and are released from restrictions annually.

Grants and Federal/State Funds - The Agency receives grants from various local, state and federal funding sources. These resources are recorded as revenue when the related costs are incurred.

Functional Allocation of Expenses - The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include salaries, fringe benefits, materials and supplies, and travel. The expenses are allocated on a reasonable basis that is consistently applied.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements such as depreciation and collectability of loans. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

Leases - Effective July 1, 2022, the Agency adopted FASB ASC 842, *Leases*. The Agency records operating and finance lease activity in accordance with FASB ASC 842, *Leases*. The Agency determines if contractual agreements contain a lease at inception. A lease is identified when a contract allows for the right to control an identified asset for a period of time in exchange for consideration. Lease liabilities are recognized at lease commencement, measured using the present value of cash payments expected to be made during the lease term, and represent the Agency's obligation to make the lease payments arising from a lease. Right-of-use lease assets are recognized upon lease commencement, measured using the initial lease liability plus any payments made at or before commencement of the lease term, and represent the right to use an underlying asset for the lease term. Certain leases with a term of 12 months or less are not recorded using a right-of-use asset and lease liability, rather the related payments are recognized in the statement of activities and changes in net assets on a straight-line basis over the term of the lease. The Agency had no material leases which would be required to be recorded under this standard. The Agency elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Agency also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right to use assets. The adoption of FASB ASC 842 did not have a material impact on the financial statements.

Nonfinancial Assets - In September 2020, the FASB issued Accounting ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities. The ASU requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, and the disclosure of the amounts recognized that reflects qualitative information about the utilization or monetization of the contribution, along with any donor-imposed restrictions, and valuation techniques or inputs used to arrive at fair value. The Agency adopted ASU 2020-07 effective for the year ended June 30, 2023. The adoption had no impact on the financial statements.

Date of Management Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date for items that should potentially be recognized or disclosed in those financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 2 - RESTRICTED CASH AND CASH EQUIVALENTS

Grantor funds restricted as to use by the Grantor agency are reported as restricted cash and cash equivalents. The balance of these funds was \$25,122 on June 30, 2023.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Agency's financial assets as of the balance sheet date, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available within one year for general purposes include the Due from Grantor amount of \$521,368.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - (Continued)

Financial assets at year-end	
Cash and cash equivalents	\$ 117,579
Investments	281,075
Restricted Cash	25,122
Due from Grantor	<u>521,368</u>
Total Financial Assets at year-end	<u>\$ 945,144</u>
Less amounts not available to be used within one year	
HSG and IPR program restricted funds	<u>25,122</u>
Financial assets available to meet cash needs	
for general expenditures due within one year	<u>\$ 920,022</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or estimated cost. Property and equipment exceeding an acquisition cost of \$1,000 will be capitalized and depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

- Computer software - 3 years
- Equipment, vehicles, furniture and fixtures - 5 years
- Leasehold improvements - 20 years

Appalachian Community Action & Development Agency, Inc.'s assets are all restricted by the funding agency that provides the funds for their purchase.

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
Land	\$ 92,729	\$ -	\$ -	\$ 92,729
Equipment	142,325	12,067	(26,419)	127,973
Vehicles	421,148	80,230	-	501,378
Furniture & Fixtures	1,237	8,760	-	9,997
Buildings and Improvements	<u>479,778</u>	<u>-</u>	<u>-</u>	<u>479,778</u>
Totals	1,137,217	101,057	(26,419)	1,211,855
Less: Accumulated depreciation	<u>(516,849)</u>	<u>(73,592)</u>	<u>26,419</u>	<u>(564,022)</u>
NET	<u>\$ 620,368</u>	<u>\$ 27,465</u>	<u>\$ -</u>	<u>\$ 647,833</u>

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 5 - GRANT FUNDS - FEDERAL AND STATE

The Agency maintains yearly contracts for the period of July 1 through June 30 for Federal Community Service Block Grants (CSBG) that are administered by the Virginia Department of Social Services. The contract granted for the year totaled \$280,218 of which, \$280,218 had been expended as of June 30, 2023. The Agency received a supplemental grant from CSBG in 2021 from which it expended \$57,192 during the fiscal year ending June 30, 2023.

The Agency maintains yearly contracts for the period of July 1 through June 30 for Temporary Assistance to Needy Families (TANF) that are administered by the Virginia Department of Social Services. The contract granted for the year totaled \$242,350, of which, \$242,350 had been expended as of June 30, 2023.

