

WNCSource Financial Snapshot September 2022

Items of note on the financial statements this month:

Balance Sheet:

- Unrestricted cash balance is \$1.5 Million – unrestricted cash has declined by \$330,221 as we release funds to pay construction invoices and expenses reimbursed by the stabilization grants
- This fiscal year, WNCSource has received \$106,387.50 in Stabilization Grant funds from the state to support expenses for extended day care operations (Wrap Around). Funding opportunities will continue for an additional 6 months and WNCSource will continue to apply for funding.
- Agency Net Income =(-\$423,864) it is not unusual for us to show operating losses at this time of year; we will continue to see losses as we release designated funds to pay for construction expenses and stabilization grant expenses – the revenue for those grants was recorded last year when the grant funds were received

Income statement:

- Early Childhood Education Services is experiencing operating YTD losses in the following programs
 - Child Nutrition (CACFP)= (-\$25,144). The losses are related to unreimbursed food service cost
 - NC Pre-K =(-\$85,391) expenses incurred but not billable in July; losses in August and September due to reduced enrollment and closed classrooms
- CACFP program grant year end is 9/30/22. The recorded Program loss for the Grant Year 10/01/21 to 9/30/22 is (-\$55,536) after re-allocation of (-\$28,837) in un-reimbursed food service expenses to supplemental grant funding sources. The total loss for the Grant year is (-\$84,373). Efforts to contain the loss are ongoing. We are reimbursed based on the number of meals served daily and the current reimbursement does not cover our fixed cost if we do not serve enough meals.
- The reported loss for Senior Nutrition services is (-\$8677). Generally losses in Senior Nutrition are the result of variable food purchases throughout the year.
- Housing Services is showing a loss of (-\$32,692) as a result of underpayments on Housing Choice Voucher program. HUD estimates current payments based on the previous six months of experience. Occasionally there are fluctuations in the monthly expense related to changes in the number of vouchers leased and in the amount charged for rents. When this happens, WNCSource applies to HUD to use HUD held reserves to cover the variance. It usually takes about 45 days to receive the variance payment. The variance payment was received in October.
- Indirect costs for the month were: \$133,306
- DRAFT Financial Statements for FY 2022 are attached. The Agency ended the year with a \$1.4 Million surplus! The surplus is largely the result of successful fundraising including \$662K in from private foundations and \$602K from NC Stabilization funds. The Draft is for your review. Final statements will be available in December.

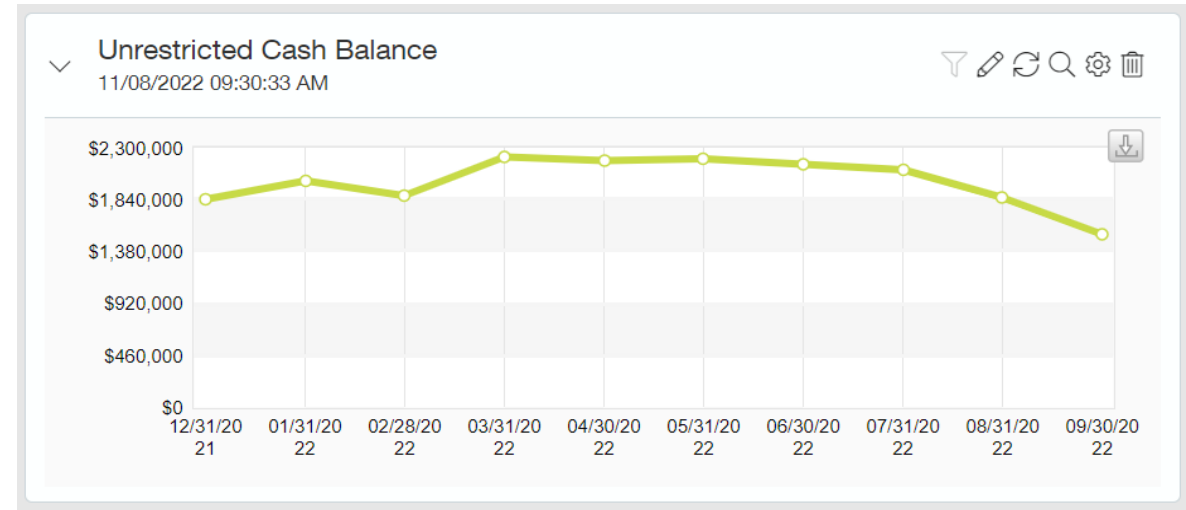
WNCSource Treasurer's Dashboard

Date: As of 09/30/22

Agency Performance Cards – Fiscal Year to Date

<p>WCCA Net Income</p> <p>-\$423,864 ↓</p> <p>fiscal - current year to date -\$423,864 vs. budget</p>	<p>Unrestricted Cash</p> <p>\$1,531,170 ↓</p> <p>this month -\$330,221 vs. prior month</p>
<p>Fundraising - Private Foundations...</p> <p>\$2,248 ↓</p> <p>fiscal - current year to date -\$250,688 vs. prior year</p>	<p>Fundraising - Donations</p> <p>\$2,148 ↓</p> <p>fiscal - current year to date -\$12,645 vs. prior year</p>

Monthly Unrestricted Cash Balance



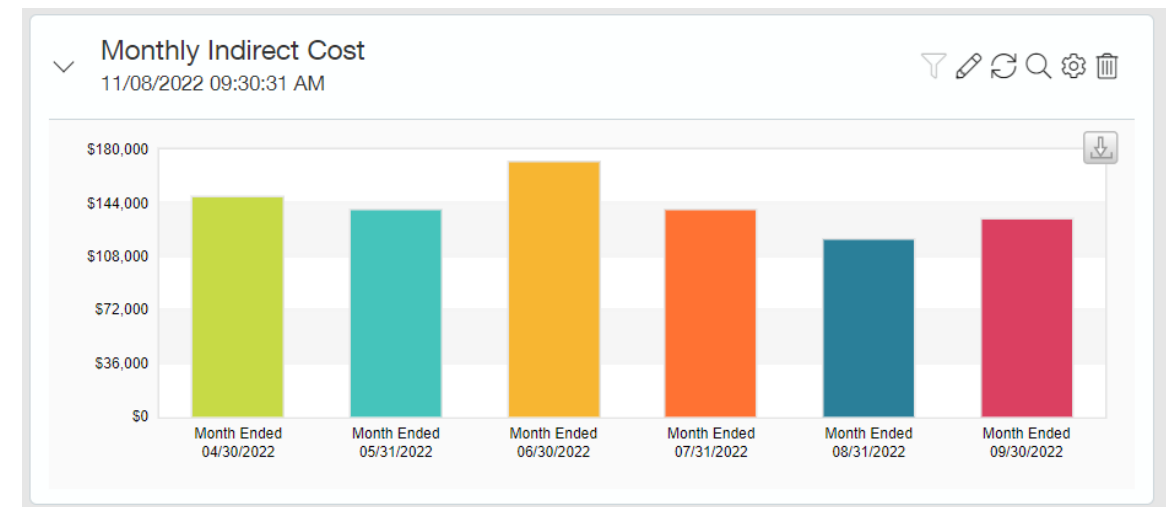
Program Income and % of Budget – Fiscal Year to Date

