

AROOSTOOK COUNTY ACTION PROGRAM, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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To the Board of Directors of
Aroostook County Action Program, Inc.

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Aroostook County Action Program, Inc. (a Maine nonprofit corporation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses 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 Aroostook County Action Program, Inc. as of September 30, 2022 and 2021 and the changes in net its 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 Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Aroostook County Action Program, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aroostook County Action Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aroostook County Action Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2023 on our consideration of Aroostook County Action Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Aroostook County Action Program, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aroostook County Action Program, Inc.'s internal control over financial reporting and compliance.

Chester M. Kearney

Presque Isle, Maine
May 16, 2023

AROOSTOOK COUNTY ACTION PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	3,364,562	3,767,571
Accounts receivable, net	2,130,483	1,626,003
Investments	1,234,663	1,393,559
Weatherization & CHIP work in process	129,171	36,721
Prepaid expenses	70,559	178,705
	<u>6,929,438</u>	<u>7,002,559</u>
FIXED ASSETS		
Land, buildings and improvements	6,206,532	4,939,688
Vehicles and equipment	1,462,038	1,422,038
	<u>7,668,570</u>	<u>6,361,726</u>
Less: Accumulated depreciation	<u>(3,739,082)</u>	<u>(3,368,934)</u>
	<u>3,929,488</u>	<u>2,992,792</u>
OTHER ASSETS		
Other long-term assets	119,368	129,535
	<u>119,368</u>	<u>129,535</u>
TOTAL ASSETS	<u>10,978,294</u>	<u>10,124,886</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	672,825	949,977
Accrued expenses	662,488	649,010
Current portion of long-term debt	-	119,384
Grant funds received in advance	1,452,380	2,185,143
TOTAL CURRENT LIABILITIES	<u>2,787,693</u>	<u>3,903,514</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	700,000	-
PPP Loan, net of current portion	-	1,427,544
TOTAL LONG-TERM LIABILITIES	<u>700,000</u>	<u>1,427,544</u>
TOTAL LIABILITIES	<u>3,487,693</u>	<u>5,331,058</u>
NET ASSETS		
Without donor restrictions	7,034,993	4,793,828
With donor restrictions	455,608	-
TOTAL NET ASSETS	<u>7,490,601</u>	<u>4,793,828</u>
TOTAL LIABILITIES AND NET ASSETS	<u>10,978,294</u>	<u>10,124,886</u>

See accompanying notes to financial statements

AROOSTOOK COUNTY ACTION PROGRAM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Government grants and contracts	30,463,527		30,463,527
Program fees	589,801		589,801
Contributions	291,130	400,000	691,130
Investment income (loss)	(214,586)		(214,586)
Other income	739,747	55,608	795,355
In-kind	384,221		384,221
	<u>32,253,840</u>	<u>455,608</u>	<u>32,709,448</u>
EXPENSES			
PROGRAM SERVICE EXPENSES			
Workforce development	2,089,272		2,089,272
Energy and housing services	19,541,686		19,541,686
Community health	1,844,781		1,844,781
Early care and education	7,214,349		7,214,349
TOTAL PROGRAM SERVICE EXPENSES	<u>30,690,088</u>		<u>30,690,088</u>
ADMINISTRATION AND GENERAL AND FUND RAISING	<u>1,199,919</u>		<u>1,199,919</u>
	<u>31,890,007</u>		<u>31,890,007</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>363,833</u>	<u>455,608</u>	<u>819,441</u>
OTHER REVENUE (EXPENSE)			
PPP Loan forgiveness	1,546,928		1,546,928
Grant funds for equipment/renovations purchased	550,528		550,528
Depreciation on assets purchased with grant funds	(220,124)		(220,124)
	<u>1,877,332</u>	<u>-</u>	<u>1,877,332</u>
INCREASE IN NET ASSETS	<u>2,241,165</u>	<u>455,608</u>	<u>2,696,773</u>
NET ASSETS AT BEGINNING OF YEAR	<u>4,793,828</u>	<u>-</u>	<u>4,793,828</u>
NET ASSETS AT END OF YEAR	<u><u>7,034,993</u></u>	<u><u>455,608</u></u>	<u><u>7,490,601</u></u>

