



**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

Hendersonville, North Carolina

Financial Statements and  
Supplementary Information

Year Ended June 30, 2023

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

**OFFICERS**

J. Kelly Burgin  
Ellen Steele  
Richard Reagen  
Donecia Santana

Chair  
Vice-Chair  
Secretary  
Treasurer

**BOARD OF DIRECTORS**

Brenda Blackburn  
J. Kelly Burgin  
David Carfolite  
Brook Goodling  
Katherine Parnell  
Norma Perez  
Shannon Perry  
Richard Reagen

Lorraine Redd  
Noah Rose  
Victoria Saldana  
Donecia Santana  
Josh Shelton  
Ellen Steele  
Kim Wilson

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-26
SUPPLEMENTARY INFORMATION	
HUD Housing Choice Vouchers Program - Financial Data Schedule - Balance Sheet	27
HUD Housing Choice Vouchers Program - Financial Data Schedule - Revenues and Expenses	28-29
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	30-31
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	32-34
Schedule of Expenditures of Federal and State Awards	35-38
Schedule of Findings and Questioned Costs	39-40
Corrective Action Plan	41
Summary Schedule of Prior Audit Findings	42

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Western Carolina Community Action, Inc.  
d/b/a WNCSource

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Western Carolina Community Action, Inc. d/b/a WNCSource (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Western Carolina Community Action, Inc. d/b/a WNCSource as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Carolina Community Action, Inc. d/b/a WNCSource 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 opinion.

#### ***Responsibilities of Management 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, 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 Western Carolina Community Action, Inc. d/b/a WNCSource's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Western Carolina Community Action, Inc. d/b/a WNCSource'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 Western Carolina Community Action, Inc. d/b/a WNCSource'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 HUD Housing Choice Vouchers Program - Financial Data Schedule - Balance Sheet and HUD Housing Choice Vouchers Program - Financial Data Schedule - Revenues and Expenses, as required by the U.S. Department of Housing and Urban Development and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts 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 HUD Housing Choice Vouchers Program - Financial Data Schedule - Balance Sheet, HUD Housing Choice Vouchers Program - Financial Data Schedule - Revenues and Expenses, and schedule of expenditures of federal and state awards are 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 January 8, 2024, on our consideration of Western Carolina Community Action, Inc. d/b/a WNCSource'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 Western Carolina Community Action, Inc. d/b/a WNCSource'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 Western Carolina Community Action, Inc. d/b/a WNCSource's internal control over financial reporting and compliance.

*CARTER, P.C.*

Asheville, North Carolina  
January 8, 2024

**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Statement of Financial Position  
June 30, 2023

**Assets**

Current assets:

Cash and equivalents:

Unrestricted \$ 1,774,424

Restricted 113,135

Grants receivable 1,172,862

Other receivables 36,866

Prepaid expenses 68,523

Total current assets 3,165,810

Other investments 90,278

Beneficial interest in endowment fund 43,844

Note receivables, net 383,538

Operating lease right-of-use assets 171,314

Cash restricted to capital projects 229,474

Property and equipment 5,239,268

Total assets \$ 9,323,526

**Liabilities and net assets**

Current liabilities:

Current maturities of operating lease liabilities \$ 24,853

Current maturities of notes payable 201,506

Accounts payable 293,833

Accrued liabilities 1,374,466

Deferred revenue, current portion 603,313

Escrow and security deposits 102,297

Total current liabilities 2,600,268

Operating lease liabilities, net of current maturities 146,461

Deferred revenue, net of current portion 383,538

Notes payable, net of current maturities 1,178,345

Total liabilities 4,308,612

Net assets:

Without donor restrictions 4,482,429

With donor restrictions 532,485

Total net assets 5,014,914

Total liabilities and net assets \$ 9,323,526

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

**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Statement of Activities  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, grants, and other support</b>			
Government grants	\$ 14,511,320	\$ 259,358	\$ 14,770,678
Local grants	180,883	14,363	195,246
Contributions	17,272		17,272
In-kind contributions	138,201		138,201
Program income and fees	850,585		850,585
Rental income	123,688		123,688
Investment income, net	6,096		6,096
Thrift store sales	164,534		164,534
Miscellaneous	39,394		39,394
Net assets released from restrictions	<u>932,338</u>	<u>(932,338)</u>	
Total public support and other revenues	<u>16,964,311</u>	<u>(658,617)</u>	<u>16,305,694</u>
<b>Expenses</b>			
Program services	15,126,821		15,126,821
Supporting services	<u>1,659,969</u>		<u>1,659,969</u>
Total expenses	<u>16,786,790</u>		<u>16,786,790</u>
 Increase (decrease) in net assets before other gains	 177,521	 (658,617)	 (481,096)
<b>Other gains</b>			
Net gains on other investments	1,223		1,223
Net gains on beneficial interest in endowment fund	<u>2,720</u>		<u>2,720</u>
Total other gains	<u>3,943</u>		<u>3,943</u>
 Increase (decrease) in net assets	 181,464	 (658,617)	 (477,153)
Net assets at beginning of year	<u>4,300,965</u>	<u>1,191,102</u>	<u>5,492,067</u>
Net assets at end of year	<u>\$ 4,482,429</u>	<u>\$ 532,485</u>	<u>\$ 5,014,914</u>