Program Income by Service Line
11/08/2022 09:30:31 AM

	Revenue Year To Date 09/30/2022 Actual	Expenses Year To Date 09/30/2022 Actual	Operating Income 09/30/2022 Actual
Early Childhood Education Services	1,738,314.65	1,830,228.66	(91,914.01)
Housing Services	1,043,441.69	1,076,133.33	(32,691.64)
Transportation Services	323,308.11	311,511.21	11,796.90
Senior Nutrition	53,123.71	61,800.90	(8,677.19)

Early childhood losses include(-\$85,391) loss on NC Pre-K;(- \$25,144) loss on Child Nutrition Program; and net gains of \$16531.99 from State Wrap Around funding. Housing services losses are related to lower HAP funding than monthly expenditures – we applied for additional HAP funds from HUD held reserves to cover the loss.

Monthly Administrative Cost



WNCSource
 AFS Format - Statement of Financial Position
 As of September 30, 2022

As of Date:

09/30/2022

	Month Ending 09/30/2022	Month Ending 08/31/2022	Variance	Notes
	Actual	Actual		
Total Assets				
Current Assets				
Unrestricted Cash	1,531,170	1,861,391	(330,221.00)	<i>Payments on construction projects; utilization of Wrap Around funds</i>
Restricted Cash	147,414	142,383	5,031.00	
Accounts Receivable-Other	29,742	27,733	2,009.00	
Federal and State Grant Receivables	1,018,661	933,251	85,410.00	
Prepaid Expense	161,936	131,857	30,079.00	
Total Current Assets	2,888,923	3,096,615	(207,692.00)	
Noncurrent Assets				
Property and Equipment	4,787,934	4,787,933	0.00	
Endowment and Investments	60,245	60,246	0.00	
Notes Receivable	366,482	366,481	0.00	
Investments				
Security Collateral - Well Health Captive	60,873	60,873	0.00	
Total Investments	60,873	60,873	0.00	
Total Noncurrent Assets	5,275,534	5,275,533	0.00	
Total Total Assets	8,164,457	8,372,148	(207,692.00)	
Total Liabilities and Net Assets				
Total Liabilities				
Current Liabilities				
Accounts Payable-Trade	291,351	259,172	32,179.00	
Misc Accounts Payable and Accrued Expenses	50,120	73,689	(23,570.00)	
Self-Insurance Payable	570,263	570,263	0.00	
Accrued Annual Leave	211,153	211,153	0.00	
Housing Escrow Payable	75,530	71,134	4,397.00	
Total Current Liabilities	1,198,417	1,185,411	13,006.00	
Long-Term-Liabilities				
Deferred Revenue	366,482	366,482	0.00	
Long Term Debt	1,531,686	1,546,425	(14,739.00)	<i>Normal payments of principal and interest on Long term debt</i>
Total Long-Term-Liabilities	1,898,168	1,912,907	(14,739.00)	
Total Liabilities	3,096,585	3,098,318	(1,733.00)	
Net Assets				
Without Donor Restrictions Undesignated Net Assets	4,975,494	5,095,341	(119,847.00)	
Without Donor Restrictions Designated Net Assets	543	543	0.00	
With Donor Restrictions Net Assets	297,793	297,793	0.00	
Change in Net Assets	(205,958)	(119,847)	(86,112.00)	
Total Net Assets	5,067,872	5,273,830	(205,959.00)	
Total Liabilities and Net Assets	8,164,457	8,372,148	(207,692.00)	

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WESTERN CAROLINA COMMUNITY ACTION, INC.

Financial Statements

and Supplementary Information

June 30, 2022 and 2021

Western Carolina Community Action, Inc.
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June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Western Carolina Community Action, Inc.
Hendersonville, North Carolina

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Report on the Financial Statements

We have audited the accompanying statements of financial position of Western Carolina Community Action, Inc. (the Agency), as of June 30, 2022 and June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Carolina Community Action, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial data schedules and the Schedule of Expenditures of Federal and State 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*, are presented for purposes of additional analysis and are 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of Western Carolina Community Action, 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 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 Western Carolina Community Action, Inc.'s internal control over financial reporting and compliance.

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 7, 2022

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**Western Carolina Community Action, Inc.
dba WNCSource
Statements of Financial Position
As of June 30,**

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 995,387	\$ 1,332,143
Restricted Cash	1,299,626	417,322
Receivables:		
Federal and State Grants	1,290,315	1,489,483
Notes Receivable, Current Portion	17,057	16,298
Other	22,714	64,278
Prepaid Expenses	55,751	71,690
Total Current Assets	<u>3,680,850</u>	<u>3,391,214</u>
Noncurrent Assets		
Property and Equipment - Net	4,787,934	4,195,292
Notes Receivable, Exclusive of Current Portion	349,425	333,886
Investment in Endowment	40,246	46,074
Investment in Well Health Captive	80,873	42,548
Total Noncurrent Assets	<u>5,258,477</u>	<u>4,617,800</u>
Total Assets	<u><u>\$ 8,939,327</u></u>	<u><u>\$ 8,009,014</u></u>

The accompanying notes are an integral part of these financial statements.