See accompanying notes to financial statements

AROOSTOOK COUNTY ACTION PROGRAM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions (RESTATED)	With Donor Restrictions	Total
REVENUES			
Government grants and contracts	19,232,609		19,232,609
Program fees	625,727		625,727
Contributions	264,364		264,364
Investment income	228,523		228,523
Other income	1,413,997		1,413,997
In-kind	<u>729,455</u>		<u>729,455</u>
	<u>22,494,675</u>		<u>22,494,675</u>
EXPENSES			
PROGRAM SERVICE EXPENSES			
Workforce development	3,513,872		3,513,872
Energy and housing services	10,403,659		10,403,659
Community health	2,170,780		2,170,780
Early care and education	<u>5,878,049</u>		<u>5,878,049</u>
TOTAL PROGRAM SERVICE EXPENSES	21,966,360		21,966,360
ADMINISTRATION AND GENERAL AND FUND RAISING	<u>967,710</u>		<u>967,710</u>
	<u>22,934,070</u>		<u>22,934,070</u>
DECREASE IN NET ASSETS FROM OPERATIONS	<u>(439,395)</u>		<u>(439,395)</u>
OTHER REVENUE (EXPENSE)			
Grant funds for equipment/renovations purchased	461,509		461,509
Depreciation on assets purchased with grant funds	<u>(214,084)</u>		<u>(214,084)</u>
	<u>247,425</u>		<u>247,425</u>
NET ASSETS TRANSFERRED TO (FROM) UNRESTRICTED FUNDS	<u>226,120</u>	<u>(226,120)</u>	<u>-</u>
INCREASE / (DECREASE) IN NET ASSETS	34,150	(226,120)	(191,970)
NET ASSETS AT BEGINNING OF YEAR	<u>4,759,678</u>	<u>226,120</u>	<u>4,985,798</u>
NET ASSETS AT END OF YEAR	<u>4,793,828</u>	<u>-</u>	<u>4,793,828</u>

See notes to financial statements

AROOSTOOK COUNTY ACTION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	PROGRAM SERVICES					SUPPORTING SERVICES	Total
	Workforce Development	Energy and Housing Services	Community Health	Early Care and Education	Total Program Services		
Personnel	1,180,788	2,316,102	763,895	5,013,985	9,274,770	841,905	10,116,675
Travel and vehicle operation	45,921	43,601	25,771	68,925	184,218	13,366	197,584
Occupancy costs	65,371	143,912	80,909	702,171	992,363	27,489	1,019,852
Consumable supplies	149,330	61,130	60,218	201,174	471,852	26,130	497,982
Minor equipment and renovations	454	-	-	70	524	3,800	4,324
Direct client benefits	289,622	16,186,186	751,068	544,778	17,771,654	4,768	17,776,422
Consultants and contractual services	247,206	658,073	41,832	59,371	1,006,482	213,215	1,219,697
Other	110,356	132,682	111,260	249,706	604,004	69,246	673,250
In-kind	224	-	9,828	374,169	384,221	-	384,221
Total expenses including grant funded equipment	2,089,272	19,541,686	1,844,781	7,214,349	30,690,088	1,199,919	31,890,007

See accompanying notes to financial statements

Chester M. Kearney, Certified Public Accountants

AROOSTOOK COUNTY ACTION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021

	PROGRAM SERVICES					SUPPORTING SERVICES	Total
	Workforce Development	Energy and Housing Services	Community Health	Early Care and Education	Total Program Services		
Personnel	2,096,228	1,829,986	689,385	3,545,643	8,161,242	725,034	8,886,276
Travel and vehicle operation	25,227	29,829	8,595	59,170	122,821	(570)	122,251
Occupancy costs	95,647	94,227	49,055	558,378	797,307	24,756	822,063
Consumable supplies	90,091	80,806	65,651	247,096	483,644	23,820	507,464
Minor equipment and renovations	-	-	640	-	640	-	640
Direct client benefits	251,024	7,104,827	720,894	540,358	8,617,103	8,036	8,625,139
Consultants and contractual services	617,368	983,646	123,172	42,036	1,766,222	137,435	1,903,657
Other	338,287	280,338	176,222	493,080	1,287,927	49,199	1,337,126
In-kind	-	-	337,166	392,288	729,454	-	729,454
Total expenses including grant funded equipment (Restated)	3,513,872	10,403,659	2,170,780	5,878,049	21,966,360	967,710	22,934,070

See accompanying notes to financial statements

Chester M. Kearney, Certified Public Accountants

AROOSTOOK COUNTY ACTION PROGRAM, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user fees	85,321	458,423
Cash received from grants and contracts	30,281,292	21,603,226
Cash received from donors	645,607	264,364
Cash received from other sources	761,379	306,696
Cash paid to suppliers and employees	(31,603,740)	(20,461,560)
Interest & dividends received	33,976	37,104
Net cash provided by / (used in) operating activities	<u>203,835</u>	<u>2,208,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash provided by sale of investments	-	270,000
Purchase of property and equipment	(606,844)	(697,985)
Net cash used in investing activities	<u>(606,844)</u>	<u>(427,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan proceeds	-	1,546,928
Net cash provided by financing activities	<u>-</u>	<u>1,546,928</u>
NET INCREASE / (DECREASE) IN CASH AND EQUIVALENTS	(403,009)	3,327,196
CASH, RESTRICTED CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>3,767,571</u>	<u>440,375</u>
CASH, RESTRICTED CASH AND EQUIVALENTS AT END OF YEAR	<u><u>3,364,562</u></u>	<u><u>3,767,571</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS		
TO NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Increase / (Decrease) in net assets	2,696,773	(191,970)
Adjustments to reconcile change in net assets		
to net cash provided by / (used in) operating activities		
Depreciation	370,148	316,357
Change in partnership equity interest	10,167	(3,879)
Unrealized (gain) loss on investments	251,202	(185,780)
PPP Loan forgiveness	(1,546,928)	-
Non-cash donations received	(50,882)	-
Investment earnings reinvested	(41,424)	(28,197)
Changes in assets and liabilities		
Accounts receivable	(504,480)	(167,304)
Weatherization & CHIP work in process	(92,450)	23,483
Prepaid expenses	108,146	(15,755)
Accounts payable and accrued expenses	(277,152)	727,856
Accrued compensation	13,478	(175,666)
Grant funds received in advance	(732,763)	1,909,108
	<u>(2,492,938)</u>	<u>2,400,223</u>
Net cash provided by operating activities	<u>203,835</u>	<u>2,208,253</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital expenditures funded by long-term borrowing	<u>700,000</u>	<u>None</u>