The Agency received federal grants from the Department of Energy (DOE) and the Low-Income Home Energy Assistance Program (LIHEAP) to assist families with the weatherization of their homes. Grant revenue was \$1,133,859 from these grantors, of which \$1,133,859 was expended as of June 30, 2023.

The Agency received various other grant funds from local, state and federal sources that it utilized in providing program services for the benefit of low-income groups, minorities, senior citizens, and other program-eligible individuals.

NOTE 6 - COST OF MATERIAL INSTALLED ON HOMES

The following is a summary of the cost of materials installed on homes during the subgrant period:

Materials inventory - beginning of period	\$ 79,118
Cost of materials purchased	<u>297,238</u>
Cost of materials to be installed	376,356
Materials inventory - end of period	<u>(81,640)</u>
Cost of Materials Installed on Homes	<u>\$ 294,716</u>

The entire ending materials inventory of \$81,640 has been funded by DHCD.

NOTE 7 - NOTES RECEIVABLE - PROGRAM

IPR Program-Notes receivable of \$122,977 are the result of the Indoor Plumbing Program loans secured by the related property deeds of trust. Should any of these loans fall into default, foreclosure action is an available recourse. The loan repayments are based on the ability to pay of the loan recipients and a portion of the loan may be forgiven based on their income level. The ability to pay is recalculated annually to determine adjustments to the required loan payments, if any. Due to the annual recalculation of the amount due, the current portion of the note receivable has been estimated at \$23,000. In the event collections are received, recognition of program income will be reported in the year collected. Therefore, the allowance for uncollectible accounts is based on historical collection data and accordingly, \$122,977 of the balance has been placed in deferred revenue at June 30, 2023.

NOTE 8 - RETIREMENT PLAN

The retirement plan is a defined contribution pension plan under Section 403(b) of the Internal Revenue Service Code. Appalachian Community Action & Development Agency, Inc. contributes 3.5% of an employee's annual salary or wages paid during the year to all eligible participating employees. All full-time employees, after the completion of one continuous year of employment with AppCAA, are eligible to participate. Employees may contribute additional amounts to the plan through payroll deduction.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 9 - COMPENSATED ABSENCES

Employees of Appalachian Community Action & Development Agency, Inc. accumulate vacation leave and sick leave based on years of service and other factors. The liability for compensated absences on June 30, 2023, was \$53,395.

NOTE 10 - NOTES PAYABLE

The note payable of \$16,638 is the result of the April 2010 purchase of a building and land from Arnold Creech to be used as an office in Jonesville, Virginia. The total amount financed was \$81,500. The term of the note is for 15 years at an interest rate of 4.0%.

On September 27, 2021, the Board of Directors authorized agency staff to increase a \$100,000 line of credit to \$200,000. The line of credit is with New Peoples Bank with an initial interest rate of 3.25% and a current rate of 8.25% subject to change with renewal. The line of credit is renewable annually. The line of credit has a \$0 balance at June 30, 2023.

Future maturities of principal and interest are as follows:

	<u>Notes Payable - Creech</u>	
	<u>Principal</u>	<u>Interest</u>
2024	6,668	566
2025	6,940	294
2026	<u>3,030</u>	<u>42</u>
Totals	<u>\$ 16,638</u>	<u>\$ 902</u>

NOTE 11 - PERSONNEL CONTACTED

During the audit of the Appalachian Community Action & Development Agency, Inc., the following personnel were contacted:

Agency's Staff:
Lisa Barton - Executive Director
Denise Lambert - Finance Director

Auditors' Staff:
Tamara R. Greear, CPA - Partner
Christy Kitts, CPA - Manager

NOTE 12 - LEASES

The Agency records lease activity in accordance with ASC 842. During 2023, the Agency had two operating leases, neither of which was material to the financial statements.

The Agency leases office space in Duffield, Virginia for its Weatherization program on a month-to-month basis for \$550 per month from First Mountain Realty. Either party can terminate with 60 days' written notice.

The Agency leases warehouse space in Duffield, Virginia for its Weatherization program on an annual basis for \$800 per month from Duffield Wholesale Tire. Either party can terminate with 60 days' notice.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 13 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

All investments are stated at fair market value as of June 30, 2023. All investments have been measured on a recurring basis using Level 1 inputs (see Note 1). There were no changes in valuation methodologies and related inputs used on June 30, 2022.