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	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 469,922	\$ 617,029
Self-Insurance Payable	450,000	550,000
Accrued Annual Leave	211,152	218,761
Accrued Payroll	194,375	169,538
Incurred But Not Reported Claims Payable	120,263	180,567
Housing Escrow Payable	59,288	47,146
Deferred Revenue, Current Portion	17,057	16,298
Long-Term Debt, Current Portion	182,942	209,431
Total Current Liabilities	<u>1,704,999</u>	<u>2,008,770</u>
Long-Term Liabilities		
Deferred Revenue	349,425	333,885
Long Term Debt	1,392,836	1,587,092
Total Long-Term Liabilities	<u>1,742,261</u>	<u>1,920,977</u>
Total Liabilities	<u>3,447,260</u>	<u>3,929,747</u>
Net Assets		
Undesignated	1,048,563	1,336,630
Invested in fixed assets, net of related debt	3,212,156	2,398,769
Board-designated for Endowment	40,246	46,074
Total Without Donor Restrictions	<u>4,300,965</u>	<u>3,781,473</u>
With Donor Restrictions Net Assets	<u>1,191,102</u>	<u>297,794</u>
Total Net Assets	<u>5,492,067</u>	<u>4,079,267</u>
Total Liabilities and Net Assets	<u><u>\$ 8,939,327</u></u>	<u><u>\$ 8,009,014</u></u>

The accompanying notes are an integral part of these financial statements.

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Western Carolina Community Action, Inc.
dba WNCSource
Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Grants and Other Support			
Federal Grants	\$ 7,840,360	\$ 4,104,798	\$ 11,945,158
Federal Pass Through Grants	456,678	625,719	1,082,397
State Grants	1,960,736	-	1,960,736
County Contributions and Local Grants	418,988	674,883	1,093,871
Program Income and Fees	1,061,910	-	1,061,910
Interest Income from Investments	387	-	387
Other	87,695	2,808	90,503
In Kind Contributions	268,750	-	268,750
Donations	11,721	23,613	35,334
Rental Income	125,827	-	125,827
Gain(Loss) on Disposal of Assets	(51,690)	-	(51,690)
Gain(Loss) on Self Insured Plan	62,598	-	62,598
Realized Gain(Loss) on Endowment Fund	1,719	-	1,719
Unrealized Gain(Loss) on Endowment Fund	(7,207)	-	(7,207)
Net Assets Released from Restrictions	4,538,513	(4,538,513)	-
	<u>16,776,985</u>	<u>893,308</u>	<u>17,670,293</u>
Expenses			
Program Expense	14,503,964	-	14,503,964
Management and General	1,698,102	-	1,698,102
Fundraising Services	55,427	-	55,427
	<u>16,257,493</u>	<u>-</u>	<u>16,257,493</u>
Total Expenses	<u>16,257,493</u>	<u>-</u>	<u>16,257,493</u>
Change in Net Assets	519,492	893,308	1,412,800
Net Assets at Beginning of Year	3,781,473	297,794	4,079,267
Net Assets at End of Year	<u>\$ 4,300,965</u>	<u>\$ 1,191,102</u>	<u>\$ 5,492,067</u>

The accompanying notes are an integral part of these financial statements.

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Western Carolina Community Action, Inc.
 dba WNCSource
 Statement of Activities
 Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Grants and Other Support			
Federal Grants	\$ 7,484,467	\$ 4,200,629	\$ 11,685,096
Federal Pass Through Grants	1,081,297	-	1,081,297
State Grants	2,145,899	34,027	2,179,926
County Contributions and Local Grants	724,579	101,942	826,521
Program Income and Fees	149,709	-	149,709
Interest Income from Investments	1,914	-	1,914
Other	51,952	36,925	88,877
In Kind Contributions	273,009	-	273,009
Donations	14,277	-	14,277
Rental Income	124,788	-	124,788
Gain(Loss) on Disposal of Assets	9,000	-	9,000
Gain(Loss) on Self Insured Plan	147,636	-	147,636
Realized Gain(Loss) on Endowment Fund	776	-	776
Unrealized Gain(Loss) on Endowment Fund	10,776	-	10,776
Net Assets Released from Restrictions	4,468,669	(4,468,669)	-
	<u>16,688,748</u>	<u>(95,146)</u>	<u>16,593,602</u>
Total Revenue, Grants and Other Support			
Expenses			
Program Expense	14,908,185	-	14,908,185
Management and General	1,508,959	-	1,508,959
Fundraising Services	49,973	-	49,973
	<u>16,467,117</u>	<u>-</u>	<u>16,467,117</u>
Total Expenses			
Change in Net Assets	221,631	(95,146)	126,485
Net Assets at Beginning of Year	3,559,842	392,940	3,952,782
Net Assets at End of Year	<u>\$ 3,781,473</u>	<u>\$ 297,794</u>	<u>\$ 4,079,267</u>

The accompanying notes are an integral part of these financial statements.

Western Carolina Community Action, Inc.
dba WNCSource
Statement of Functional Expenses
Year Ended June 30, 2022

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	Supporting Services			Total
	Program Services	Management and General	Fund Raising	
Salaries and Wages	\$ 5,520,747	\$ 972,840	\$ 36,377	\$ 6,529,964
FFCRA Wages	36,979	-	-	36,979
Payroll Taxes	410,133	71,732	2,712	484,577
FFCRA Tax Credit	(36,979)	-	-	(36,979)
Retirement Contributions	386,403	71,666	2,767	460,836
Other Employee Benefits	991,893	139,668	4,432	1,135,993
Dues, Memberships, and Subscriptions	17,774	6,797	-	24,571
Equipment	71,169	4,356	-	75,525
Food Services Expense	189,897	2,306	-	192,203
Miscellaneous Program Support	91,284	5,335	-	96,619
Participant Costs	3,678,598	24,117	-	3,702,715
Postage and Shipping	5,200	2,255	102	7,557
Printing and Copywork	12,169	4,626	-	16,795
Professional Services	278,462	89,510	2,486	370,458
Software Leases and Licenses	71,788	81,630	1,996	155,414
Staff Travel and Continuing Education	117,199	25,179	298	142,675
Supplies	357,637	8,244	413	366,294
Vehicles	255,275	364	-	255,639
Occupancy	301,416	19,467	428	321,311
Housing Rehabilitation Programs	26,358	-	-	26,358
Advertising	15,676	31,905	2,326	49,907
Subcontractors	583,384	-	-	583,384
Communications	92,853	21,007	-	113,859
Facilities	198,491	92,799	788	292,079
Insurance	160,876	17,168	302	178,346
Depreciation	341,364	5,132	-	346,496
In-Kind Expenses	268,750	-	-	268,750
Interest Expense	58,452	-	-	58,452
Bad Debt Expense	716	-	-	716
Total	\$ 14,503,964	\$ 1,698,102	\$ 55,427	\$ 16,257,493

The accompanying notes are an integral part of these financial statements.