See accompanying notes to financial statements

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Aroostook County Action Program, Inc. ("ACAP") is organized as a nonprofit Maine corporation to enable the people of Aroostook County to achieve greater economic independence and dignity and provide leadership to the community in responding to human needs. The accounting practices of ACAP are designed primarily to demonstrate stewardship of the funds entrusted to it, compliance with prescribed grant conditions, and other special requirements, including the furnishing of certain amounts of cash or noncash contributions to programs from nonfederal sources.

Approximately 93% and 90% of ACAP's support for the year ended September 30, 2022 and 2021, respectively, came from grants, contracts, and fees from the federal and state governments.

A basic description of the programs is as follows:

Workforce Development – Workforce Development offers services to assist people who are seeking employment as well as businesses seeking employees. Services offered include Workforce Innovation and Opportunity Act (WIOA) services, other jobs training opportunities and programs, as well as Case Management.

Energy and Housing Services - Energy and Housing Services include energy assistance, such as Low-Income Home Energy Assistance (LIHEAP), Energy Crisis Intervention (ECIP), Low-Income Assistance (LIAP), Rental assistance, affordable housing repair and replacement program, lead hazard control program, home ownership education, weatherization, home ownership support counseling, family development accounts, micro business loans, above ground storage tank and central heating improvement programs.

Community Health - Community health operates the supplemental food program for Women, Infants, and Children (WIC); and provides community oral health education and dental services.

Early Care and Education – Early Care and Education provides Head Start, Child Care, and Child Care Food programs.

Fund-raising and Management and General – Fund raising and management and general includes the functions necessary to maintain programs and consists of those activities that are not identifiable with a single program; ensures an adequate working environment; provides coordination and articulation of ACAP's program strategy; secures proper administrative functioning of the Board of Directors; maintains competent legal services for the program administration of ACAP; and manages the financial and budgetary responsibilities of ACAP.

Basis of Accounting - The financial statements of Aroostook County Action Program, Inc. are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

Financial Statement Presentation - Aroostook County Action Program, Inc follows FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit*. The Organization reports contributions received as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Grants, investment income, and contributions are reported as support with donor restrictions and are then reclassified to net assets without donor restrictions upon expiration of the time restriction.

Revenue Recognition – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“Topic 606”). The ASU and all subsequently issued clarifying ASU’s replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. Topic 606 requires that the Organization identify the contract with a customer, identify separate performance obligations within the contract, determine the transaction price, allocate the transaction price to each performance obligation, and recognize revenue as the performance obligations are satisfied. Topic 606 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective October 1, 2020, the first day of the Organization’s fiscal year, using a modified retrospective transition approach.

The Organization employed the use of certain practical expedients in adopting ASC 606, as follows:

- For client services that are billed on a time-and-expense incurred or per unit basis and revenue is recognized over time, the Organization recognizes revenue at the amount to which it has the right to invoice for services performed.
- Incremental costs related to obtaining clients are expensed as incurred, as they would otherwise be amortized over less than one year.

The adoption of ASC 606 did not have a significant impact on the Organization’s financial statements. The majority of the Organization’s revenues are derived from government grants and contracts and donations which are non-exchange transactions. Revenues that do contain a performance obligation typically consist of a single performance obligation which is typically satisfied at the conclusion of the consumer encounter. Revenue is measured based on a consideration specified in a contract with a consumer, and excludes any amounts collected on behalf of third parties.

Based on the Organization’s evaluation process and review of its contracts with consumers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. Accordingly, the adoption of Topic 606 did not result in any changes in the accompanying financial statement line items comprising the Statements of Activities and had no effect on beginning net assets as of the date of initial adoption, October 1, 2020.

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Contributions are recognized when the donor makes a promise to give to ACAP that is, in substance, unconditional. Contributions received are recorded as with or without donor restrictions. When a restriction expires, net assets are reclassified as without donor restrictions and reported in the statements of activities as released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Program fees and other revenue are recognized when earned.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant awards that are contributions - Grants that qualify as contributions are recorded when invoices are sent to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

Grant awards that are exchange transactions - Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Cash and Temporary Investments - ACAP considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. ACAP includes money market investments as cash and cash equivalents.

Accounts Receivable - Accounts receivable represent amounts due from various entities for services performed. Accounts receivable are stated at the amount management expects to collect on balances outstanding at year end. Based on history with customers having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year end will be immaterial and no allowance has been recorded.

Investments - Investments include certificates of deposit, mutual funds, and common stock and are reported at their fair values as determined in an active market. Investment return is included in the statements of activities in investment income. Any investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized.

