

Kentucky Council of Area  
Development Districts

\* \* \* \*

Financial Statements and  
Independent Auditor's Report  
June 30, 2021 and 2020

**FAULKNER, KING, & WENZ, PSC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

KENTUCKY COUNCIL OF AREA  
DEVELOPMENT DISTRICTS

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities, Functional Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11

**FAULKNER, KING & WENZ, PSC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOSEPH C. KING, CPA  
JOHN M. WENZ, CPA  
KEVIN M. ROMENESKO, CPA  
KAREN S. TRENT, CPA  
EUGENE C. WEATHERS III, CPA

P.O. BOX 285  
117 WEST HIGH STREET  
MT. STERLING, KY 40353  
(859) 498-1836 FAX (859) 498-2116

ERICA M. SNOWDEN, CPA  
JENNIFER T. COLLINGWOOD, CPA  
LESLIE J. BUTCHER  
SARAH R. FOSTER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kentucky Council of Area  
Development Districts  
Frankfort, Kentucky

We have audited the accompanying financial statements of the Kentucky Council of Area Development Districts (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

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

To the Board of Directors  
Kentucky Council of Area  
Development Districts  
Frankfort, Kentucky  
Page 2

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky Council of Area Development Districts as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note 2 to the financial statements, in 2021, the Kentucky Council of Area Development Districts adopted new accounting guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

***Faulkner, King & Wenz, PSC***

Mt. Sterling, Kentucky  
July 28, 2021

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 404,206	\$ 276,475
Accounts receivable, less allowance for doubtful accounts of \$0 and \$0 for 2021 and 2020	-	2,634
Property and equipment (net)	<u>340,443</u>	<u>344,727</u>
Total assets	<u>\$ 744,649</u>	<u>\$ 623,836</u>
 <b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued expenses	\$ 5,230	\$ 5,415
Compensated absences payable	3,354	2,442
Alumni Association payable	<u>3,552</u>	<u>3,552</u>
Total liabilities	<u>12,136</u>	<u>11,409</u>
 <b>NET ASSETS:</b>		
Without donor restrictions	<u>732,513</u>	<u>612,427</u>
Total liabilities and net assets	<u>\$ 744,649</u>	<u>\$ 623,836</u>

See accompanying notes to the financial statements.

**KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS**  
**STATEMENTS OF ACTIVITIES, FUNCTIONAL EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING INCREASES IN NET ASSETS</b>		
<b>WITHOUT DONOR RESTRICTIONS</b>		
Program Services Revenue:		
Admin Community Living Grant	\$ 125,000	\$ -
Business Development Manager Reimbursement	60,000	60,000
Activity Fund Income	97	4,396
Interest Income	3,591	5,479
Miscellaneous Income	166	-
Bond Program	8,745	9,149
Total Program Services Revenue	<u>197,599</u>	<u>79,024</u>
Membership Dues & Assessments:		
Dues	157,500	158,000
Total Membership Dues & Assessments	<u>157,500</u>	<u>158,000</u>
<b>TOTAL OPERATING INCREASES IN NET ASSETS</b>		
<b>WITHOUT DONOR RESTRICTIONS</b>	<u>355,099</u>	<u>237,024</u>
<b>OPERATING DECREASES IN NET ASSETS</b>		
<b>WITHOUT DONOR RESTRICTIONS</b>		
Program service expenditures:		
Business development manager	60,000	60,000
Public relations sponsorship	-	2,536
Travel	245	2,061
Activity fund expense	1,998	8,142
Total program service expenditures	<u>62,243</u>	<u>72,739</u>
Management & General Expenditures:		
Salaries and wages	100,754	91,592
Pension	19,099	19,099
Legal and professional services	10,300	10,750
Depreciation	9,184	9,102
Fringe benefits	7,851	9,146
Payroll taxes	8,007	7,141
Repairs and maintenance	5,554	6,795
Utilities	5,504	5,592
Insurance	3,042	3,086
Telephone	1,872	1,886
Office supplies	891	1,476
Dues and subscriptions	531	1,340
Contract labor	-	600
Printing and reproduction	126	364
Postage	55	112
Interest	-	40
Total management & general expenditures	<u>172,770</u>	<u>168,121</u>
Total general & administrative expenditures	<u>235,013</u>	<u>240,860</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>		
<b>WITHOUT DONOR RESTRICTIONS</b>	120,086	(3,836)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>612,427</u>	<u>616,263</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 732,513</u>	<u>\$ 612,427</u>

See accompanying notes to the financial statements.

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 120,086	\$ (3,836)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	9,184	9,102
Provision for losses on accounts receivable	-	-
(Increase) decrease in operating assets:		
Accounts receivable	2,634	4,232
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(185)	959
Compensated absences payable	912	1,077
Net cash provided by operating activities	<u>132,631</u>	<u>11,534</u>
<b>Investing activities:</b>		
Purchases of property and equipment	<u>(4,900)</u>	<u>-</u>
Net cash used in investing activities	<u>(4,900)</u>	<u>-</u>
Net increase in cash	127,731	11,534
Cash and cash equivalents, beginning of year (without donor restrictions)	<u>276,475</u>	<u>264,941</u>
Cash and cash equivalents, end of year (without donor restrictions)	<u>\$ 404,206</u>	<u>\$ 276,475</u>

See accompanying notes to the financial statements.

**KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 and 2020**

**NOTE 1 - NATURE OF OPERATIONS**

Kentucky Council of Area Development Districts ("KCADD") is an organization representing all Area Development District (ADD) Board members throughout the state. The ADDs are regional organizations in which local officials and citizens unite to provide for the planned growth of their area and assist in the formation and implementation of human resources and infrastructure related plans.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

KCAAD's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they become due. Expenses are recognized in the period in which the related liability occurs.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of presentation**

Financial statement presentation follows the requirements of the ASU 2016-14, adopted during 2018, which is included in ASC 958 of the Financial Accounting Standards Board (FASB) Codification. Under ASU 2016-14, the Organization 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. Net assets were previously reported according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, all net assets of the Organization have been recorded as net assets without donor restrictions.

**Revenue Recognition**

Membership dues are recognized as revenue in the applicable membership period. Revenue and expenses from training conferences are recognized as the conferences are completed. Administrative and overhead expenses not directly attributable to the conferences are expensed as incurred.



KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle:**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 06)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year.

Effective July 1, 2020, the Council adopted the requirements of ASU 2014-09 and all related amendments (the new revenue standard).

There was no adjustment necessary to the opening balance of net assets as a result of adopting the new revenue standard. For the year ended June 30, 2021, the Council has determined that there are no significant differences between the amounts reported for revenue and contract assets and liabilities using topic 605 (previously in effect) and the accounting treatment used in accordance with the new revenue standard. Adoption of ASU 2014-09 had no other impact on the Council's 2020 financial statements.

**Cash and cash equivalents**

For purposes of the statement of cash flows, KCADD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Property and equipment**

Expenditures greater than \$2,500 for property, equipment, and items which substantially increase the useful lives of existing assets are reported at cost for purchased items and at fair value for contributed items. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Equipment and furnishings	3-10 years
Building improvements	40 years

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. An allowance for uncollectible accounts receivable is provided based on management's evaluation of potential uncollectible account balances at year end. Management charges off past due receivables at the point which collection seems unlikely.

The following table presents the balance in the allowance for doubtful accounts as of June 30, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Allowance for Doubtful		
Accounts:		
Beginning balance	\$ -0-	\$ -0-
Charge-offs	-0-	-0-
Recoveries	-0-	-0-
Provision	-0-	-0-
Ending balance	<u>\$ -0-</u>	<u>\$ -0-</u>

**NOTE 3 - TAX POLICIES**

KCADD is a non-profit organization which is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and accordingly, no provision for federal and state income taxes has been made in these statements.

The Organization has adopted Accounting Standards Codification (ASC) 740-10 as it relates to uncertain tax positions. The District is not aware of any uncertain income tax positions as of July 28, 2021. The District has never been audited by the Internal Revenue Service (IRS). However, the tax years of 2018 forward could be subject to examination by the IRS or other applicable tax jurisdictions.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost, less accumulated depreciation. Property and equipment at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Building	\$ 355,000	\$ 355,000
Equipment	65,645	60,745
Land	25,000	25,000
Less accumulated depreciation	<u>(105,202)</u>	<u>(96,018)</u>
	<u>\$ 340,443</u>	<u>\$ 344,727</u>

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

**NOTE 5 - SCHEDULE OF ALUMNI ASSOCIATION PAYABLE**

This liability constitutes donor monies in which the Kentucky Council of Area Development Districts, Inc. is the agent assigned by the Board for Alumni Associations activities. Balance at June 30, 2021 and 2020 is as follows:

Beginning balance of	
Alumni Association Payable	\$ 3,552
Interest revenue	<u>0</u>
Balance	<u>\$ 3,552</u>

**NOTE 6 - MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS**

In connection with the KCADD's agreements with Kentucky Retirement Systems - County Employee Retirement System (CERS), KCADD participates with other Organizations in the State in a defined benefit pension plan. This multi-employer plan covers all of the Organization's employees who are eligible to participate. The risks of participating in these multi-employer plans are different 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 Organization 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 Organization has not established any liabilities because withdrawal from this plan is not probable.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1981, 6% thereafter through June 30, 1986 and 4% thereafter. All required contributions were paid at year end or within thirty (30) days thereafter. The percentage of the Council's contribution to total employers' contribution in the CERS for the year is not known.

The CERS total actuarial accrued liability was \$14,611,000 and the net assets available for the benefits were \$7,221,000 as of June 30, 2020, which is the latest information available.

KCADD's participation in the plan for the year ended June 30, 2020 and 2019 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number assigned to the plan by the Internal Revenue Service.

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

**NOTE 6 - MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS (CONTINUED)**

KCADD is providing 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 (PPA) Zone Status" available in 2021 and 2020 is for the plan's year end at June 30, 2020 and 2019, respectively. The zone status is based on information that KCADD 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 to be 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 Organization's contribution rate for 2020 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 2021 and 2020 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of KCADD		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		June 30, 2020	2019		June 30, 2021	2020		
CERS	61-6027948	Red	Red	N/A	<u>\$19,099</u>	<u>\$19,099</u>	N/A	N/A

**NOTE 7 - BOND PROGRAM AND BOND RESERVE**

KCADD is a beneficiary of a Bond Leasing Program which is managed by Civics Finance. The program is designed to make money available, in the form of loans, to ADDs and other agencies or governmental entities. As a beneficiary, KCADD receives a portion of the fees as the loans are repaid.

There was no balance in the bond reserve at June 30, 2021.

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

**NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date. As of June 30, 2021 and 2020, the financial assets available at year end were \$404,206 and \$279,109 respectively, and are all available to meet cash needs for general expenditures within one year. There were no amounts unavailable due to contractual restrictions or donor imposed restrictions.

**NOTE 9 - DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through July 28, 2021, which is the date the financial statements were available to be issued.

**NOTE 10 - SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and the financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The extent to which COVID-19 impacts the Council will depend upon future developments, which are highly uncertain and cannot be predicted. As a result, the Council has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022.