FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFLILIATE

Hazard, Kentucky

Single Audit

For The Year Ended December 31, 2022

Fiscal Year Audited Under GAGAS: 2022

Caudill & Associates, CPA, PLLC

3070 Lake Crest Cir-Ste. 400/267

Lexington, KY 40513

Member American Institute of Certified Public Accountants
Member American Institute of Certified Public Accountants – Not for Profit Section
Member American Institute of Certified Public Accountants – Government Audit Quality Center
Member American Institute of Certified Public Accountants – Forensic and Valuation Services Section
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FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foundation for Appalachian Kentucky, Inc. and Affiliate
Hazard, Kentucky

Opinion

We have audited the accompanying consolidated financial statements of Foundation for Appalachian Kentucky, Inc. and Affiliate (collectively referred to as the "organization"), which comprise the Consolidated Statement of Financial Position as of December 31, 2022, and the related Consolidated Statement of Activities, Statement of Functional Expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Appalachian Kentucky, Inc. and Affiliate as of December 31, 2022 and the results of its operations, the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Foundation for Appalachian Kentucky, Inc. and Affiliate, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in the notes of the consolidated financial statements, during the year ended December 31, 2022, Foundation for Appalachian Kentucky, Inc. and Affiliate, adopted new accounting guidance, FASB ASU No. 2016-02, *Leases (Topic 842).* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Appalachian Kentucky, Inc. and Affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, internal 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 consolidated 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 risk of material misstatement of the consolidated 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 Foundation for Appalachian Kentucky, Inc. and Affiliate'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Appalachian Kentucky, Inc. and Affiliate'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 consolidated 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 consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration of the Foundation for Appalachian Kentucky, Inc. and Affiliate'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation for Appalachian Kentucky, Inc. and Affiliate's internal control over financial reporting and compliance.

Caudill & Associates, CPA

Caudill & Associates, CPA, PLLC

January 31, 2024

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

		2022
Cash	$	8,532,935
Investments		14,691,059
Grants receivable		1,614,379
Contributions receivable, net		173,959
Interest in charitable lead annuity trust		2,203,207
Beneficial interest in charitable remainder trust		426,999
Notes receivable, net		1,073,434
Property and equipment, net		364,293
Total assets	$	29,080,265

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and other liabilities	$	382,139
Grants payable		259,474
Custodial funds		681,166
Deferred revenue		25,000
Notes payable		160,080
Total liabilities		1,507,860
Net assets		
Without donor restrictions		2,509,173
With donor restrictions		25,063,232
Total net assets		27,572,405
Total liabilities and net assets	$	29,080,265

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	$ 1,578,113	$ 20,318,287	$ 21,896,400
Paycheck Protection Program Loan			
Employee Retention Credit			
Federal grants	-0-	678,045	678,045
Investment return, net	(40,921)	(1,863,426)	(1,904,347)
Administrative fees	201,623	1,625	203,248
Other revenue	85,350	138,400	223,750
Change in value of split-interest agreements	-0-	(1,307)	(1,307)
Net assets released from restrictions	14,296,174	(14,296,174)	-0-
Total support and revenues	16,120,340	4,975,449	21,095,789
Expenses			
Program services	13,430,169	-0-	13,430,169
General and administrative	947,263	-0-	947,263
Fundraising	652,166	-0-	652,166
Total expenses	15,029,598	-0-	15,029,598
Change in net assets	1,090,742	4,975,449	6,066,191
Net assets, beginning of year	1,418,431	20,087,783	21,506,214
Net assets, end of year	$ 2,509,173	$ 25,063,232	$ 27,572,405