Fixed Assets - Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is provided for using the straight-line method over the estimated useful life of the asset. Leasehold improvements are recorded at cost and amortized using the straight-line method over the shorter of the useful life or the associated lease term. ACAP considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Property and equipment purchased with grant funds are owned by ACAP while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant property and equipment included on the statement of financial position is \$1,918,601 and \$1,588,197 at September 30, 2022 and 2021 respectively.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

In-Kind Contributions - In-kind contributions for supplies and professional services are recorded in the statement of activities as revenue and expenses in the period they are received. During the years ended September 30, 2022 and 2021, ACAP received \$384,221 and \$729,454 of such contributions, primarily for its community health and early care and education programs. In addition, ACAP received contributions of nonprofessional volunteer services during the years ended September 30, 2022 and 2021, of \$325,648 and \$400,910 for its early care and education programs. The nonprofessional volunteer services are not reported in the statements of activities as they do not meet the criteria to be recorded under accounting principles generally accepted in the United States.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Other operating costs are allocated based on utilization.

Indirect Cost Rate - Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those incurred for the common benefit of ACAP's programs that cannot be readily identified with a final cost objective. A fixed rate has been approved by the Department of Health and Human Services (DHHS). The fixed rate of 23% is based upon direct salaries and wages excluding all fringe benefits was approved and in effect from October 1, 2021 to September 30, 2022. The fixed rate was 18% for the year ended September 30, 2021.

Federal Income Tax - The Organization is classified as an exempt Organization for federal income taxes under Internal Revenue Code Section 501(c)(3).

The Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Management believes there were no activities subject to tax on unrelated business income.

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

The Organization's tax returns are subject to review and examination by federal and state authorities. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

Recent Accounting Pronouncements – Leasing - In February 2016, FASB issued ASU 2016-02, Leases. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of an entity for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. The guidance is effective for years ending after December 15, 2021. The standard requires retroactive application to previously issued financial statements. Management is currently evaluating the impact of adoption on its financial statements.

(2) CONCENTRATION OF RISK

ACAP maintains cash balances, consisting of checking, savings accounts, money market accounts, and certificates of deposits at several financial institutions located in Aroostook County. Cash balances at Katahdin Trust Company in excess of FDIC limits are collateralized by pledged securities. As of September 30, 2022 and 2021 the amount exceeding FDIC limits at Katahdin Trust Company was \$2,483,597 and \$3,230,259 respectively. All other accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

(3) INVESTMENTS

ACAP's investments as of September 30, consist of the following:

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$ 346,671	\$ 343,989
Mutual funds	766,072	855,622
Common stocks	<u>121,920</u>	<u>193,948</u>
Total	<u>\$ 1,234,663</u>	<u>\$ 1,393,559</u>

Investment income for ACAP on the above investments is summarized as follows:

	<u>2022</u>	<u>2021</u>
Realized and unrealized gain (loss)	\$(251,202)	\$ 189,659
Interest and dividend income	<u>36,616</u>	<u>38,864</u>
Total	<u>\$(214,586)</u>	<u>\$ 228,523</u>

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(4) FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks and mutual funds are valued at quoted market prices. Certificates of deposit are valued at quoted prices for similar assets in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while ACAP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy as of September 30, 2022 and 2021:

	Fair Value Measurements Using			Fair Value
	Level 1	Level 2	Level 3	
2022				
Certificates of deposit		\$ 346,671		\$ 346,671
Mutual funds	\$ 766,072			766,072
Common stocks	<u>121,920</u>			<u>121,920</u>
Total	<u>\$ 887,992</u>	<u>\$ 346,671</u>	<u>None</u>	<u>\$ 1,234,663</u>
2021				
Certificates of deposit		\$ 343,989		\$ 343,989
Mutual funds	\$ 855,622			855,622
Common stocks	<u>193,948</u>			<u>193,948</u>
Total	<u>\$ 1,049,570</u>	<u>\$ 343,989</u>	<u>None</u>	<u>\$ 1,393,559</u>

At September 30, 2022 or 2021, ACAP does not have any liabilities that are measured at fair value on a recurring basis, nor are there assets or liabilities measured on a nonrecurring basis.

(5) GRANTS AND ACCOUNTS RECEIVABLE

The grants and accounts receivable balance at September 30 represent amounts due from the various funding sources and unrelated third parties as follows:

	2022	2021
Federal programs	\$ 1,611,787	\$ 1,328,660
State and other programs	<u>518,696</u>	<u>297,343</u>
Sub-total	\$ 2,130,483	\$ 1,626,003
Less: Allowance for doubtful accounts	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 2,130,483</u>	<u>\$ 1,626,003</u>

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(6) FIXED ASSETS

The costs and related accumulated depreciation of fixed assets consists of the following:

	September <u>30, 2021</u>	<u>Additions</u>	<u>Retired</u>	September <u>30, 2022</u>
Land, buildings and improvements	\$ 4,939,688	\$ 1,266,844		\$ 6,206,532
Vehicles and equipment	<u>1,422,038</u>	<u>40,000</u>		<u>1,462,038</u>
	<u>6,361,726</u>	<u>1,306,844</u>		<u>7,668,570</u>
Less: Accumulated depreciation	<u>3,368,934</u>	<u>370,148</u>		<u>3,739,082</u>
Net property and equipment	<u>\$ 2,992,792</u>	<u>\$ 936,696</u>		<u>\$ 3,929,488</u>

(7) LONG-TERM DEBT

Long-term debt consists of the following:

3.0% note payable to Maine State Housing Authority (MSHA), payable in monthly installments of interest only commencing on June 1, 2022 through May 1, 2024 with the outstanding balance due at that time. Secured by real estate. The note was refinanced with proceeds from a MSHA forgivable loan in April 2023. See Note #12.