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Western Carolina Community Action, Inc.
dba WNCSource
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services Management and General	Fund Raising	Total
Salaries and Wages	\$ 5,479,484	\$ 883,950	\$ 33,462	\$ 6,396,896
FFCRA Wages	63,698	-	-	63,698
Payroll Taxes	402,038	68,893	2,486	473,417
FFCRA Tax Credit	(63,698)	-	-	(63,698)
Retirement Contributions	359,771	67,402	2,397	429,570
Other Employee Benefits	1,150,091	35,580	4,238	1,189,909
Dues, Memberships, and Subscriptions	66,974	10,925	-	77,899
Equipment	101,102	7,497	489	109,088
Food	229,158	787	69	230,015
Miscellaneous Program Support	3,495	16,585	-	20,081
Participant Cost	3,704,908	10,739	-	3,715,647
Postage and Shipping	4,998	2,048	11	7,057
Printing and Copywork	6,580	1,079	-	7,659
Professional Services	227,810	113,222	1,512	342,544
Software Leases and Licenses	65,764	115,375	2,411	183,551
Staff Travel and Continuing Education	128,464	26,784	182	155,431
Supplies	509,082	8,067	-	517,148
Vehicles	236,706	-	-	236,706
Occupancy	311,016	12,698	953	324,667
Housing Rehabilitation Programs	127,795	-	-	127,795
Advertising	12,320	8,033	-	20,353
Subcontractors	644,700	-	-	644,700
Communications	91,146	19,630	-	110,776
Facilities	200,638	72,183	1,763	274,584
Insurance	169,605	17,690	-	187,295
Depreciation	347,185	5,561	-	352,746
In-Kind Expenses	273,009	-	-	273,009
Interest Expense	48,251	4,230	-	52,481
Bad Debt Expense	6,094	-	-	6,094
Total	\$ 14,908,185	\$ 1,508,959	\$ 49,973	\$ 16,467,117

The accompanying notes are an integral part of these financial statements.

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Western Carolina Community Action, Inc.
dba WNCSource
Statements of Cash Flows
Year Ended June 30,

	2022	2021
Change in Cash from Operating Activities		
Change In Net Assets	\$ 1,412,800	\$ 126,485
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	346,496	352,746
(Gain) Loss on Disposal of Assets	51,690	(9,000)
Unrealized (Gain) Loss on Investments	7,207	(10,776)
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Federal and State Grants	199,168	38,575
Receivables - Other	41,564	811
Prepaid Expenses	15,939	34,457
Accounts Payable and Accrued Expenses	(147,107)	315,630
Self Insurance Payable	(100,000)	-
Proceeds from Self Insured Plan used for Operations	-	12,277
Incurred but Not Reported Claims Payable	(60,304)	71,426
Accrued Payroll	24,837	41,441
Accrued Annual Leave	(7,609)	(100,685)
Housing Escrow Payable	12,142	(29,595)
Net Cash Provided by Operating Activities	1,796,823	843,792
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(146,940)	(211,680)
Purchases of Land and Building	(53,860)	(823,248)
Purchases in Construction in Progress	(793,504)	-
Investment in Endowment Fund	(1,378)	(479)
Investment in Well Health Captive	(38,325)	(42,548)
Net Cash Used by Investing Activities	(1,034,007)	(1,077,955)
Cash Flows from Financing Activities		
Proceeds from Long-term Debt	-	648,000
Principal Payments from Long-term Debt	(217,268)	(176,413)
Net Cash Provided (Used) by Financing Activities	(217,268)	471,587
Net Change in Cash	545,548	237,424
Cash, Beginning Period	1,749,465	1,512,041
Cash, End of Period	\$ 2,295,013	\$ 1,749,465
Cash as Reported on Statement of Financial Position		
Cash and Cash Equivalents	\$ 995,387	\$ 1,332,143
Restricted Cash	1,299,626	417,322
	\$ 2,295,013	\$ 1,749,465

The accompanying notes are an integral part of these financial statements.

**Western Carolina Community Action, Inc.
dba WNCSource, Inc.
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021**

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Note 1 – Description of Organization:

Western Carolina Community Action, Inc. dba WNCSource (the Agency) was incorporated as a nonprofit corporation on February 28, 1966 pursuant to the laws of the State of North Carolina and operates in Henderson, Transylvania, and Polk Counties. It is funded primarily by grants from federal, State and local governmental units and agencies. The Agency administers various programs designed to assist the underprivileged in achieving self-sufficiency. Programs include Head Start, Early Head Start, Nutrition and Transportation Services, Rental Assistance, and Home Ownership Programs.

Note 2 – Significant Accounting Policies:

This summary of significant accounting policies of the Agency is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation follows the recommendations of statements issued by the Financial Accounting Standards Board. Under these statements, the Agency is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that consist of all resources of the Agency which have no donor-imposed restrictions. The Agency's Board of Directors may, at their discretion, designate unrestricted support for a specific purpose.

Net Assets With Donor Restrictions – Net assets that consist of contributions received whose use by the Agency is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of the Agency. When a donor restriction expires, net assets are released and reported in the statement of activities as assets released from restrictions. Other donor-imposed restrictions can be limited in perpetuity.

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Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use regardless of maturity date to be cash equivalents.

Receivables

Receivables consist of unpaid balances from grantors and other miscellaneous amounts. Accounts are charged off as they are deemed uncollectible based upon periodic review of the accounts. For the years ended June 30, 2022 and 2021, bad debt expense was \$716 and \$6,094 respectively.

Property and Equipment

Property and equipment have been recorded at cost. Contributions of property and equipment have been recorded at their fair market value at the date of the gift. Depreciation has been computed on the straight-line basis over the estimated useful life of the asset. Upon sale or other disposition of property and equipment, the cost and related accumulated depreciation is removed from the accounts and the related gain or loss is reflected in operations. Expenditures for major renewals, replacements and betterments in excess of \$5,000 are capitalized. Repairs, maintenance and minor renewals, not in the nature of capital expenditures, are reflected in operations as incurred.

Property and equipment acquisitions by individual programs are charged to expense of the particular program at the time of purchase. These assets are later capitalized by an offsetting entry outside of the program originally charged.

Federal and State Grant Revenue

Revenue for reimbursable grants is recognized when program expenditures are incurred in accordance with program guidelines. All other grant revenues are recognized when received and expenditures tracked against it. Such revenues are subject to review by the funding agency.