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



**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Statement of Functional Expenses  
Year Ended June 30, 2023

		Supporting Services				
	Program Services	Management & General	Fundraising	Total Supporting Services	Total	
Salaries and wages	\$ 5,940,208	\$ 955,267	\$ 21,069	\$ 976,336	\$	6,916,544
Payroll taxes	439,138	70,478	1,560	72,038		511,176
Retirement contributions	413,544	69,625	1,315	70,940		484,484
Employee benefits	936,111	136,849	1,607	138,456		1,074,567
Employee recruiting & onboarding	115,943	37,207		37,207		153,150
Dues, memberships, & subscriptions	10,198	5,749		5,749		15,947
Equipment	43,885	2,320	107	2,427		46,312
Food services	340,381	2,764	41	2,805		343,186
Misc. program support	44,987	4,697		4,697		49,684
Participant costs	3,894,994					3,894,994
Postage & shipping	5,508	2,030	145	2,175		7,683
Printing and copy work	16,526	4,257		4,257		20,783
Professional services	154,897	107,325	344	107,669		262,566
Software	86,256	67,826	1,911	69,737		155,993
Staff travel & continuing education	124,834	49,436	111	49,547		174,381
Supplies	320,735	10,809	231	11,040		331,775
Vehicles	261,069	232		232		261,301
Occupancy	419,951	15,293	442	15,735		435,686
Advertising	42,207	6,519		6,519		48,726
Subcontractors	533,316					533,316
Communications	76,166	18,137	71	18,208		94,374
Facilities	238,172	24,703		24,703		262,875
Insurance	279,239	33,824	536	34,360		313,599
Depreciation	334,135	5,132		5,132		339,267
Interest expense	54,123					54,123
Bad debt expense	298					298
Total expenses	<u>\$ 15,126,821</u>	<u>\$ 1,630,479</u>	<u>\$ 29,490</u>	<u>\$ 1,659,969</u>	<u>\$</u>	<u>16,786,790</u>

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

**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Statement of Cash Flows  
Year Ended June 30, 2023

**Cash flows from operating activities**

Decrease in net assets	\$ (477,153)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	339,267
Amortization of operating lease right-of-use assets	21,477
Bad debt expense	298
Net gains on other investments	(1,223)
Net gains on beneficial interest in endowment fund	(2,720)
Amortization of discount on note receivables	(17,057)
Amortization of discount on deferred revenue	17,056
Changes in working capital - sources (uses)	
Grants receivable	117,453
Other receivables	(14,450)
Prepaid expenses	308,583
Accounts payable	(135,769)
Accrued liabilities	364,316
Deferred revenue	603,313
Escrow and security deposits	37,049
Operating lease liabilities	<u>(21,477)</u>
Net cash provided by operating activities	<u>1,138,963</u>

**Cash flows from investing activities**

Purchase of other investments	(8,182)
Purchase of property and equipment	(790,601)
Change in beneficial interest in endowment fund	<u>(878)</u>
Net cash used by investing activities	<u>(799,661)</u>

**Cash flows from financing activities**

Principal repayments on notes payable	<u>(195,927)</u>
Net increase in cash and equivalents and restricted cash	143,375
Cash and equivalents and restricted cash at beginning of year	<u>1,973,658</u>
Cash and equivalents and restricted cash at end of year	<u>\$ 2,117,033</u>

**Schedule of noncash investing and financing activities**

Operating lease right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 192,791</u>
--	-------------------

**Supplemental disclosure of cash flow information**

Cash paid for interest	<u>\$ 52,739</u>
------------------------	------------------

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

**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Notes to Financial Statements  
June 30, 2023

**Note 1 - Nature of Organization**

Western Carolina Community Action, Inc. d/b/a WNCSource (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, Rutherford, and Polk Counties for the purpose of assisting the underprivileged in achieving self-sufficiency. The Agency's programs are funded by federal, state, and local funds. The Agency's primary programs are as follows:

- *Head Start & Early Head Start* - Childhood development program serving children aged 0-5 years of age and pregnant women from low-income families with a goal to increase school readiness of young children.
- *Housing* - Provide housing assistance to low-income families, the elderly, and disabled by assisting with rent payments and helping individuals reach independence through providing assistance in allowing them obtain home ownership.
- *Transportation* - Provide transportation services for the elderly, disabled, and individuals living in qualifying rural areas for congregate meals, medical appointments, and grocery shopping.
- *Nutrition* - Provide nutritious meals and snacks to children to contribute to their wellness, healthy growth, and development.

**Note 2 - Summary of Significant Accounting Policies**

**Income Tax Status**

The Agency is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Agency other than a private foundation under Section 509(a)(2). The Agency has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

**Basis of Presentation**

The financial statements of the Agency have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Basis of Presentation (continued)**

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of Agency's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Agency has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from grants received for a specific purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of restrictions is reported as net assets released from restrictions. The Agency has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

### **Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Agency's ongoing program services. Non-operating activities are limited to resources that generate return on other investments and beneficial interest in endowment fund and other activities considered to be more unusual or nonrecurring in nature.