	<u>\$ 700,000</u>
Less current portion	<u>-</u>
	<u>\$ 700,000</u>

Long-term debt was scheduled to mature as follows prior to the loan being fully forgiven:

<u>Year ending September 30,</u>	<u>Amount</u>
2023	0
2024	700,000
2025	0
2026	0
2027	<u>0</u>
	<u>\$ 700,000</u>

(8) OPERATING LEASES

ACAP leases buildings and equipment under the terms of operating leases expiring at various times between April 2022 and August 2026. ACAP is liable for the cost of utilities under the lease agreements. Rent expense paid under these operating leases totaled \$512,951 and \$243,196 for the years ended September 30, 2022 and 2021 respectively.

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) OPERATING LEASES (cont'd.)

Future minimum payments under the leases are as follows:

2023	\$ 176,017
2024	161,017
2025	156,705
2026	<u>64,679</u>
Total	<u>\$ 558,418</u>

(9) LINE OF CREDIT

ACAP has a line-of-credit agreement of \$500,000 with a local bank, which expires June 30, 2023, and is secured by all accounts, contract rights, unrestricted equipment, unrestricted furniture and fixtures, and bears interest at the *Wall Street Journal* Prime Rate (6.25% as of September 30, 2022). There was no outstanding balance as of September 30, 2022 or 2021. It is expected that the line will be renewed upon expiration in June 2023.

(10) EMPLOYEE BENEFITS

ACAP has established a defined contribution plan for the benefit of its employees under Internal Revenue Code, Sections 403(b)(1) and 403(b)(7). The plan is contributory and covers all employees reaching certain age and length of service requirements. The employer contributions are at various rates depending on the number of years of employment. The employee may contribute any amount to the plan provided that the contribution does not exceed the maximum allowable under the Internal Revenue Code. For the years ended September 30, 2022 and 2021, the employer contributions to the plan amounted to \$177,994 and \$176,665 respectively.

(11) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist primarily of revolving loan funds available to loan out. The loan funds are restricted by various grantors for the intended purpose of the specific grant.

As of September 30, 2022 Net Assets with Donor Restrictions consisted of:

Edgemont Drive renovation project	\$ 400,000
CCDF/ARPA funding	<u>55,609</u>
	<u>\$ 455,609</u>

(12) COMMITMENTS AND CONTINGENCIES

ACAP participates in various governmental grant programs, which may be subject to future program compliance audits by grantors or their representatives. Accordingly, ACAP's compliance with applicable program grant requirements may be established at some future date. The amount, if any, of liabilities arising from disallowance of expenditures or ineligibility of grant revenue cannot be determined at this time. At September 30, 2022 and 2021, there was no known unrecorded contingent liabilities relating to compliance with the rules and regulations governing the funds, that management is aware of.

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) COMMITMENTS AND CONTINGENCIES (cont'd.)

On April 19, 2023, the Organization entered into a loan agreement with Maine State Housing Authority (MSHA) to borrow \$1,184,422 from MaineHousing's Housing Trust Fund to develop 13 units of permanent rental housing at 1 Edgemont Drive, Presque Isle, Maine. This loan will be fully forgiven upon completion of the project.

MSHA has also committed \$1,894,739 of CDBG grant funding toward the project. Other local funds will be raised to complete the project which is expected to commence in 2023.

(13) RELATED PARTIES

ACAP is 50% owner in MoM CAP, LLC. The principal purpose of MoM CAP, LLC is to provide access to software support services and maintenance. ACAP has recorded this investment using the equity method. At September 30, 2022 and 2021, the investment in MoM CAP, LLC was \$119,368 and \$129,535, respectively, and is included in other long-term assets on the statement of financial position.

Under the terms of the LLC operating agreement either party can withdraw from the LLC provided that the parties gives notice within 90 days of MoM CAP's September year end. The agreement provides for the withdrawing party to be paid it's full equity interest upon withdrawal. On March 7, 2022 Penquis CAP, the other 50% owner, gave notice of its intention to withdraw and dissolve the organization.

(14) GRANT AWARDS

As of September 30, 2022, ACAP has received future funding commitments under various grants. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

(15) GRANT FUNDS RECEIVED IN ADVANCE

Occasionally, The Organization receives grant awards in advance of the funds being expended. When this is the case the recognition of revenue from the grants is deferred until it is expended toward its specified purpose. As of September 30, 2022 and 2021 deferred grant revenues totaled \$1,452,380 and \$2,185,143 respectively.