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Total Program	Management & General	Fundraising & Development	Total
Grants and scholarships	11,149,042	-0-	-0-	11,149,042
Admin fee	219,432	-0-	-0-	219,432
Salaries and wages	591,627	281,097	144,849	1,017,571
Payroll taxes	50,418	23,955	12,344	86,718
Employee benefits	117,622	55,885	28,797	202,304
Advertising	-0-	-0-	151,561	151,561
Office supplies	146,369	150,804	146,369	443,541
Postage and printing	3,766	3,880	3,766	11,412
Telephone	12,170	12,539	12,170	36,880
Utilities	7,726	3,671	1,892	13,289
Repairs and maintenance	38,953	77,906	38,953	155,812
Bank service charges	42,909	-0-	-0-	42,909
Licenses and fees	-0-	4,022	-0-	4,022
Professional fees	581,541	193,847	-0-	775,388
Technology support	12,594	12,975	12,594	38,163
Travel and entertainment	42,140	42,140	43,417	127,696
Special projects	285,522	-0-	-0-	285,522
Meetings and conferences	40,449	40,449	41,675	122,573
Insurance	-0-	29,894	-0-	29,894
Depreciation	5,227	5,385	5,227	15,839
Interest	6,827	7,034	6,827	20,687
Investment	74,107	-0-	-0-	74,107
Miscellaneous	1,728	1,780	1,726	5,236
Total expenses	13,430,169	947,263	652,166	15,029,598

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:		2022
Increase (Decrease) in net assets	$	6,066,191
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		15,839
Increase (Decrease) in:		
Grants receivable		(658,187)
Contributions receivable, net		(25,005)
Accounts payable and other liabilities		5,619
Grants payable		10,611
Custodial funds		(300,706)
Deferred revenue		(50,000)
Net cash provided (used) by operating activities		5,064,363
Cash Flows From Investing Activities:		
Investments		1,772,838
Property and equipment, net		(13,029)
Notes receivable, net		(106,329)
Interest in charitable lead annuity trust		238,418
Beneficial interest in charitable remainder trust		75,389
Net cash provided (used) by investing activities		1,967,287
Cash Flows From Financing Activities:		
Notes payable		(2,738)
Net cash provided (used) by financing activities		(2,738)
Net Increase (Decrease) in Cash		7,028,912
Cash, Beginning of Year		1,504,023
Cash, End of Year	$	8,532,935

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Foundation for Appalachian Kentucky, Inc. (the "Foundation") is a not-for-profit entity that was created in 1998 and began full operations in 2008. The Foundation is located in Hazard, Kentucky. The mission of the Foundation is to support collaborative work in the community around a common vision that enhances the lives of all local citizens and to create a permanent endowment to serve as a catalyst and resource to respond to changing community priorities.

Appalachian Community Development Core, Inc. ("ACDC") (formally known as Philanthropic Capital Fund for Southeast Kentucky) was founded in January 2017 as a supporting organization of the Foundation. The mission of ACDC was to impact the Appalachian community by advancing opportunities in the Southeast Kentucky region that support economic diversification and building community capacity through place-based investing and grantmaking. In late 2018, this initiative was moved to the Foundation and the purpose of ACDC is now to hold real estate that the Foundation occupies.

Consolidated Financial Statements

ACDC was founded to support the functions and purposes of the Foundation. The Foundation also has the authority to appoint a majority of the members of the Board of Directors of ACDC. Based on these factors, the Foundation and ACDC (collectively referred to as the "Organization") present consolidated financial statements with any inter-entity transactions and balances eliminated as part of the consolidated financial statements.

Management's Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues, and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. The Organization maintains net assets without donor restrictions as follow:

> Operating – used to fund current operations of the Organization
>
> Board designated endowment – established with the expectation that the principal be maintained, and the income used to support the general operations of the Organization as designated by the Board of Directors
>
> Board designated operating reserve - funding to benefit future operations

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Organization maintains net assets with donor restrictions as follows:

> Restricted for specified purpose – all contributions to the Organization with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund
>
> Restricted in perpetuity – endowment – all contributions to the Organization with the intention of the donor that the assets to be held in perpetuity and managed in accordance with the Organization's spending policy
>
> Restricted subject to the Organization's spending policy – investment earnings on assets restricted in perpetuity – endowment and managed in accordance with the Organization's spending policy

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the consolidated statements of activities in the period in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as net assets with or without donor restrictions based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization's spending policy.

Notes Receivables

Notes receivables are stated at unpaid principal balances, less an allowance for losses. The allowance is based on management's assessment of the current status of the individual receivable. There was no allowance for losses at December 31, 2022. Notes receivables are considered delinquent based on specific circumstances of the borrower and are written off when the balance is considered uncollectible. Notes receivable bear interest at rates ranging from 2% to 5%. Criteria for notes receivable include whether the borrower has a financially sustainable development and operating plan. The Organization measures credit quality based on payment history and annual review of the borrower's financial information. The notes receivable are not considered impaired and no allowance for uncollectible notes has been recorded.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over their estimated useful lives ranging from three to thirty-nine years using the straight-line method.