### **Fair Value of Financial Instruments**

The carrying value of substantially all reported assets and liabilities, other than other investments, beneficial interest in endowment fund, note receivables, operating lease right-of-use assets, deferred revenue, operating lease liabilities, and notes payable approximates fair value due to the relatively short-term nature of the financial instruments.

The fair value of other investments and beneficial interest in endowment fund are discussed in Note 7.

Amounts recognized for note receivables and deferred revenue approximates fair value due to the net present value adjustment applied to outstanding balances.

Amounts recognized for operating lease right-of-use assets and lease liabilities approximate fair value due to present value adjustments determined by the Agency's incremental borrowing rate.

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Fair Value of Financial Instruments (continued)**

The carrying value of notes payable approximates fair value due to market-based interest rates charged at the time of borrowing.

### **Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Actual results could differ from those estimates.

### **Cash and Equivalents**

For purposes of the statement of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists primarily of donor restricted contributions for the purchase of property, tenant security deposits, client escrow accounts, and employee benefit escrow accounts.

### **Grants and Other Receivables**

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end. Conditional grants receivable are not recognized in the financial statements until the conditions are substantially met. Unconditional grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants receivable that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the grants receivable are expected to be received. Amortization of the discount is included in grants.

Other receivables consists primarily of rent and sales tax receivables.

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. No allowance for uncollectible grants and other receivables has been recorded, as management believes that all amounts will be collected based on significant judgment and prior collection history.

### **Note Receivables**

Note receivables are carried at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable at the time of lending. Amortization of the discount is reported as miscellaneous revenue in the statement of activities. No allowance for doubtful accounts was recorded as management expects all amounts to be collectible.

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Investments**

Investments are recorded at fair value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

### **Investment Income and Gains**

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### **Fair Value Measurements and Disclosures**

The Agency applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Agency's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

### **Donated Assets**

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 13.

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Property and Equipment**

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Agency has adopted an accounting policy to capitalize all property and equipment with a cost greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from five to thirty-nine years.

### **Donated Property and Equipment**

Donations of property and equipment are recorded as in-kind contributions at the estimated fair value at the date of gift. The Agency reports gifts of property and equipment as in-kind contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

### **Donated Services**

Donated services are recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. Donated services are described in Note 13.

### **Revenue Recognition**

The Agency generates revenue from providing various educational and childcare services. Client fees are due as these services are provided in accordance with contractual terms. The performance obligation of delivering educational and childcare services is simultaneously received and consumed by the client; therefore, the revenue is recognized ratably as services are provided. Payments received in advance are deferred to the applicable period in which the related activity occurs.

A portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Revenue Recognition (continued)**

The Agency recognizes revenue from merchandise sales through thrift stores. Those sales predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customer.

The Agency also recognizes revenue from acting as the lessor in operating leases. Rental income is accounted for on the straight-line basis over the lease term.

### **Advertising**

The Agency uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the year ended June 30, 2023, was \$48,726.

### **Functional Allocation of Expenses**

The cost of providing program and supporting services have been summarized on a functional basis in the statement of activities and functional expenses. The Agency uses the direct cost method to allocate costs to programs that can be specifically identified. For costs that cannot be specifically identified, a provisional indirect cost rate is used to allocate the indirect costs. The provisional indirect cost approved by the U.S. Department of Health and Human Services for the year ended June 30, 2023, was 20% using the basis of direct salaries and wages including all fringe benefits. Certain categories of expenses are attributable to programs and support. Expenses for participant costs, subcontractors, interest expense, and bad debt expense are directly related to program services. All other expenses are allocated using the indirect cost rate.

### **Newly Adopted Accounting Pronouncements**

During the year ended June 30, 2023, the Agency adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Agency's financial statements.

- Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 5, Contract Assets and Liabilities.
- ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.



## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Newly Adopted Accounting Pronouncements (continued)**

- ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.
- In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, (ASU 2016-02) which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Agency elected to adopt these ASUs effective July 1, 2022. The Agency did not adjust the prior period statement of financial position.

An election has been made to apply the short-term lease exception to all leases with a term of 12 months or less. Short-term lease costs do not reflect ongoing short-term lease commitments, which are described in Note 10.

The Agency applied the package of practical expedients allowed by the standard, upon adoption of ASU 2016-02. The Agency did not reassess:

- Whether any expired or existing contracts are or contain leases under the new definition;
- The lease classification of any expired or existing leases; or
- Whether previously capitalized costs continue to qualify as initial direct costs.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the Agency recognized operating lease liabilities of \$192,791, which represents the present value of the remaining operating lease payments, discounted at the Agency's incremental borrowing rate of 5.25%. Right-of-use assets in the amount of \$192,791, were also recorded at that time.

- ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This ASU clarifies and improves the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional.
- ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. These additional note disclosures are included in Note 13, In-kind Contributions.

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### Newly Adopted Accounting Pronouncements (continued)

- ASU No. 2020-03, *Codification Improvements to Financial Instruments*. (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial statements.

### Recently Issued Accounting Pronouncement

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 is intended to improve financial reporting about credit losses on certain receivable balances. The new standard will be effective beginning July 1, 2023. The Agency is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

### Reclassification

During the year ended June 30, 2023, it was determined that the balances reported at June 30, 2022, for unrestricted cash and equivalents was overstated by \$321,355 and prepaid expenses was understated by \$321,355.