(16) LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, are comprised of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,364,562	\$ 3,767,571
Accounts and grants receivable, to be collected in less than one year	2,130,483	1,626,003
Investments	1,234,663	1,393,559
	<u>\$ 6,729,708</u>	<u>\$ 6,787,133</u>

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(16) LIQUIDITY AND AVAILABILITY (cont'd.)

Less amounts not available to be used within one year:

Grant funds received in advance, included in cash and cash equivalents	\$ 1,452,380	\$ 2,185,143
Accounts payable and accrued expenses	1,335,313	1,598,987
Net assets with donor restrictions included in cash and cash equivalents	<u>455,609</u>	<u>0</u>
	<u>\$ 3,243,302</u>	<u>\$ 3,784,130</u>

Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,486,406</u>	<u>\$ 3,003,003</u>
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ACAP does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately 1-2 months of operating expenses. ACAP can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source.

(17) SUBSEQUENT EVENTS

Management has considered subsequent events occurring through May 16, 2023, the date the financial statements were available to be issued and determined that no additional adjustments or disclosures are required for the financial statements to be fairly stated.

(18) COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses. To date management has noted no negative impact of the pandemic on operations, however, management continues to monitor the situation as restrictions begin to ease. The final related financial impact on ACAP's operations, both in the current period and long-term, cannot be reasonably estimated at this time.

(19) PAYROLL PROTECTION LOAN

The Organization received a loan from Katahdin Trust Company totaling \$1,546,928 under the Payroll Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was subject to a note dated January 1, 2021. The Organization applied for, and was notified on March 24, 2022 that, \$1,546,928 in eligible expenditures for payroll expenses described in the CARES Act had been forgiven.

(20) PRIOR PERIOD ADJUSTMENT

Reclassifications have been made to the September 30, 2021 Statement of Activities and Statement of Functional Expenses to correct an error that was discovered. Administrative expenses were netted against Other Income on the Statement of Activities on the originally issued financial statements. This reclassification had no effect on the results of prior period operations or previously stated net assets.

SUPPLEMENTARY INFORMATION

AROOSTOOK COUNTY ACTION PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	PROGRAM PERIOD	FEDERAL ASSISTANCE LISTING NUMBER	GRANTOR NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES RECOGNIZED
<i>U.S. Department of Agriculture</i>					
Pass through from Maine Department of Health and Human Services					
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10/01/20-09/30/22	10.557	CD8-22-4651	-	371,938
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10/01/21-09/30/22	10.557	CD8-22-4651	-	352,600
Total Federal Expenditures Federal Assistance Listing #10.557				-	724,538
<i>Pass through from Maine Department of Health and Human Services</i>					
WIC - Farmer's Market Nutrition Program	10/01/21-09/30/22	10.572	CD8-22-4651	-	6,907
Total Federal Expenditures Federal Assistance Listing #10.572				-	6,907
<i>Pass through from Maine Department of Education</i>					
Child & Adult Care Food Program	10/01/21-09/30/22	10.558	FP-20-405	-	417,444
Total Federal Expenditures - Federal Assistance Listing #10.558				-	417,444
<i>SNAP Cluster</i>					
Pass through from Maine Department of Health and Human Services	05/01/21-09/30/22	10.561	OPI-21-014B	-	30,294
Supplemental Nutrition Assistance Program					
<i>Pass through from University of New England</i>					
Supplemental Nutrition Assistance Program	10/01/20-09/30/21	10.561	OPI-22-351	-	127,101
Total Federal Expenditures - SNAP Cluster - Federal Assistance Listing #10.561				-	157,395
<i>Total U.S. Department of Agriculture</i>					
				-	1,306,284
<i>U.S. Department of Housing and Urban Development</i>					
CDBG - Entitlement Grants Cluster					
Pass through from Maine Department of Economic and Community Development and the City of Rockland, Maine	04/01/22-03/31/23	14.218	None	-	96,627
Community Development Block Grant	04/01/20-03/31/22	14.218	None	-	54,053
Community Development Block Grant					
Total Federal Expenditures CDBG Entitlement Grants Cluster Federal Assistance Listing #14.218				-	150,680
<i>Pass through from Shaw House</i>					
Continuum of Care Program	12/01/21-11/30/23	14.267	ME0134Y1T00180	-	118,720
Total Federal Expenditures Federal Assistance Listing #14.267				-	118,720
<i>Pass through from Maine State Housing Authority</i>					
Lead Hazard Reduction Demonstration Grant	02/03/20-08/03/23	14.905	None	-	29,600
Total Federal Expenditures Federal Assistance Listing #14.905				-	29,600
<i>Total U.S. Department of Housing and Urban Development</i>					
				-	299,000

See accompanying notes to financial statements

Chester M. Kearney, Certified Public Accountants

AROOSTOOK COUNTY ACTION PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (cont'd.)