Investments as of June 30, 2023 are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual Funds	<u>\$303,345</u>	<u>\$ 281,075</u>
Total	<u>\$303,345</u>	<u>\$ 281,075</u>

For the year ended June 30, 2023, the unrealized gain on the investments was \$9,908.

OTHER SUPPLEMENTARY INFORMATION

Statement of Source and Status of Subgrant Funds

Weatherization

Year Ended June 30, 2023

LIHEAP	\$	770,204
Department of Energy		187,074
Total Payments Received for the Year Ended June 30, 2023		\$ 957,278
Funds applied to subgrant program costs		1,133,859
Excess of revenue over expenses		
Total Excess Revenue and Funds Applied		<u>(1,133,859)</u>
FUNDS DUE FROM DHCD		<u>\$ (176,581)</u>

The \$176,581 receivable at June 30, 2023, was comprised of the following:

LIHEAP	\$	170,274
DOE		<u>6,307</u>
TOTAL		<u>\$ 176,581</u>

Reconciliation of above expenditures to expenditures per report:

Funds applied (above total)	\$	1,133,859
Add: Depreciation		39,016
Deduct: Administrative expenses		(75,848)
Deduct: Assets capitalized		<u>(92,301)</u>
TOTAL EXPENDITURES PER REPORT		<u>\$ 1,004,726</u>

Statement of Subgrant Program Costs

Weatherization

Year Ended June 30, 2023

LIHEAP		
Administration	\$ 56,414	
Program Support	610,543	
Materials Installed	89,678	
Training and technical assistance	74,753	
Insurance & Audit	26,082	
Health & Safety	<u>83,008</u>	
Total LIHEAP		\$ 940,478
DOE		
Administration	18,207	
Materials Installed	4,499	
Program Support	134,812	
Health & Safety	20,115	
Insurance & Audit	<u>5,495</u>	
Total DOE		183,123
DOE - BIL		
Administration	-	
Program Support	1,231	
Materials Installed	-	
Training and technical assistance	-	
Insurance & Audit	-	
Health & Safety	-	
Total DOE - BIL		1,231
DOE - WRF		
Administration	1,227	
Program Support	7,800	
Materials Installed	-	
Training and technical assistance	-	
Insurance & Audit	-	
Health & Safety	-	
Total DOE - WRF		<u>9,027</u>
Total Weatherization Program Costs		<u>\$ 1,133,859</u>

Statement of Revenues and Expenses

Community Services Block Grant

Year Ended June 30, 2023

REVENUES:

Federal CSBG	\$	280,218	
Federal CSBG Supplemental		242,350	
TANF-CSBG		<u>57,192</u>	
TOTAL REVENUES	\$		<u>579,760</u>

EXPENSES:**CSBG Federal:**

Salaries and wages		121,804	
Fringe benefits		35,731	
Travel		7,994	
Insurance		9,954	
Materials and supplies		47,914	
Contractual Services		27,309	
Other		<u>29,512</u>	
Total CSBG Federal			280,218

CSBG Federal Supplemental:

Salaries and wages		8,787	
Fringe benefits		3,412	
Operating Supplies		27,087	
Insurance		2,278	
Client Utility Assistance		14,195	
Other		<u>1,433</u>	
Total CSBG Federal Supplemental			57,192

CSBG TANF:

Salaries and wages		67,824	
Fringe benefits		18,107	
Travel		5,543	
Operating Supplies		106,042	
Contractual Services		17,067	
Insurance		7,558	
Other		<u>20,209</u>	
Total CSBG TANF			<u>242,350</u>

TOTAL EXPENSES\$ 579,760

Reconciliation of above expenditures to expenditures per report:

Expenditures above	\$	579,760	
Plus: Depreciation		19,007	
Less: Administrative expenses		(88,669)	
Less: Equipment Purchased		<u>(8,759)</u>	

TOTAL EXPENDITURES PER REPORT \$ 501,339

COMPLIANCE SECTION



Independent Auditors' 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*

The Board of Directors
Appalachian Community Action &
Development Agency, Inc.
Gate City, VA 24251

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Appalachian Community Action & Development Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Appalachian Community Action & Development Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Appalachian Community Action & Development Agency, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Agency'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.

Rodger Mess & Co, PLLC

Norton, Virginia
April 19, 2024



Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Appalachian Community Action &
Development Agency, Inc.
Gate City, VA 24251

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Appalachian Community Action & Development Agency, Inc.'s (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2023. Appalachian Community Action & Development Agency, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Appalachian Community Action & Development Agency, 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, Inc.'s federal programs.