## **Note 3 - Net Assets**

Net assets are described as follows:

<u>At June 30</u>	<u>2023</u>
Net assets without donor restrictions:	
Undesignated	\$ 631,839
Investment in property and equipment	3,806,746
Board designated endowment reserve	<u>43,844</u>
Net assets without donor restrictions	<u>4,482,429</u>
Net assets with donor restrictions:	
Subject to expenditure for specified purpose:	
Childcare services	296,468
Childcare center facility construction	184,274
Senior services	25,072
Housing services	<u>26,671</u>
Net assets with donor restrictions	<u>532,485</u>
Total net assets	<u>\$ 5,014,914</u>

#### **Note 4 - Liquidity and Availability of Financial Assets**

The Agency received a significant amount of grants restricted by grantors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures. The following reflects the liquidity and availability of the Agency's financial assets:

<u>At June 30</u>	<u>2023</u>
Financial assets:	
Cash and equivalents	\$ 2,117,033
Grants receivable	1,172,862
Other receivables	36,866
Other investments	90,278
Beneficial interest in endowment fund	<u>43,844</u>
Total financial assets	<u>3,460,883</u>
Amounts not available for general expenditure:	
Net assets with donor restrictions	(532,485)
Board designated endowment reserve	(43,844)
Conditional contributions restricted for property purchases	<u>(100,000)</u>
Total amounts not available for general expenditure	<u>(676,329)</u>
Net financial assets available to meet cash needs <u>for general expenditures within one year</u>	<u>\$ 2,784,554</u>

#### **Line of Credit**

The Agency maintains a line of credit with a local bank to meet short-term working capital needs. Maximum borrowings on this line of credit are \$300,000 and matures in November 2025. The Agency has no significant compensating balance requirements or commitment fees related to this line. Interest is payable monthly on outstanding principal balances at the Prime Rate as published in The Wall Street Journal, with a floor of 4% and ceiling of 18%. The interest rate as of June 30, 2023, was 8.75%. At June 30, 2023, there was no outstanding balance on the line of credit.

#### **Note 5 - Contract Assets and Liabilities**

Grants receivable, accounts receivable, and note receivables represent the Agency's contract assets with an unconditional right to receive consideration from customers. Grants receivable are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions.

Accounts receivable are recorded at amounts expected to be receivable based on contractual terms and is included in other receivables on the accompanying statement of financial position.

**Note 5 - Contract Assets and Liabilities (continued)**

Note receivables are recorded at the present value of their future cash flows of outstanding principal balances. Under the terms of the agreements, no repayments are required if the subject property remains qualified under the affordability requirements of the HOME program's funding guidelines and restrictions.

The following table provides information about contract assets:

At June 30	2023	2022
Grants receivable	\$ 1,172,862	\$ 1,290,315
Accounts receivable	5,001	4,761
Note receivables:		
Note at 0% interest, maturing in April 2025 with balloon payment if not fully forgiven, secured by building and land		
Due in one to five years	225,000	225,000
Less, discount to present value at 4.59%	(18,126)	(27,390)
Note at 0% interest, maturing in February 2026 with balloon payment if not fully forgiven, secured by building and land		
Due in one to five years	200,000	200,000
Less, discount to present value at 4.52%	(23,336)	(31,129)
Note receivables, net	383,538	366,481
Total contract assets	\$ 1,561,401	\$ 1,661,557

Contract liabilities are recorded when a customer pays consideration, or the Agency has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Agency has an obligation to transfer the good or service to the customer at a future date.

Contract liabilities are reported as deferred revenue and escrow and security deposits in the accompanying statement of financial position and are comprised of the following:

- Conditional grants, representing advance payments received from grantors prior to incurring expenditures in compliance with specific contract or grant provisions.
- Long-term conditional grants, representing advance payments received from grantors under the HOME program. The Agency will begin to fulfill the requirements of the HOME program's funding guidelines and restrictions in April 2025 and will have fulfilled all of the restrictions in February 2026. Long-term conditional grants are recorded at the present value of future cash flows of the funds received.

**Note 5 - Contract Assets and Liabilities (continued)**

- Escrow and security deposits, representing U.S Department of Housing and Urban Development escrow funds held for client beneficiaries and tenant security deposits on leased property.

Significant changes in contract liabilities from contracts with customers are as follows:

<u>Year Ended June 30</u>	<u>2023</u>
Conditional grants, beginning of year	\$
Increase due to cash received during the year	<u>603,313</u>
Conditional grants, end of year	<u>603,313</u>
Long-term conditional grants, beginning of year (net of discount to net present value at 4.52% - 4.59% of \$58,519)	366,482
Amortization of discount to net present value	<u>17,056</u>
Long-term conditional, end of year (net of discount to net present value at 4.52% - 4.59% of \$41,462)	<u>383,538</u>
Escrow and security deposits, beginning of year	65,248
Escrow and security deposits paid out	(33,869)
Increase due to cash received during the year	<u>70,918</u>
Escrow and security deposits, end of year	<u>102,297</u>
<u>Total deferred revenue</u>	<u>\$ 1,089,148</u>

**Note 6 - Beneficial Interest in Endowment Fund**

The beneficial interest in endowment fund is managed by the Community Foundation of Henderson County, Inc. (Foundation). The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds, if, in its sole judgment (without the approval of any trustee, custodian, or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation. Under the terms of the agreement, the Agency can withdraw all or a portion of the original principal provided that the governing board of the Agency and the Foundation approve the withdrawal. The Agency's beneficial interest in endowment fund is invested in an allocated investment pool at the Foundation and is presented in the financial statements in the aggregate at fair value.

