

Kentucky Council of Area
Development Districts
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Financial Statements and
Independent Auditor's Report
June 30, 2023 and 2022

KENTUCKY COUNCIL OF AREA
DEVELOPMENT DISTRICTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Kentucky Council of Area Development Districts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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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 the Kentucky Council of Area Development District'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 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 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 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, 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 the Kentucky Council for Area Development District'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.

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- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Kentucky Council for Area Development District'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.

Faulkner, King & Wenz, PSC

Mt. Sterling, Kentucky
August 2, 2023

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2023 AND 2022

	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 350,737	\$ 404,162
Accounts receivable	207	750
Property and equipment (net)	320,279	330,361
Total assets	\$ 671,223	\$ 735,273
 LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ 6,306	\$ 5,908
Compensated absences payable	1,335	489
Alumni Association payable	3,552	3,552
Total liabilities	11,193	9,949
 NET ASSETS:		
Without donor restrictions	660,030	725,324
Total liabilities and net assets	\$ 671,223	\$ 735,273

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, 2023 AND 2022

	2023	2022
OPERATING INCREASES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Program Services Revenue:		
Interest Income	\$ 15,895	\$ 2,570
Activity Fund Income	3,458	2,572
Business Development Manager Reimbursement	-	60,000
Bond Program	-	13,819
Total Program Services Revenue	19,353	78,961
Membership Dues & Assessments:		
Dues	157,500	157,500
Total Membership Dues & Assessments	157,500	157,500
TOTAL OPERATING INCREASES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS	176,853	236,461
OPERATING DECREASES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Program service expenditures:		
Activity fund expense	27,923	16,776
Business development manager	14,400	48,600
Travel	3,343	1,246
Public relations sponsorship	-	795
Total program service expenditures	45,666	67,417
Management & General Expenditures:		
Salaries and wages	93,467	99,308
Pension	17,547	22,418
Contract labor	17,086	-
Legal and professional services	10,700	10,658
Depreciation	10,082	10,082
Repairs and maintenance	9,287	4,064
Fringe benefits	8,167	8,723
Payroll taxes	7,363	8,135
Insurance	6,032	2,794
Utilities	5,880	5,519
ACL grant other	4,956	-
Telephone	2,244	1,790
Office supplies	1,886	1,189
Dues and subscriptions	1,129	1,437
Miscellaneous	529	-
Postage	126	116
Total management & general expenditures	196,481	176,233
Total general & administrative expenditures	242,147	243,650
NET DECREASE IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS	(65,294)	(7,189)
NET ASSETS AT BEGINNING OF YEAR	725,324	732,513
NET ASSETS AT END OF YEAR	\$ 660,030	\$ 725,324

See accompanying notes to the financial statements.

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating activities:		
Change in net assets without donor restrictions	\$ (65,294)	\$ (7,189)
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities:		
Depreciation	10,082	10,082
(Increase) decrease in operating assets:		
Accounts receivable	543	(750)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	398	678
Compensated absences payable	846	(2,865)
Net cash used by operating activities	(53,425)	(44)
Investing activities:		
Purchases of property and equipment	-	-
Net cash used in investing activities	-	-
Net decrease in cash	(53,425)	(44)
Cash and cash equivalents, beginning of year (without donor restrictions)	404,162	404,206
Cash and cash equivalents, end of year (without donor restrictions)	\$ 350,737	\$ 404,162

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

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, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</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>

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

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 August 2, 2023. The District has never been audited by the Internal Revenue Service (IRS). However, the tax years of 2020 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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Building	\$ 355,000	\$ 355,000
Equipment	65,645	65,645
Land	25,000	25,000
Less accumulated depreciation	<u>(125,366)</u>	<u>(115,284)</u>
	<u>\$ 320,279</u>	<u>\$ 330,361</u>

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, 2023 and 2022 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:

KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

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

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 \$15,674,000,000 and the net assets available for the benefits were \$8,149,000,000 as of June 30, 2022, which is the latest information available.

KCADD's participation in the plan for the year ended June 30, 2022 and 2021 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.

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 2023 and 2022 is for the plan's year end at June 30, 2022 and 2021, 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.

**KENTUCKY COUNCIL OF AREA DEVELOPMENT DISTRICTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

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

The "Surcharge Imposed" column indicates whether the Organization's contribution rate for 2022 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 2023 and 2022 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, 2022	2021		June 30, 2023	2022		
CERS	61-6027948	Red	Red	N/A	<u>\$17,547</u>	<u>\$22,418</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, 2023.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date. As of June 30, 2023 and 2022, the financial assets available at year end were \$350,944 and \$404,912 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 August 2, 2023, which is the date the financial statements were available to be issued.