YEAR ENDED SEPTEMBER 30, 2022

<i>U.S. Department of Labor</i>						
<i>WIOA Cluster</i>						
Pass through from Northeastern Workforce Development Board						
Workforce Innovation & Opportunity Act - Adult	07/01/20-06/30/22	17,258	None			41,949
Workforce Innovation & Opportunity Act - Adult	04/01/22-06/30/23	17,258	None			101,492
Total Federal Expenditures Federal Assistance Listing #17,258						143,441
<i>Pass through from Northeastern Workforce Development Board</i>						
Workforce Innovation & Opportunity Act - Youth	07/01/20-06/30/22	17,259	None			81,440
Workforce Innovation & Opportunity Act - Youth	04/01/22-06/30/23	17,259	None			52,778
Total Federal Expenditures Federal Assistance Listing #17,259						134,218
<i>Pass through from Northeastern Workforce Development Board</i>						
Workforce Innovation & Opportunity Act - Dislocated Worker	07/01/20-06/30/22	17,278	None			52,231
Workforce Innovation & Opportunity Act - Dislocated Worker	04/01/22-06/30/23	17,278	None			26,730
Total Federal Expenditures Federal Assistance Listing #17,278						78,961
Total Federal Expenditures WIOA Cluster Federal Assistance Listing #17,258, #17,259, #17,278						356,620
<i>Pass through from Northeastern Workforce Development Board</i>						
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	03/01/20-12/31/22	17,277	12A.20200318-2546			106,178
Total Federal Expenditures Federal Assistance Listing #17,277						106,178
<i>Total U.S. Department of Labor</i>						
<i>U.S. Department of Energy</i>						
Pass through from Maine State Housing Authority						
Weatherization Assistance for Low-income	04/01/21-03/31/22	81,042	None			313,302
Weatherization Assistance for Low-income	04/01/22-03/31/23	81,042	None			238,493
Total Federal Expenditures Federal Assistance Listing #81,042						551,795
<i>Total U.S. Department of Energy</i>						
<i>U.S. Department of the Treasury</i>						
Pass through from Maine State Housing Authority						
COVID 19 -Housing Navigator	05/01/22-04/30/23	21,027	None			37,363
Pass through from Maine Department of Education						
COVID-19 Extended Learning	08/01/22-07/31/24	21,027	SLFRP0144			3,359
Total Federal Expenditures Federal Assistance Listing #21,027						40,722
<i>Pass through from Maine State Housing Authority</i>						
COVID - Emergency Rental Assistance Program	01/01/21-12/31/21	21,023	None			12,323,515
COVID - Emergency Rental Assistance Program	08/02/21-10/31/22	21,023	None			2,283,726
COVID - Housing Stability	08/02/21-10/31/22	21,023	None			200,185
Total Federal Expenditures Federal Assistance Listing #21,023						14,807,426
<i>Total U.S. Department of the Treasury</i>						
<i>U.S. Department of Health and Human Services</i>						
Direct Award						
Drug-Free Communities Support Program	10/1/21-9/30/22	93,276	1 NFE28CE003050-01-00			104,199
Total Federal Expenditures Federal Assistance Listing #93,276						104,199

See accompanying notes to financial statements

Chester M. Kearney, Certified Public Accountants

AROOSTOOK COUNTY ACTION PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (cont'd.)

YEAR ENDED SEPTEMBER 30, 2022

<i>U.S. Department of Health and Human Services (cont'd.)</i>					
Pass through from Maine Department of Health and Human Services					
COVID-19 Social Supports	02/01/21-12/31/21	93.323	COM-21-5008B		41,916
COVID-19 Social Supports	01/01/22-12/31/22	93.323	COM-22-6002		60,789
Total Federal Expenditures Federal Assistance Listing #93.323					102,705
Pass through from Maine Department of Health and Human Services					
Capacity Building Assistance to Strengthen Immunization Infrastructure	02/01/21-9/30/22	93.539	COM-21-5701B		147,690
Total Federal Expenditures Federal Assistance Listing #93.539					
TANF Cluster					
Pass through from Maine Department of Health and Human Services					
Temporary Assistance to Needy Families - Improving Outcomes for Youth	07/01/21-09/30/22	93.558	CFS-22-2116		297,982
Temporary Assistance to Needy Families - Improving Outcomes for Youth	07/01/21-09/30/23	93.558	CFS-22-2116		124,610
Total Federal Expenditures TANF Cluster Federal Assistance Listing #93.558					422,592
Community Services Block Grant (CSEB) Cluster					
Pass through from Maine Department of Health and Human Services					
Community Services Block Grant	10/01/21-09/30/22	93.569	CFS-22-7000A		369,319
CARES ACT - Community Services Block Grant	01/20/20-09/30/22	93.569	CFS-20-7100		225,346
Total Federal Expenditures CSBG Cluster Federal Assistance Listing #93.569					594,665
Direct Award - Head Start Cluster					
Head Start - ARP/ARRSSA					
Head Start	04/01/21-03/31/23	93.600	01HE000840-01-01		85,651
Covid - Head Start	06/01/22-05/31/23	93.600	01CH010924-04		1,386,689
Head Start	06/01/21-05/31/23	93.600	01CH010924-03		46,612
Head Start	06/01/21-05/31/22	93.600	01CH010924-03		2,933,537
Total Federal Expenditures Head Start Cluster Federal Assistance Listing #93.600					4,452,489
Pass through from Maine State Housing Authority					
LIHEAP Weatherization Program	10/01/20-09/30/23	93.568	None		129,750
LIHEAP Weatherization Program	07/01/21-03/31/24	93.568	None		232,233
LIHEAP/CHIP	10/01/20-03/31/23	93.568	None		273,183
LIHEAP/CHIP	10/01/20-03/31/23	93.568	None		480,918
LIHEAP/CHIP	07/01/22-03/31/25	93.568	None		154,448
LIHEAP/Heat pump program	07/01/21-03/31/24	93.568	None		154,092
LIHEAP/Heat pump program	01/01/22-03/31/24	93.568	None		754,017
Home energy assistance - other benefits	07/01/21-09/30/22	93.568	None		830,087
Home energy assistance - other benefits	07/01/22-09/30/23	93.568	None		71,494
Assurance 16	10/1/21-9/30/22	93.568	None		244,682
ECP 22	10/01/21-09/30/22	93.568	None		579,057
LIHEAP	10/1/21-09/30/22	93.568	None		3,703,587
Total Federal Expenditures Federal Assistance Listing #93.568					7,607,548
Pass through from Maine Department of Health and Human Services					
Child Care Development Block Grant (477 Cluster)	10/1/21-9/30/22	93.575	None		745,532
Total Federal Expenditures Federal Assistance Listing #93.575					745,532
Medicaid Cluster					
Pass through from Maine Department of Health and Human Services					
Navigator Grant	11/01/20-10/31/21	93.778	COM-21-5500		966
Navigator Grant	11/01/21-10/31/22	93.778	COM-21-5500B		9,344
Total Federal Expenditures Medicaid Cluster Federal Assistance Listing #93.575					10,310