Accrued Annual Leave

The Agency accrues Paid Time Off (PTO) benefits using a progressive rate based on the employees' length of service with the Agency. An employee can earn up to a maximum of 176 hours of PTO under the plan. The balance is payable upon termination. The Agency accrued annual leave in the amount of \$211,152 and \$218,761 for the years ended June 30, 2022 and 2021, respectively. PTO expense is recorded and billed to grants when paid not when accrued.

In-kind Contributions

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The Agency receives in-kind contributions from various organizations and individuals. These consist of rent, supplies, and consulting services and are valued at the fair market value of the donated service or item at the time of the donation.

Donated services are recognized as contributions in accordance with statements issued by the Financial Accounting Standards Board, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. During the years presented, volunteers provided services in the Head Start program that were not recognized as contributions in the financial statements since the recognition criteria were not met.

Deferred Revenue

Deferred revenue represents revenue associated with the Notes Receivable from English Hills, LLC. See notes 4 and 13 for further detail.

Advertising Costs

Advertising costs are expensed in the year incurred. Advertising and development costs for the years ended June 30, 2022 and 2021 totaled \$49,907 and \$20,353, respectively.

Income Taxes

The Agency qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal and State income taxes. The Agency may be taxed on unrelated business income or uncertain tax positions; however, the Agency has not engaged in any activities that would generate unrelated business income or adopted any uncertain tax positions. Therefore, no provision for income taxes has been made in these financial statements.

The Agency has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of the date of the independent auditors' report, the Agency has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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Cost Allocation

The Agency uses the direct cost method to allocate costs to a particular program that can be specifically identified with the particular program. For costs that cannot be specifically identified with a particular program, the costs are allocated using an indirect cost rate. The rate is computed using program salaries and fringe benefits to total Agency salaries and fringe benefits. Fringe benefits are accounted for in a pool and allocated to each program based on salaries of the program.

Subsequent Events

Management has evaluated subsequent events from the date of the balance sheet through the report date, which represents the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Note 3 – Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprising of the following:

Cash and cash equivalents	\$ 995,387
Federal and state receivables	1,290,315
Notes receivable	17,057
Other receivables	22,714
	<u>\$2,325,473</u>

Note 4 – Cash:

Restrictions

Cash held in several accounts in the amounts of \$1,299,626 and \$417,322 at June 30, 2022 and 2021, respectively, is restricted for certain purposes. Those purposes include ones imposed by grantors and funds restricted for use of self-insured health fund.

Concentrations

The amount of cash held in demand accounts sometimes exceeds the amount insured by the FDIC. Due to the strong credit ratings of these financial institutions, the Agency believes it is not exposed to any significant credit risk to cash.

Note 4 – Notes Receivable:

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Note Date	Maturity Date	Original Principal Balance	Unamortized Discount	Present Value	Mortgage Position	Note Term
(A) 2005	2025	\$ 225,000	\$ 27,390	\$197,610	2nd	20 years
(B) 2006	2026	200,000	31,129	168,871	2nd	20 years
		\$ 449,000	\$ 58,518	\$366,482		

(A) In fiscal 2005, the Agency loaned English Hills, LLC \$225,000 used for the construction of low-income housing under the provisions of the HOME program. This deferred payment note is recorded at its present value of \$197,610 and \$188,762 at June 30, 2022 and 2021, respectively.

No repayment is required, if the subject property remains qualified under the affordability requirements of the HOME program’s funding guidelines and restrictions. This note bears no interest and is recorded at its net present value based on an imputed interest rate at loan origination of 4.59% (Long-term Applicable Federal Rate).

(B) In fiscal 2006, the Agency loaned English Hills, LLC \$200,000 used for the construction of low-income housing under the provisions of the HOME program. This deferred payment note is recorded at its present value of \$168,871 and \$161,422 at June 30, 2022 and 2021, respectively.

No repayment is required, if the subject property remains qualified under the affordability requirements of the HOME program’s funding guidelines and restrictions. This note bears no interest and is recorded at its net present value based on an imputed interest rate at loan origination of 4.52% (Long-term Applicable Federal Rate).

Note 5 – Property and Equipment:

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Property and equipment at June 30, 2022 and 2021 consisted of the following.

	<u>2022</u>	<u>2021</u>
Land	\$ 1,002,242	\$ 948,381
Buildings and Improvements	6,919,739	6,983,725
Construction In Progress	793,504	-
Vehicles	1,210,023	1,204,940
Equipment	215,889	218,726
Other	33,209	33,210
	<hr/>	<hr/>
Total	10,174,605	9,388,982
Less: Accumulated Depreciation	<u>5,386,671</u>	<u>5,193,690</u>
Total Property and Equipment - Net	<u>\$ 4,787,934</u>	<u>\$4,195,292</u>

Note 6 – Investment in Endowment:

The Agency has established an Endowment Fund with the Community Foundation of Henderson County, Inc. (the Foundation). This fund consists of funds designated by the Agency to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Agency to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date for the donor-restricted endowments funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency would classify as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, and (b) the original value of subsequent gifts to a permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency 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 Agency's purpose 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 Agency;
7. The investment policies of the Agency.

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Return Objectives and Risk Parameters

The Agency utilizes the investment policy used by the Foundation. The primary objective of those investments is to provide for consistent long-term growth of principal and income without undue exposure to risk. The investment objective is to achieve a total return including appreciation, which will satisfy the current financial needs of the various funds, protect and increase their long-term inflation-adjusted value, and minimize short-run volatility.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation determines the amount available for spending under a total return system, with the intent to minimize the likelihood of the original contributions of a fund being invaded. The Foundation has a policy of appropriating for distribution each year five percent of its endowment fund’s average fair value over the prior twelve quarters as calculated using a March 31 quarter end.

The endowment net asset composition for the years ended June 30, 2022 and 2021 is as follows:

	Unrestricted Net Assets	
	June 30,	
	2022	2021
Board-designated Endowment Funds	\$ 40,246	\$ 46,074

The changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 46,074	\$ 34,819
Investment Income	1,719	776
Unrealized Gains (Losses)	(7,207)	10,776
Investment and Other Fees	(341)	(297)
Balance - End of Year	<u>\$ 40,245</u>	<u>\$ 46,074</u>

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Note 7 – Retirement Plan

The Agency contributes 5% of the total annual salary of each employee to the tax-sheltered annuity plan (403b) and also matches 100% of employee contributions up to 2.5% of the total annual salary of each eligible employee. There is a 90-day waiting period for eligibility of the 5% contribution, while an employee is immediately eligible for the 2.5% match upon election. For the years ended June 30, 2022 and 2021, the retirement expense was \$460,836 and \$429,570, respectively.