Grants Payable

Grants Payable consist of the following at December 31, 2022:

	2022
Appalachian Arts Alliance	$ 1,074
Appalachian Crisis Aid	174,500
Appalachian Impact Fund	50,000
L.I.F.T.	29,000
Leslie County Community Foundation	2,500
Linda J. Templeton Foundation	2,400
Total grants payable	$ 259,474

Deferred Revenue (Contract Liability)

Deferred income, consisting of funds received in advance from federal grants. These amounts represent revenues collected in advance of the period to which it relates. The contract liability on December 31, 2022, was $25,000.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received, or the promise is made. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Federal grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund or the existence of donor-imposed restrictions.

All other revenue is recorded when earned.

Income Taxes

Both the Foundation and ACDC are organized as not-for-profit corporations under Section 501(c)(3) of the United States Internal Revenue Code. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of January 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization and are considered program expenses. Administrative fees from all funds are reflected as revenue on the consolidated statements of activities. The administrative fees from the custodial funds are not included as expenses on the consolidated statements of activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. These expenses include salaries and wages, payroll taxes, employee benefits, marketing, office supplies, various occupancy expenses, certain professional fees, meetings and conferences and depreciation, which are allocated on the basis of estimates of time, effort, and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

New Accounting Standard

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as “gifts in-kind”) received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This new standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. This ASU is effective for the Organization beginning on January 1, 2022 and did not result in a significant change to the consolidated financial statements.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization’s ability to continue as a going concern for a period of one year from the date the consolidated financial statements were available to be issued.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the consolidated statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the consolidated financial statements were available to be issued, which is January 31, 2024.

2. INVESTMENTS

Investments consist of the following at December 31, 2022:

	2022
Cash and cash equivalents	573,078
Money market mutual fund	48,420
Common stocks	7,963,340
Exchange traded funds	157,275
Mutual funds	284,664
Corporate bonds	3,470,320
U.S. Treasury notes	2,193,962
	14,691,059

The investments in which the Organization holds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

Investment income earned by these investments for the year ended December 31, 2022 is reported net on the accompanying consolidated statement of activities in net assets as follows:

	2022
Interest and dividend income	$ 234,294
Realized and unrealized loss	(2,064,534)
Investment fees	(74,107)
	$(1,904,347)

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

- *Money market mutual fund*: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated by dividing the total market value of all securities in the portfolio, less any liabilities, by the number of fund shares outstanding.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Organization are open-end and closed-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

- *Corporate bonds and U.S. Treasury notes:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

- *Interest in charitable lead annuity trust*: Fair value determined by calculating the present value of the annual amount to be received until termination of the trust using a 2.52% discount rate.

- *Beneficial interest in charitable remainder trust*: Fair value is determined by calculating the net present value of future cash flows from the remainder of the trust using published life expectancy tables, 8% rate of return and 2.2% discount rate.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2022:

	2022			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Money market mutual fund	$ 48,420	$ 48,420	$ -0-	$ -0-
Common stocks	7,963,340	7,963,340	-0-	-0-
Exchange traded funds	157,275	157,275	-0-	-0-
Mutual funds	284,664	284,664	-0-	-0-
Corporate bonds	3,470,320	-0-	3,470,320	-0-
U.S. Treasury notes	2,193,962	-0-	2,193,962	-0-
Interest in charitable lead annuity trust	2,203,207	-0-	-0-	2,203,207
Beneficial interest in charitable remainder trust	426,999	-0-	-0-	426,999

The progression of interest in charitable lead annuity trust during the year ended December 31, 2022 is as follows:

	2022
Beginning balance	$ 2,441,625
Trust payment received	(312,500)
Change in present value	74,082
	$ 2,203,207

The progression of beneficial interest in charitable remainder trust during the year ended December 31, 2022 is as follows:

	2022
Beginning balance	$ 502,388
Change in present value	(75,389)
	$ 426,999

4. GRANTS RECEIVABLE

Grants receivable consists of the following at December 31, 2022:

		2022
Appalachian Regional Commission (ARC)	$	236,541
Ford Foundation		250,000
James Graham Brown Foundation		500,000
New Venture Fund		400,000
Perry County Fiscal Court		25,000
Save the Children Foundation		50,000
United States Department of Agriculture		31,251
Other grants		121,587
Total grants receivable	$	1,614,379