## **Note 7 - Fair Value Measurements**

Other investments and beneficial interest in endowment fund are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

### *Other Investments*

Other investments consists of a segregated insurance collateral account that is valued at fair value as reported by the insurance captive provider. Due to the inputs being unobservable, the instrument is classified as Level 3.

### *Beneficial Interest in Endowment Funds*

The fair value of the beneficial interest in endowment fund is provided by the Foundation. Due to inputs being unobservable, the instruments are categorized as Level 3.

The following tables sets forth estimated fair values of financial instruments:

<u>At June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Other investments	\$	\$	\$ 90,278	\$ 90,278
Beneficial interest in endowment fund			43,844	43,844
<u>Total fair value measurements</u>	<u>\$</u>	<u>\$</u>	<u>\$ 134,122</u>	<u>\$ 134,122</u>

A reconciliation of changes in Level 3 inputs is as follows:

<u>Year Ended June 30</u>	<u>2023</u>
Level 3 inputs, beginning of the year	\$ 121,119
Purchases of other investments	8,182
Interest and dividends	1,222
Investment fees	(344)
Net gains	3,943
<u>Level 3 inputs, end of year</u>	<u>\$ 134,122</u>

**Note 8 - Property and Equipment**

Property and equipment consist of the following:

<u>At June 30</u>	<u>2023</u>
Buildings and improvements	\$ 8,240,455
Land	1,002,242
Vehicles	1,324,153
Equipment	215,369
Other	33,209
Construction in progress	<u>141,091</u>
	10,956,519
Less, accumulated depreciation	<u>(5,717,251)</u>
<u>Property and equipment</u>	<u>\$ 5,239,268</u>

Depreciation expense for the year ended June 30, 2023, was \$339,267.

**Note 9 - Accrued Liabilities**

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2023</u>
Accrued payroll	\$ 289,054
Accrued compensated absences	202,364
Health insurance reserve	756,868
Health insurance claims	99,217
Employee benefits and withholdings	<u>26,963</u>
<u>Accrued liabilities</u>	<u>\$ 1,374,466</u>

**Note 10 - Leases**

The Agency leases building space under non-cancellable operating lease agreements with a weighted average remaining lease term of seven years. The discount rate for the operating leases was determined using the Agency's incremental borrowing rate of 5.25% for the year ended June 30, 2023. The lease agreements include variable payments based on maintenance and other common area expenses which are not determinable at lease commencement and are not included in the measurement of the lease assets and liabilities.

**Note 10 - Leases (continued)**

The following is a schedule of future minimum lease payments under the operating lease liabilities agreements:

<u>Years Ending June 30</u>	<u>Payments</u>
2024	\$ 33,000
2025	33,000
2026	31,000
2027	21,000
2028	21,000
Thereafter	<u>63,000</u>
Total payments	202,000
Less, imputed interest	<u>(30,686)</u>
<u>Total operating lease liabilities</u>	<u>\$ 171,314</u>

The Agency also leases additional building space under non-cancelable operating lease agreements. The Agency assessed whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) during the year ended June 30, 2023, when FASB ASU 2016-02, *Leases* was adopted. The Agency has elected to apply the short-term lease exception to all leases with a term of 12 months or less. Leases with a remaining term of 12 months or less, or those that are considered immaterial, are not recorded in the statement of financial position. Management has determined all remaining operating leases meet this criterion and has not recognized operating lease agreements as operating lease liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term. These leases require various monthly payments and expire through August 2024.

The following summarize the line items in the accompanying statement of functional expenses which include the components of lease costs:

<u>Year Ended June 30</u>	<u>2023</u>
Short-term and immaterial operating leases included in occupancy	\$ 259,643
Operating lease costs included in occupancy	<u>33,000</u>
<u>Total lease costs</u>	<u>\$ 292,643</u>



**Note 10 - Leases (continued)**

The following is a schedule of future minimum lease payments under short-term and immaterial lease agreements:

<u>Years Ending June 30</u>	
2024	\$ 80,189
2025	5,500
2026	
2027	
2028	
Total	<u>\$ 85,689</u>

**Note 11 - Notes Payable**

Notes payable is described as follows:

<u>At June 30</u>	<u>2023</u>
Installment note due in 112 monthly payments of \$12,985, including interest at 2.99%, due September 2025, secured by building and land with a carrying value of \$1,753,874	\$ 326,474
Installment note due in 180 monthly payments of \$4,648, including interest at 3.5%, due November 2035, secured by building and land with a carrying value of \$1,865,005	559,406
Installment note due in 240 monthly payments of \$2,958, including interest at 4.99%, due October 2038, secured by building and land with a carrying value of \$350,242	373,846
Noninterest bearing note payable due with a balloon payment in May 2028, secured by building and land with a carrying value of \$350,242, can be forgiven in full if certain guidelines are met in accordance with HOME program	<u>120,125</u>
Total notes payable	1,379,851
Less, current maturities	<u>(201,506)</u>
Notes payable, net	<u>\$ 1,178,345</u>