Note 8 – Line of Credit:

The Agency has a line of credit agreement with a local bank in the amount of \$300,000. The annual interest rate on any outstanding advances is 6.75%. No advances were received from a line of credit during the years ending June 30, 2022 and 2021, and the Agency has a zero balance owed at June 30, 2022.

Note 9 – Long-term Debt:

Long-term Debt consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Note payable of \$648,000 dated November 2020, with 180 principal and interest payments of \$4,648, including interest at 3.5% beginning December 2020, using the interest calculation method, secured by building and land. Final payment due in November 2035.	594,639	631,393

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Mortgage dated July 2015 originally in the amount of \$1,240,000, requiring 119 payments of \$11,996 at 2.99% interest beginning on September 1, 2015 and due on August 1, 2025. This note was refinanced in March 2016 to include financing the purchase of the land under and adjacent to one of the commercial buildings financed as part of the original mortgage. The total amount of the refinanced mortgage was \$1,273,970, with 112 principal and interest payments of \$12,985, including interest at 2.99% beginning in May 2016. This mortgage is secured by a first lien deed of trust on commercial real estate.

469,990

620,677

Note payable with the North Carolina Housing Finance Agency, the balance of which, \$464,391, was assumed by WCCA on January 1, 2014 when WCCA acquired the Excelsior Apartments Low-Income Tax Credit Housing Project. This note was refinanced in September 2018 with First Citizens Bank. The total amount of the refinanced mortgage was \$445,000, with 240 principal and interest payments of \$2,958, including interest or 4.99% of beginning October 2018.

391,024

406,065

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Note payable with the Asheville Regional Housing Consortium, the balance of which, \$120,125 was assumed by WCCA on January 1, 2014 when WCCA acquired the Excelsior Apartments Low-Income Tax Credit Housing Project. The note does not require monthly payments. No payments are required as long as the property is used in accordance to the requirements of the Rental Production Program. This note is set to mature on May 11, 2028.

120,125 120,125

-- Continued on next page

Note payable of \$415,000 originally dated August 2002, was refinanced in August 2012. The new terms require monthly principal payments of \$1,477 plus interest at the rate of bank prime plus one percent. This mortgage is secured by a building and land. Final payment is due August 2022.

- 18,263

1,575,778 1,796,523

Less: Current Installments

182,942 209,431

\$ 1,392,836 \$ 1,587,092

Expected principal payments are as follows:

Fiscal Year Ending June 30

2023	\$	182,942
2024		201,138
2025		207,936
2026		96,953
2027		60,467
Thereafter		826,342
		\$ 1,575,778

Note 11 – Related Party Transactions:

The Agency owns 50% of English Hills Housing of Brevard, Inc. which owns a .01% interest in English Hills, LLC. (See Note 13.) The value of the interest is immaterial to record and, accordingly, no value is shown as an asset in these statements.

Note 12 – Concentration of Credit Risk:

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The majority of the Agency’s financial activities are with federal and State governments. This constitutes a concentration of credit risk with respect to receivables from grantors.

Note 13 – Net Assets:

At June 30, 2022 and 2021, net assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions:		
Undesignated	\$ 1,088,809	\$ 1,336,630
Board-designated for Endowment	40,246	46,074
Invested in Capital Assets, Net of Related Debt	<u>3,212,156</u>	<u>2,398,769</u>
Total Unrestricted	<u>4,341,211</u>	<u>3,781,473</u>
With Donor Restrictions:		
Donations and grants	1,191,102	297,794
Housing Assistance Payments	-	-
Total Temporarily Restricted	<u>1,191,102</u>	<u>297,794</u>
Total Net Assets	<u>\$ 5,532,313</u>	<u>\$ 4,079,267</u>

Note 14 – Net Assets Released from Restriction

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the donor as follows:

	<u>2022</u>	<u>2021</u>
Provision of Housing and Support	<u>\$ 4,538,513</u>	<u>\$ 4,468,669</u>
	<u>\$ 4,538,513</u>	<u>\$ 4,468,669</u>

Note 15 – Contingencies:

The Agency has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenses under the grant agreements. Such audits could result in the refund of grant monies to the grantor.

Provision has been made in the accompanying financial statements, where applicable, for the refund of grant monies.

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The Agency is named in various claims and legal actions in the normal ~~course of its activities~~. Based upon counsel and management’s opinion, the outcome of such matters is not expected to have a material adverse effect on the Agency’s financial statements.

The Agency is a general partner in a limited partnership related to the operation of low income housing. As a general partner, the Agency made certain guarantees as to construction completion, permanent financing shortfall, and operating deficiencies. A general partner is also jointly and severally liable to the partnership and limited partners.

The Agency is 50% owner of English Hills Housing of Brevard, Inc., a company that incorporated in 2002. English Hills Housing of Brevard, Inc. owns .01% and is the Managing Member of English Hills, LLC. In prior years, \$200,000 in HOME funds were received by the Agency and loaned to English Hills, LLC. (See Note 4.) The proceeds of these loans were used to construct English Hills Apartments, which was completed in 2007. In consideration for services performed, the Agency was paid a development fee as construction progressed. English Hills, LLC was responsible for all construction costs.

Note 16 – Fair Value of Financial Instruments Approximate Carrying Values:

The Agency has a number of financial instruments, none of which are held for trading purposes. The Agency estimates that the fair-value of all financial instruments at June 30, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair-value amounts have been determined by the Agency using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair-value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Agency could realize in a current market exchange.

Note 17 – Fringe Benefits:

Fringe benefits incurred for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Health Insurance and Related Costs	\$ 985,197	\$ 1,160,879
Employee Group Life & LTD Insurance	26,893	24,566
Workers' Compensation	52,496	44,123
Unemployment Insurance	44,570	42,050
Cafeteria Plan Fees	-	1,210
Health & Welfare	34,445	17,765
Accrued Leave	(7,608)	(100,685)
Total Fringe Benefits	1,135,993	1,189,908

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Note 16 - Supplemental Cash Flow Information:

Interest paid in cash during the years ended June 30, 2022 and 2021 were \$58,452 and \$52,481, respectively.

Note 17 – Indirect Costs:

Indirect costs are costs that have been incurred for common Agency objectives and cannot be readily identified with a particular program activity of the Agency. Indirect costs are charged to the grant program based on an allocation plan approved by the Agency’s oversight agency, the U.S. Department of Health and Human Services. The provisional rates, included in the indirect cost rate agreement, of 20% and 20% of direct salaries and fringe benefits was approved for the years ended June 30, 2022 and 2021, respectively. The provisional rates were used to charge individual grants unless otherwise restricted by the grantor.