5. INTEREST IN CHARITABLE LEAD ANNUITY TRUST

During 2012, the Organization became the lead beneficiary of a charitable lead annuity trust under which $62,500 is received quarterly for twenty years for a specific donor-restricted non-endowed fund. Upon termination of the trust, the trust assets revert to the beneficiaries named by the donor. The Organization's interest under this trust was $2,203,207 at December 31, 2022. In calculating the present value of the amount to be received until termination of the trust, a discount rate of 2.52% was used. The Organization is not the trustee of this trust, therefore, the fair value of the trust assets has not been recorded in the consolidated statements of financial position at December 31, 2022.

6. INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named beneficiary of a charitable remainder trust. The Organization is not the trustee of the trust, but upon the death of the trust's lifetime beneficiaries, 25% of the remaining assets will revert to the Organization to donor-restricted funds specified by the donors. The estimated value of the expected residual benefit (which represents the fair value of the trust assets less the present value of the estimated future payments to beneficiaries based upon published life expectancy tables and a discount rate of 2.2%) of this trust was $426,999 at December 31, 2022.

7. NOTES RECEIVABLE

Notes receivable consist of the following at December 31, 2022:

	2022
In 2020, ReVitalize, ReInvest, ReDevelop Appalachia (R3) Initiative loans were issued to various unrelated organizations. The notes mature in October 2025 and have a 0% interest rate and require monthly principal payments totaling $13,700 in 2022, 2023, and 2024, and $11,417 in 2025. In 2021, two additional R3 Initiative loans were issued to various unrelated organizations. The notes mature in August 2026, one with an interest rate of 1.50% and the other with an interest rate of 1.00%. These loans require monthly principal payments totaling $3,298 in 2022, 2023, 2024, and 2025, and $2,198 in 2026.	$ 346,948
In 2019, Program Related Investment (PRI) notes were issued to various unrelated organizations. The notes bear interest at rates ranging from 2% to 5%. Monthly interest-only payments are to be received with a balloon principal payment due at the maturity date for each note ($100,000 in July 2023 and $200,000 in July 2024). In 2021 an additional PRI note was issued. The note bears interest at 5% with monthly interest-only payments. If the borrower is current on monthly interest payments at the end of 5 years, $100,000 of the principal will be forgiven. In 2022, two additional PRI notes were issued: a 4-year $20,000 note bearing interest at 2.5% and a three-year $168,000 note bearing interest at 3%.	688,000
In 2021, three Rural Business Development Grant (RBDG) Initiative loans were issued to various unrelated organizations. The notes mature in between 5 to 7 years, and all bear interest of 2.00%. These loans require monthly principal and interest payments between $319 and $438.	60,662
Total notes receivable	1,095,610
Less allowance for uncollectible	(22,176)
Net notes receivable	$ 1,073,434

8. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2022 is as follows:

	2022
Building	$ 395,156
Equipment	68,776
Construction in progress	-0-
	463,932
Less accumulated depreciation	99,639
	$ 364,293

9. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the consolidated statements of activities.

Following is a progression of custodial funds during 2022:

	2022
Beginning balance	$ 981,872
Contributions and other revenue	46,458
Investment return, net	(308,098)
Administrative fees	(12,933)
Other expenses	(296)
Grants	(25,837)
	$ 681,166

10. NOTES PAYABLE

In May 2020, the Organization entered into an unsecured promissory note agreement for $51,010. The note bears interest at 5% and is payable in monthly installments of principal and interest payments of $552 beginning on June 27, 2020, and maturing on May 27, 2030.

In November 2020, the Organization entered into a second promissory note agreement for $128,303. This note bears interest at 4% and is payable in monthly installments of principal and interest payments of $784 beginning on December 12, 2020, and maturing on November 12, 2040. This note is secured by certain real property.

Future maturities due on the notes payable are as follows:

Fiscal years ending December 31:		
2023	$	9,475
2024	$	9,910
2025	$	10,366
2026	$	10,843
2027	$	10,308
Thereafter	$	109,180
	$	160,080

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets in the total amount of $14,296,174 were released resulting from satisfaction of donor restrictions and by expiration in 2022.