Auditors' 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 Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, 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 Appalachian Community Action & Development Agency, 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 Auditors' 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.

Rodger Messer & Co, PLLC

Norton, Virginia
April 19, 2024

APPALACHIAN COMMUNITY ACTION AND DEVELOPMENT AGENCY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S Department of Agriculture			
Pass-Through State Department of Education:			
Child and Adult Care Food Program	10.558		11,175
Summer Food Service Program for Children - <i>Cluster</i>	10.559		6,104
Pass-Through Rural Local Initiatives Support Corporation:			
Rural Community Development Initiative	10.446		21,728
U.S. Department of Housing and Urban Development Grant			
HUD Housing Counseling	14.169		13,372
Department of Commerce Pass-Through			
State Department of Housing & Community Development			
State Digital Equity Planning Grants	11.032		12,000
U.S. Department of Energy Pass-Through			
State Department of Housing and Community Development:			
Weatherization Assistance for Low-Income Persons	81.042	22-WX-18	192,150
Weatherization Assistance for Low-Income Persons	81.042	21-BIX	1,231
Department of the Treasury Pass-Through			
Mountain Community Action Program, Inc.	21.009		10,000
U.S. Department of Health and Human Services Pass-Through			
State Department of Social Services:			
Community Service Block Grant - <i>CSBG Cluster</i>	93.569	CVS-19-063-02	280,218
Community Service Block Grant Supplemental - <i>CSBG Cluster</i>	93.569	CVS-20-124-02	57,192
Temporary Assistance for Needy Families- <i>Cluster</i>	93.558	CVS-19-063-02	242,350
U.S. Department of Health and Human Services Pass-Through			
State Department of Housing & Community Development:			
Low Income Home Energy Assist.	93.568	LI-18	940,478
Corporation for National & Community Service			
Pass-Through State Department of Social Services:			
Retired & Senior Volunteer Program	94.002	21SRBVA002	<u>43,603</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,831,601</u>

The accompanying notes are an integral part of this schedule.

APPALACHIAN COMMUNITY ACTION DEVELOPMENT AGENCY, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Appalachian Community Action & Development Agency, Inc. under programs of the federal government of the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Appalachian Community Action & Development Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Appalachian

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A0122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C--INDIRECT COST RATE

The Appalachian Community Action & Development Agency, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Agency uses a cost allocation plan for indirect costs with the exception to this method being programs specifically required by funding agency to use the 10% de minimis indirect cost rate.

NOTE D--SUBRECIPIENTS

There were no awards passed through to subrecipients from Appalachian Community Action & Development Agency, Inc.

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023

SUMMARY OF AUDITORS' RESULTS:

1. The Auditors' report expresses an unmodified opinion on whether the financial statements of Appalachian Community Action & Development Agency, Inc. were prepared in accordance with GAAP.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements of Appalachian Community Action & Development Agency, Inc. are reported in the Auditors' Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the financial statements of Appalachian Community Action & Development Agency, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs, which would be required to be reported in accordance with Uniform Guidance, were disclosed during the audit.
5. The Auditors' report on compliance for the major federal awards program for Appalachian Community Action & Development Agency, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings which are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major programs was:
Low-Income Home Energy Assistance Program – CFDA No. 93.568
8. The threshold for distinguishing type A and B programs was \$750,000.
9. Appalachian Community Action & Development Agency, Inc. was determined not to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT

There are no financial statement findings to report.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

	Federal Catalog Number	Questioned Cost
U. S. Department of Health and Human Services: Pass-Through State Department of Housing and Community Development		
Low-Income Home Energy Assistance Program	93.568	None

APPALACHIAN COMMUNITY ACTION & DEVELOPMENT AGENCY, INC.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

The following is an update of prior audit findings and is prepared in accordance with Uniform Guidance. Prior audit finding 2022-001 originated in the audit for the year ended June 30, 2022 and is summarized below:

Findings – Financial Statement Audit

Prior Audit Finding 2022-001

Summary of prior audit finding – The SEFA did not include all relevant expenditures for federal programs and was presented with an incorrect Assistance Listing Number (ALN).

Status – Management of Appalachian Community Action & Development Agency, Inc. extended procedures surrounding the preparation of the SEFA that incorporate a thorough review before presenting the financials and SEFA for audit. The finding has been resolved.