Note 18 – Self Insured Plan

The calculated gain on the medical and dental Self-Insured Plans for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Plan Revenue:		
Premiums	\$ 1,153,277	\$ 1,333,286
Claim Reimbursement	\$ 99,170	
Prescription rebate(s)	37,614	6,387
Plan Expenses:		
Claims	915,578	900,243
Insurance Premiums	135,476	181,927
Other	176,409	109,867
	<hr/>	<hr/>
Gain (Loss) on Self Insured Plans	\$ 62,598	\$ 147,636

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Supplementary Information

Western Carolina Community Action, Inc.
 dba WNCSource
 HUD Housing Choice Vouchers Program
 Financial Data Schedule - Balance Sheet
 June 30, 2022

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Line Item #	14.871 Housing Choice Vouchers	14.896 FSS Coordinator	14.HCC HCV Cares Act	14.EHV Emergency Housing Vouchers
Assets				
Current Assets				
111	\$ 458,528	\$ -	\$ -	\$ -
113	59,288	-	-	-
115	18,178	-	-	-
100	<u>535,994</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts Receivable				
121	-	-	-	-
120	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
150	<u>535,994</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets				
Capital Assets				
164	38,385	-	-	-
166	<u>38,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
160	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
180	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
190	<u>\$ 535,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Equity				
Current Liabilities				
311	\$ -	\$ -	\$ -	\$ -
312	18,178	-	-	-
310	<u>18,178</u>	<u>-</u>	<u>-</u>	<u>-</u>
342			-	-
Noncurrent Liabilities				
353	59,288	-	-	-
350	<u>59,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
300	<u>77,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equity				
508.1	\$ -	\$ -	\$ -	\$ -
511.1	-	-	-	-
512.1	458,528	-	-	-
513	<u>458,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
600	<u>\$ 535,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WNCSource
 HUD Housing Choice Vouchers Program
 Financial Data Schedule - Revenues and Expenses
 Year Ended June 30, 2022

DRAFT
 14.896
 14 HCC 14.896 HV
 Emergency

Line Item #	14.871 Housing Choice Vouchers	14.896 FSS Coordinator	14 HCC HCV Cares Act	14.896 HV Emergency Housing Vouchers	
Revenues					
70600	HUD PHA Operating Grants	\$ 3,982,051	\$ 70,685	\$ 24,028	\$ 114,538
71100	Investment Income - Unrestricted	59			
71400	Fraud Recovery	2,808	-	-	-
71500	Other Revenue	22,063	-	-	-
70000	Total Revenues	<u>4,006,981</u>	<u>70,685</u>	<u>24,028</u>	<u>114,538</u>
Expenses					
91100	Administrative Salaries	192,744	-	12,992	
91500	Employee Benefit Contributions - Administrative	62,649	-	6,706	
91800	Travel Expense	3,118	-	-	
91810	Allocated Overhead	84,475	-	4,325	
91900	Other	104,427	-	5	
91000	Total Operating - Administrative	<u>447,413</u>	<u>-</u>	<u>24,028</u>	<u>-</u>
92100	Tenant Services - Salaries		52,198	-	-
92300	Employee Benefit Contributions - Tenant Services	-	18,487	-	-
92400	Tenant Services - Other	-	-	-	-
92500	Total Tenant Services	<u>-</u>	<u>70,685</u>	<u>-</u>	<u>-</u>
96900	Total Operating Expenses	<u>447,413</u>	<u>70,685</u>	<u>24,028</u>	<u>-</u>
97000	Excess of Operating Revenues over Operating Expenses	<u>3,559,568</u>	<u>-</u>	<u>-</u>	<u>114,538</u>
97300	Housing Assistance Payments	3,615,597	-	-	-
97350	HAP Portability-In	20,106	-	-	-
90000	Total Expenses	<u>4,083,116</u>	<u>70,685</u>	<u>24,028</u>	<u>-</u>
10010	Operating Transfer In	\$ 114,538	\$ -	\$ -	\$ -
10020	Operating Transfer Out	\$ -	\$ -	\$ -	\$ (114,538)
10000	Excess of Total Revenue Over Total Expenses	<u>\$ 38,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11030	Beginning Equity	420,125	-	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors		-	-	-
11170	Administrative Fee Equity	458,528	-	-	-
11180	Housing Assistance Payments Equity	-	-	-	-
11190	Unit Months Available	7,812	-	-	-
11210	Number of Unit Months Leased	7,528	-	-	-

Western Carolina Community Action, Inc.
dba WNCSource

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal (Direct & Pass-Through Expenditures)	State Expenditures	Local Expenditures	Total Expenditures
DIRECT FEDERAL GRANTS:						
U.S. Department of Housing and Urban Development						
Direct Programs:						
Section 8 Housing - Housing Choice Voucher Program	14.871	NC 140 VO	\$ 4,066,007	\$ -	\$ -	\$ 4,066,007
Section 8 Housing - CARES Act	14.HCC	NC 140 HCC	24,161	-	-	24,161
Section 8 Housing - FSS Coordinator 7/1/21 - 12/31/21	14.896	NC140FSH384A016	31,331	-	-	31,331
Section 8 Housing - FSS Coordinator 1/1/22 - 6/30/22	14.896	NC140FSH384A016	39,354	-	-	39,354
Total U.S. Department of Housing and Urban Development			4,160,853	-	-	4,160,853
U.S. Department of Health and Human Services						
Direct Programs:						
Head Start/Early Head Start	93.600	04CH01173702	5,801,038	-	-	5,801,038
Early Head Start Child Care Partnership	93.600	04HP00030602	225,055	-	-	225,055
Early Head Start Child Care Partnership	93.600	04HP00030603	1,050,480	-	-	1,050,480
Early Head Start Child Care Partnership Expansion	93.600	04HP00044301	629,757	-	-	629,757
Total U.S. Department of Health and Human Services			7,706,330	-	-	7,706,330
FEDERAL PASSED THROUGH STATE AGENCIES:						
U.S. Department of Health and Human Services						
Passed through NC Department of Health and Human Resources: Division of Child Development:						
NC Child Care Stabilization Grants	93.575		150,577	-	-	150,577
Passed through Henderson County: Wrap Around Child Care Services	93.575	0452012 - 881039	66,418	-	383	66,801
Passed through Transylvania County: Wrap Around Child Care Services	93.575	0882012 - 451190	67,815	-	-	67,815
Subtotal - Wrap Around Cluster			284,810	-	383	285,193

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The accompanying notes are an integral part of this schedule.