12. ENDOWMENT

The Organization maintains donor-restricted endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. Donor-restricted endowment funds are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization has a policy that does not permit spending from underwater endowment funds, unless otherwise permitted by donor intent or relevant laws and regulations. There were no deficiencies of this nature at December 31, 2022 and 2021.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Organization has a policy of appropriating for distribution each year 4 to 6 percent of its endowment funds' average fair value over the prior twelve quarters, as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowments.

The endowment funds by net asset type at December 31, 2022 and 2021 were as follows:

	2022	
	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	$ 10,000	$ -0-
Donor Restricted Funds	-0-	8,584,501
	$ 10,000	$ 8,584,501

	2021	
	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	$ 10,000	$ -0-
Donor Restricted Funds	-0-	10,277,577
	$ 10,000	$ 10,277,577

Changes in endowment funds for the years ended December 31, 2022 and 2021 were as follows:

	2022	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 10,000	$ 10,277,577
Contribtuions and other revenue	-0-	260,470
Investment return, net	-0-	(1,953,546)
Appropriation of endowment assets for expenditure	-0-	-0-
Endowment net assets, end of year	$ 10,000	$ 8,584,501

	2021	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 10,000	$ 5,027,979
Contributions and other revenue	-0-	4,916,833
Investment return, net	-0-	1,131,640
Appropriation of endowment assets for expenditure	-0-	(798,875)
Endowment net assets, end of year	$ 10,000	$ 10,277,577

13. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, and other obligations become due. The Organization invests cash in excess of daily requirements in short-term investments.

Financial assets available for general expenditures that is not subject to donor or other contractual restrictions within one year of the consolidated statement of financial position date comprise of the following:

	2022	2021
Cash	$ 1,859,225	$ 9,659
Operatiing Investments	232517	1,082,545
Grants Receivable	650,000	750,000
	$ 2,741,742	$ 1,842,204

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization approves grants and scholarships quarterly based on the spending rate approved quarterly grant and scholarship approval processes. This process includes evaluating a number of factors relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash or liquid investments and are made available upon appropriation.

The Foundation also relies on the administrative fees it charges its funds annually ranging from 1% to 1.75% of the endowed and non-endowed fund balance and 5% to 10% of contributions to fiscal sponsorship funds to fund operational expenditures.

14. CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

Marketable securities and money market funds are maintained with an investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to $500,000.

15. CONTINGENCIES

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Organization’s operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, increased demand for grants, delays, loss of, or reduction to contributions and funding, and investment portfolio declines. Management believes the Organization is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Program Title	Federal Assistance Listing Number	Grand ID Number	Total Federal Expenditures	Passed Through to Subrecipient
Appalachian Regional Commission				
Appalachian Area Development - ReVitalize, Reinvest and ReDevelop (R3) Appalachia Initiative	23.002	PW-19712-IM-19	$ 1,256,144	$ 950,600
Passthrough from Appalachian Community Capital Appalachian Research, Technical Assistance and Demonstration Projects	23.011	N/A	$ 133,226	$ -
Southeast Kentucky Regional Experience Planning Project	23.002	PW-20852-TA-22	$ 5,610	$ -
Southeast Kentucky Regional Trails Planning Project	23.002	PW-20853-TA-22	$ 5,428	$ -
Total Appalachian Regional Commission			$ 1,400,408	$ 950,600
United States Department of Agriculture				
Farmers Market Promotion Program	10.175	21FMPPKY1079-00	$ 104,209	$ -
Rural Business Development Grant	10.351	20-097-991846759	$ 104,022	$ 74,000
Total United States Department of Agriculture			$ 208,231	$ 74,000
AmeriCorps State and National				
Passthrough from Commonwealth of Kentucky	94.006	20AFHKY001	$ 94,005	$ -
Total Expenditures of Federal Awards			$ 1,702,645	$ 1,024,600

See report of independent auditors and accompanying notes to the schedule.

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Foundation for Appalachian Kentucky, Inc. and Affiliate (collectively referred to as the "Organization"). The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditure is disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations. The Organization did not elect to use the 10% de minimis indirect cost rate and no amounts were provided to subrecipients.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2022. 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).