**Note 11 - Notes Payable (continued)**

Principal maturities on notes payable are as follows:

<u>Years Ending June 30</u>	<u>Payments</u>
2024	\$ 201,506
2025	208,418
2026	97,273
2027	60,897
2028	183,500
Thereafter	<u>628,257</u>
Principal payments on notes payable	<u>\$ 1,379,851</u>

**Note 12 - Commitments and Contingencies****Government Assisted Programs**

The Agency has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

**Risk Management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Agency carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

**Self-insured Health Insurance**

The Agency offers health insurance to eligible employees through a self-insured health insurance program. The insurance costs are paid by the Agency and are managed through a third-party administrator. The Agency has recognized a liability in the amount of \$99,217 at June 30, 2023, which represents an estimate of claims incurred but not reported by providers. While management believes the accrual is adequate, actual claims may exceed accruals. The Agency also maintains a reserve for health insurance to cover health plan operating costs of \$756,868 that is included in accrued liabilities in the accompanying statement of financial position.

The Agency maintains a stop loss insurance policy which limits claims to \$55,000 per plan member per benefit period. The maximum annual reimbursement under the aggregate stop loss coverage is \$1 million over the minimum aggregate deductible for the year ended June 30, 2023.

### **Note 13 - In-kind Contributions**

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Agency. Volunteers also provided a variety of tasks that assist the Agency with specific objectives throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

The Agency receives a significant amount of contributed clothing and household goods that are sold in the thrift stores. In-kind contributions that are monetized in the thrift stores are not recognized until the point of sale and are recorded as thrift store sales on the accompanying statement of activities at the sales price received from the sale.

In-kind contributions are summarized as follows:

<u>Year Ended June 30, 2023</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Building space	\$ 123,874	Program	None
Supplies	12,377	Program	None
Professional services	<u>1,950</u>	Program	None
Total contributions of nonfinancial assets	<u>\$ 138,201</u>		

Fair valuation techniques - The fair value of donated building space is based on estimated fair market value at the date of receipt. Donated professional services are valued based on standard billing rates for the underlying services provided. Donated supplies are valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item.

### **Note 14 - Rental Income**

The Agency leases apartment units under a non-cancelable operating lease agreements that expire through May 2024. The apartment leases do not transfer ownership of the leased asset or provide an option for the lessee to purchase the asset. After the original term, the lessee has the option to renew the lease on a month-to-month basis. Rental income for the year ended June 30, 2023, was \$123,688. The future minimum rental income to be received under all non-cancelable operating lease agreements is \$18,876 for the year ended June 30, 2024.

At lease inception, the Agency determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Agency only reassess if the terms and conditions of the contract are changed.

**Note 14 - Rental Income (continued)**

The following is an analysis of the carrying amounts of the underlying assets related to operating leases:

<u>At June 30</u>	<u>2023</u>
Building and land	\$ 1,377,982
Less, accumulated depreciation	<u>(1,027,740)</u>
Total cost, net	<u>\$ 350,242</u>

**Note 15 - Defined Contribution Plan**

The Agency participates in a 403(b) defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after attaining age eighteen and completing ninety days of service. The Agency contributes 5% of employee's eligible compensation as defined in the Plan. The Agency also matches 100% of employee elective deferrals, up to 2.5% of plan compensation. Employer contributions become vested after one year of continuous service. Retirement benefit expenses under the Plan for the year ended June 30, 2023, were \$484,484.

**Note 16 - Concentrations of Credit Risk****Uninsured Cash Balances**

The Agency maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Generally, cash balances will exceed the FDIC insurance limits or be partially uninsured.

**Concentration of Revenue**

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Agency's total revenue. Government grants from two grantors for year ended June 30, 2023, totaled approximately \$12,350,000. Grants receivable from these grantors at June 30, 2023, was approximately \$860,000.

**Note 17 - Related Parties**

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. The ownership investment fair value was determined to be immaterial to the financial statements for the year ended June 30, 2023. The Agency has note receivables balances due from English Hills, LLC totaling \$383,538 at June 30, 2023, as discussed in Note 5.

## **Note 18 - Income Taxes**

### **Uncertain Tax Positions**

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Agency believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

### **Open Tax Years**

The Agency's Return of Agency Organization from Income Tax (Form 990) for the years ended June 30, 2022, 2021, and 2020, are subject to examination by the IRS, generally for three years after they were filed.

## **Note 19 - Subsequent Events**

Management has evaluated subsequent events through January 8, 2024, the date on which the financial statements were available to be issued.

The Agency is the sole member of WCCA English Hills Holding, LLC (WCCA Holding) which was formed in June 2023 to hold property after the English Hills, LLC acquisition. In July 2023, WCCA Holding purchased the outstanding shares of English Hills, LLC and English Hills Housing of Brevard, Inc. for \$103,890.

In July 2023, the Agency entered into a construction contract for the construction of a childcare center for approximately \$1,705,000. The Agency has incurred approximately \$730,000 in construction related costs as of the audit report date related to this project.