Passed through NC Department of Health and Human Services:
 Passed through State Division of Aging:
 Passed through Land of Sky Regional Council:
 Passed through Henderson County:
 Senior Services, General & Medical Transportation

93.044	21/22AANCT3SS	69,548	51,705	2,525	123,778
93.045	21/22AANCT3CM	77,351	11,205	4,812	93,368
93.045	21/22AANCT3HD	66,082	30,761	-	96,843
93.053	21/22AANCNSIP	7,907	-	1,070	8,977
	Subtotal - Aging Cluster	220,888	93,671	8,407	322,966
	Total U.S. Department of Health and Human Services	355,121	93,671	8,790	457,582

U.S. Department of Agriculture

Passed through NC Department of Public Instruction:
 Child Nutrition Program/School Food Service
 Child Nutrition Program/School Food Service

10.558	7210 10/1/20 - 9/30/21	14,198	-	-	14,198
10.558	7210 10/1/21 - 6/30/22	45,135	-	-	45,135
	Total U.S. Department of Agriculture	59,333	-	-	59,333

U.S. Department of Housing and Urban Development

Passed through the North Carolina Housing Finance Agency
 HOME - Single Family Rehab - Henderson County

14.239	SFRLP1431 IDIS#2014-33	\$ 26,300	\$ -	\$ -	\$ 26,300
	Total U. S. Department of Housing and Urban Development	26,300	-	-	26,300

U S Department of Transportation

Passed through NC Department of Transportation
 Section 5311 Transportation: Administration
 Section 5311 Transportation: Capital
 Section 5311 Transportation: CARES Act Operating
 Subtotal - Section 5311 Transportation
 Vaccination Rides CARES Act

20.509	20-CT-022 36233.109.19.1	121,197	21,388	25,269	167,854
20.509	20-CT-022 36233.109.19.3	56,936	-	6,327	63,263
20.509	20-CA-022 49233.77.1.2	121,523	-	349	121,872
	Subtotal - Section 5311 Transportation	299,656	21,388	31,945	352,989
	Vaccination Rides CARES Act	-	951	-	951

20.513 20-ED-022 51001.69.6.2

7,771			7,771	-	15,542
307,427			30,110	31,945	369,482

Total U. S. Department of Transportation

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The accompanying notes are an integral part of this schedule.

STATE GRANTS:

North Carolina Department of Transportation

Passed through Henderson County:
Transportation - Rural Operating Assistance Program

N/A	FYE 22	-	115,786	-	115,786
		-	115,786	-	115,786

Total North Carolina Department of Transportation

North Carolina Department of Health and Human Services

Division of Child Development and Early Education
North Carolina Pre - K Plan - Henderson County
Passed through Smart Start of Transylvania County
North Carolina Pre - K Plan - Transylvania County
Subtotal - North Carolina Pre - K

N/A	33562	-	1,566,360	-	1,566,360
N/A	NCPK-TC-02-WCCA #2667416	-	252,000	-	252,000
		-	1,818,360	-	1,818,360

Total North Carolina Department of Health and Human Services

Child Care Services Association

TEACH Early Childhood Project

N/A	FYE 22	-	7,628	-	7,628
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TOTAL FEDERAL AND STATE AWARDS

\$	12,615,364	\$	2,065,555	\$	40,735	\$	14,721,654
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The accompanying notes are on integral part of this schedule.

Western Carolina Community Action, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

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Notes to the Schedule of Expenditures of Federal and State Awards:

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Agency under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. This information in the Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Requirements (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

Federal Loan Program:

The Agency loaned English Hills, LLC two deferred notes in the amount of \$225,000 and \$200,000. The proceeds of the loans are to be used for the construction of low-income housing under the provisions of the HOME program. Both notes have terms of 20 years and no repayment is required if the subject property remains qualified under the affordability requirements in the HOME program's funding guidelines and restrictions.

Indirect Costs:

The Agency did not elect to use the 10% de minimis cost rate. Instead, the Agency negotiated an allocation plan approved by the Agency's oversight agency, the U.S. Department of Health and Human Services. This plan and the subsequent results are discussed in Note 20 of the consolidated financial statements.

Summary of Accounting Principles:

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual basis of accounting.

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Compliance Section

**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**

DRAFT

To the Board of Directors
Western Carolina Community Action, Inc.
Hendersonville, North Carolina

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 Western Carolina Community Action, Inc. (the Agency), which comprises the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Carolina Community Action, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Carolina Community Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Carolina Community Action, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 7, 2022

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

DRAFT

To the Board of Directors
Western Carolina Community Action, Inc.
Hendersonville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Western Carolina Community Action, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Carolina Community Action, Inc.'s major Federal programs for the year ended June 30, 2022. Western Carolina Community Action, Inc.'s major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Western Carolina Community Action, Inc.'s major Federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Western Carolina Community Action, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Western Carolina Community Action, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Western Carolina Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

Management of Western Carolina Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western Carolina Community Action, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

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**Independent Auditors' Report on Compliance for Each Major State
Program and on Internal Control over Compliance in Accordance with
OMB Uniform Guidance**

DRAFT

To the Board of Directors
Western Carolina Community Action, Inc.
Hendersonville, North Carolina

Report on Compliance for Each Major State Program

We have audited Western Carolina Community Action, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Western Carolina Community Action, Inc.'s major State program for the year ended June 30, 2022. Western Carolina Community Action, Inc.'s major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Western Carolina Community Action, Inc.'s major State program based on our audit of the types of compliance requirements referred to above. 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 *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Western Carolina Community Action, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Western Carolina Community Action, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Western Carolina Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2022.

Report on Internal Control Over Compliance

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Management of Western Carolina Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western Carolina Community Action, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 State 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 State 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

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Western Carolina Community Action, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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Identification of major State programs:

Program Name

North Carolina Pre-K

Dollar threshold used to distinguish between Type A Programs: \$750,000.

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATE AWARDS

The following state award is deemed to have a direct and material effect on the financial statements:

Program Name

North Carolina Pre-K Plan – Henderson
County

North Carolina Pre-K Plan – Transylvania
County

**Western Carolina Community Action, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022**

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There were no findings reported in 2021.