3. BASIS OF ACCOUNTING

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

4. REVOLVING LOAN PROGRAM

The Organization administers the Appalachian Regional Commission Appalachian Area Development ReVitalize, ReInvest, and ReDevelop (R3) Appalachia Initiative Loan Program. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Current year loan expenditures and disbursements totaled $1,024,600. The balance of loans outstanding at December 31, 2022, consists of:

Federal Assistance Listing Number	Program Name	Outstanding Balance as of December 31, 2022
23.002	R3 Appalachian Initiative Loan Program	$950,600
10.351	Rural Business Development Grant	$74,000

Caudill & Associates, CPA PLLC
3070 Lake Crest Cir – Ste – 400/267, Lexington, KY 40513

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Foundation for Appalachian Kentucky, Inc., and Affiliate
Hazard, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Foundation for Appalachian Kentucky, Inc., and Affiliate , (a nonprofit organization), which comprise the consolidated balance sheets, as of December 31, 2022, and the related statement of operations, statement of functional expenses, change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation for Appalachian Kentucky, Inc., and Affiliate '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 Foundation for Appalachian Kentucky, Inc., and Affiliate 's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation for Appalachian Kentucky, Inc., and Affiliate '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 or other matters 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caudill & Associates, CPA

Caudill and Associates, CPA PLLC
Certified Public Accountant

Lexington, KY
January 31, 2024

Caudill & Associates, CPA PLLC
3070 Lake Crest Cir – Ste – 400/267, Lexington, KY 40513

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

To the Board of Directors of
Foundation for Appalachian Kentucky, Inc., and Affiliate
Hazard, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Foundation for Appalachian Kentucky, Inc. and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation for Appalachian Kentucky, Inc. and Affiliate's major federal programs for the year ended December 31, 2022. The Foundation for Appalachian Kentucky, Inc. and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation for Appalachian Kentucky, Inc. and Affiliate 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 December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Foundation for Appalachian Kentucky, Inc. and Affiliate's 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 Foundation for Appalachian Kentucky, Inc. and Affiliate's compliance with the compliance requirements referred to above.

Responsibility 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 requirement of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to Foundation for Appalachian Kentucky, Inc. and Affiliate's federal programs.

Auditor's Responsibility 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 Foundation for Appalachian Kentucky, Inc. and Affiliate'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 judgement made by a reasonable used of the report on compliance about Foundation for Appalachian Kentucky, Inc. and Affiliate's compliance 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 judgement 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 Foundation for Appalachian Kentucky, Inc. and Affiliate'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 Foundation for Appalachian Kentucky, Inc. and Affiliate'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 Foundation for Appalachian Kentucky, Inc. and Affiliate'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.

Other Matters

The results of our auditing procedures disclose an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed 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.

Caudill & Associates, CPA

Caudill and Associates, CPA PLLC
Certified Public Accountant

Lexington, KY
January 31, 2024

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	__Yes ___X__No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_______Yes ___X__None Reported
Noncompliance material to financial statements noted?	_______Yes __X___No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_______Yes __X___No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_______Yes __X__None Reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	__X__Yes _____No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
23.002	Appalachian Area Development

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee: _______Yes __X___No

Section II - Findings - Financial Statement Audit

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit

2022-001 Single Audit Submission Deadline

Criteria or specific requirement: 2 CFR Section 200.512(a) requires the Data Collection form and Single Audit reporting package be submitted the earlier of 30 days after the reports are received from the auditors or nine months after the end of the audit period. Accordingly, the due date for the Single Audit submission for the year ended December 31, 2022, is September 30, 2023.

Condition: The reporting package for the year ended December 31, 2022, was not submitted by the September 30, 2023, reporting deadline.

Cause: The audit report on the financial statements for the year ended December 31, 2022, was issued subsequent to the September 30, 2023, deadline.

Effect: The Organization is not in compliance with the provisions of 2 CFR Section 200.512(a) for the year ended December 31, 2022.

Views of responsible officials and planned corrective actions: The audit report on the financial statements for the year ended December 31, 2022, was issued on Jan 31, 2024. The Data Collection form and reporting package will be submitted within 30 days thereafter.

2021-001 Finding: Preparation of Financial Statements

Condition: The Organization did not have in place the processes and controls that would assure the preparation of external year-end financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America.

Status: Resolved. Finding not reissued.

2021-002 Single Audit Submission Deadline

Condition: The reporting package for the year ended December 31, 2021, was not submitted by the March 31, 2022, extended reporting deadline.

Status: Resolved. Reporting package submitted on July 23, 2022.