In August 2023, the Agency received notification of a grant award from a local nonprofit organization for approximately \$203,000 restricted for older adult services in Transylvania County.

## **SUPPLEMENTARY INFORMATION**

**Western Carolina Community Action, Inc.**  
**HUD Housing Choice Vouchers Program**  
**Financial Data Schedule - Balance Sheet**  
**June 30, 2023**

Line Item #		14.871 Housing Choice Vouchers	14.896 FSS Coordinator
	<b>Assets</b>		
	<b>Current Assets</b>		
111	Cash - unrestricted	\$ 482,849	\$ -
113	Cash - other restricted	98,485	-
115	Cash - restricted for payment of current liabilities	3,894	-
100	<b>Total Cash</b>	<u>585,228</u>	<u>-</u>
	<b>Accounts Receivable</b>		
121	Accounts Receivable - PHA Projects	-	-
120	Total Receivables, net of allowances for doubtful accounts	-	-
150	<b>Total Current Assets</b>	<u>585,228</u>	<u>-</u>
	<b>Noncurrent Assets</b>		
	<b>Capital Assets</b>		
164	Furniture, equipment and machinery - administration	38,385	-
166	Less: Accumulated depreciation	<u>38,385</u>	<u>-</u>
160	<b>Total Capital Assets, net of accumulated depreciation</b>	<u>-</u>	<u>-</u>
180	<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>
190	<b>Total Assets</b>	<u><u>\$ 585,228</u></u>	<u><u>\$ -</u></u>
	<b>Liabilities and Equity</b>		
	<b>Current Liabilities</b>		
311	Bank Overdraft	\$ -	\$ -
312	Accounts payable - due within 90 days	<u>3,894</u>	<u>-</u>
310	<b>Total Current Liabilities</b>	<u>3,894</u>	<u>-</u>
342	Unearned Revenue		
	<b>Noncurrent Liabilities</b>		
353	Noncurrent liabilities - other	<u>95,742</u>	<u>-</u>
350	<b>Total Noncurrent Liabilities</b>	<u>95,742</u>	<u>-</u>
300	<b>Total Liabilities</b>	<u>99,636</u>	<u>-</u>
	<b>Equity</b>		
508.1	Invested in Capital Assets, Net of Related Debt	\$ -	\$ -
511.1	Restricted Net Assets	2,743	-
512.1	Unrestricted Net Assets	<u>482,849</u>	<u>-</u>
513	<b>Total Equity/Net Assets</b>	<u>485,592</u>	<u>-</u>
600	<b>Total Liabilities and Equity/Net Assets</b>	<u><u>\$ 585,228</u></u>	<u><u>\$ -</u></u>

**Western Carolina Community Action, Inc.**  
**HUD Housing Choice Vouchers Program**  
**Financial Data Schedule - Revenues and Expenses**  
**Year Ended June 30, 2023**

<b>Line Item #</b>		<b>14.871 Housing Choice Vouchers</b>	<b>14.896 FSS Coordinator</b>
	<b>Revenues</b>		
<b>70600</b>	HUD PHA Operating Grants	\$ 4,336,958	\$ 55,079
<b>71100</b>	Investment Income - Unrestricted	500	
<b>71400</b>	Fraud Recovery	-	-
<b>71500</b>	Other Revenue	39,586	-
<b>70000</b>	<b>Total Revenues</b>	<u>4,377,044</u>	<u>55,079</u>
	<b>Expenses</b>		
<b>91100</b>	Administrative Salaries	201,177	-
<b>91500</b>	Employee Benefit Contributions - Administrative	71,958	-
<b>91800</b>	Travel Expense	7,661	-
<b>91810</b>	Allocated Overhead	78,052	-
<b>91900</b>	Other	<u>112,155</u>	<u>-</u>
<b>91000</b>	<b>Total Operating - Administrative</b>	<u>471,003</u>	<u>-</u>
<b>92100</b>	Tenant Services - Salaries		41,264
<b>92300</b>	Employee Benefit Contributions - Tenant Services	-	12,840
<b>92400</b>	Tenant Services - Other	<u>-</u>	<u>975</u>
<b>92500</b>	<b>Total Tenant Services</b>	<u>-</u>	<u>55,079</u>
<b>96900</b>	<b>Total Operating Expenses</b>	<u>471,003</u>	<u>55,079</u>
<b>97000</b>	<b>Excess of Operating Revenues over Operating Expenses</b>	<u>3,906,041</u>	<u>-</u>
<b>97300</b>	Housing Assistance Payments	3,840,669	-
<b>97350</b>	HAP Portability-In	38,308	-
<b>90000</b>	<b>Total Expenses</b>	<u>4,349,980</u>	<u>55,079</u>



<b>Line Item #</b>		<b>14.871 Housing Choice Vouchers</b>	<b>14.896 FSS Coordinator</b>
<b>10010</b>	Operating Transfer In	\$ -	
<b>10020</b>	Operating Transfer Out		
<b>10000</b>	<b>Excess of Total Revenue Over Total Expenses</b>	\$ 27,064	\$ -
<b>11030</b>	Beginning Equity	458,528	-
<b>11040</b>	Prior Period Adjustments, Equity Transfers and Correction of Errors		-
<b>11170</b>	Administrative Fee Equity	482,849	-
<b>11180</b>	Housing Assistance Payments Equity	2,743	-
<b>11190</b>	Unit Months Available	7,830	-
<b>11210</b>	Number of Unit Months Leased	7,251	-