See accompanying notes to financial statements

Chester M. Kearney, Certified Public Accountants

AROOSTOOK COUNTY ACTION PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (cont'd.)

	YEAR ENDED SEPTEMBER 30, 2022			
Pass through from Shaw House				
FYSP Street Outreach	09/30/21-09/29/22	93,557	None	15,830
Total Federal Expenditures Medicinid Cluster Federal Assistance Listing #93,557				<u>15,830</u>
Direct Award				
Rural Health Care Services Outreach	05/01/20-12/31/21	93,912	D04RBS1769-03-02	1,751
Total Federal Expenditures Federal Assistance Listing #93,912				<u>1,751</u>
Direct Award				
Assistance programs for chronic disease prevention & control	10/01/21-12/31/22	93,945	1N158DP007063	98,168
Total Federal Expenditures Federal Assistance Listing #93,945				<u>98,168</u>
Total U.S. Department of Health and Human Services				<u>14,303,479</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>31,771,504</u>

See accompanying notes to financial statements

Chester M. Kearney, Certified Public Accountants

AROOSTOOK COUNTY ACTION PROGRAM, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Aroostook County Action Program, Inc. under programs of the federal government for the year ended September 30, 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). Because the Schedule presents only a selected portion of the operations of Aroostook County Action Program, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Aroostook County Action Program, Inc.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) INDIRECT COSTS

Aroostook County Action Program, Inc. has elected not to use the 10% de minimis rate and has an agreed upon rate of 23% of direct salaries and wages excluding fringe benefits for the year ended September 30, 2022.

(4) PROGRAM OPERATIONS

Included in Federal assistance listing number #93.568 and #10.557 are client benefits paid by the State of Maine of \$3,703,587 and \$724,538 respectively. These amounts are not included in the statement of activities as the agency does not receive this funding directly.

AROOSTOOK COUNTY ACTION PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified _____ Yes X No

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 _____ Yes X No

Type of auditor's report issued on compliance for major programs: *Unmodified Opinion*

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>Federal Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
21.023	U.S. Department of Treasury Emergency Rental Assistance Program	\$14,807,426
93.600	U.S. Department of Health & Human Services Head Start Cluster	\$4,452,489
93.575	Child Care and Development Block Grant (477 Cluster)	\$745,532

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

AROOSTOOK COUNTY ACTION PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no audit findings for the year ended September 30, 2022.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings or questioned costs for the year ended September 30, 2022.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

A D D I T I O N A L R E P O R T S



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Certified Public Accountants

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Barbara E. McGuire, CPA, CGMA
Timothy P. Poitras, CPA, CGMA

To the Board of Directors of
Aroostook County Action Program, Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aroostook County Action Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aroostook County Action Program, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aroostook County Action Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Aroostook County Action Program, Inc.'s internal control.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aroostook County Action Program, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chester M. Kearney

Presque Isle, Maine
May 16, 2023



Chester M. Kearney
Certified Public Accountants

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To the Board of Trustees of the
Aroostook County Action Program, Inc.

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Aroostook County Action Program'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 Aroostook County Action Program Inc.'s major federal programs for the year ended September 30, 2022. Aroostook County Action Program Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Aroostook County Action Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 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 Aroostook County Action Program, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Aroostook County Action Program, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Aroostook County Action Program, Inc. 's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Aroostook County Action Program, Inc. 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Aroostook County Action Program, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Aroostook County Action Program, Inc. 's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Aroostook County Action Program, Inc. 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Aroostook County Action Program, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chester M. Kearney

Presque Isle, Maine
May 16, 2023