## **COMPLIANCE SECTION**

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*

To the Board of Directors  
Western Carolina Community Action, Inc. d/b/a WNCSource

We have audited, 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, the financial statements of Western Carolina Community Action, Inc. d/b/a WNCSource (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 January 8, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Western Carolina Community Action, Inc. d/b/a WNCSource'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 Western Carolina Community Action, Inc. d/b/a WNCSource's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Carolina Community Action, Inc. d/b/a WNCSource's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001 that we consider to be a significant deficiency.

To the Board of Directors  
Western Carolina Community Action, Inc. d/b/a WNCSource

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Western Carolina Community Action, Inc. d/b/a WNCSource'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 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 or other matters that are required to be reported under *Government Auditing Standards*.

## **Western Carolina Community Action, Inc. d/b/a WNCSource's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Western Carolina Community Action, Inc. d/b/a WNCSource's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Western Carolina Community Action, Inc. d/b/a WNCSource's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.



Asheville, North Carolina  
January 8, 2024

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

To the Board of Directors  
Western Carolina Community Action, Inc. d/b/a WNCSource

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Western Carolina Community Action, Inc. d/b/a WNCSource's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Carolina Community Action, Inc. d/b/a WNCSource's major federal programs for the year ended June 30, 2023. Western Carolina Community Action, Inc. d/b/a WNCSource's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Western Carolina Community Action, Inc. d/b/a WNCSource 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, 2023.

***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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Western Carolina Community Action, Inc. d/b/a WNCSource 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 Western Carolina Community Action, Inc. d/b/a WNCSource's compliance with the compliance requirements referred to above.

To the Board of Directors  
Western Carolina Community Action, Inc. d/b/a WNCSource

### ***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 Western Carolina Community Action, Inc. d/b/a WNCSource's federal programs.

### ***Auditors' 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 Western Carolina Community Action, Inc. d/b/a WNCSource'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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Western Carolina Community Action, Inc. d/b/a WNCSource'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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Western Carolina Community Action, Inc. d/b/a WNCSource'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 Western Carolina Community Action, Inc. d/b/a WNCSource'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 Western Carolina Community Action, Inc. d/b/a WNCSource'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.

To the Board of Directors  
Western Carolina Community Action, Inc. d/b/a WNCSource

## **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 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 Auditors' 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.



Asheville, North Carolina  
January 8, 2024

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<u>U.S. Department of Health and Human Services</u>			
Administration for Children and Families:			
Head Start Cluster:			
Head Start	93.600		\$ 7,918,877
COVID-19 - Head Start	93.600		<u>38,109</u>
Total Head Start Cluster			<u>7,956,986</u>
Passed through N.C. Department of Health and Human Services - Division of Child Development and Early Education:			
Temporary Assistance for Needy Families	93.558	43860	<u>516,549</u>
CCDF Cluster:			
Child Care and Development Block Grant	93.575	43860	<u>24,537</u>
Administration for Community Living:			
Passed through Land of Sky Regional Council:			
Aging Cluster:			
Passed through Henderson County, North Carolina:			
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	22/23AANCT3SS	99,523
Passed through Transylvania County, North Carolina:			
COVID-19 - Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers	93.044		11,927
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	22/23AANCT3CM & 22/23AANCT3HD	116,522
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		37,965
Nutrition Services Incentive Program	93.053	22/23AANCNSIP	<u>8,559</u>
Total Aging Cluster			<u>274,496</u>
Total U.S. Department of Health and Human Services			<u>8,772,568</u>



**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS (continued)</b>			
<u>U.S. Department of Housing and Urban Development</u>			
Office of Public and Indian Housing:			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871		\$ 4,349,980
Family Self-Sufficiency Program	14.896		<u>55,079</u>
Total U.S. Department of Housing and Urban Development			<u>4,405,059</u>
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service:			
Passed through N.C. Department of Health and Human Services -			
Division of Child and Family Well-Being:			
Child and Adult Care Food Program	10.558	7210	<u>202,658</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration:			
Passed through N.C. Department of Transportation:			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	23-CT-022 36233.109.22.1	123,368
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	20-CA-022 49233.77.1.2	<u>175,687</u>
Total Formula Grants for Rural Areas and Tribal Transit Program			299,055
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	23-ED-022 51001.69.6.2	<u>13,313</u>
Total U.S. Department of Transportation			<u>312,368</u>
Total expenditures of federal awards			<u>\$ 13,692,653</u>

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
<b>STATE AWARDS</b>			
<u>North Carolina Department of Health and Human Services</u>			
Division of Child Development and Early Education:			
Child Care Stabilization Grants			\$ 460,367
North Carolina Pre-K Plan - Henderson County		43860	345,512
Passed through Child Care Services Association:			
TEACH Early Childhood Project		FYE 22	3,419
Division of Health Benefits:			
Passed through Impact Health:			
Healthy Opportunities Pilot Program			110,089
Division of Aging and Adult Services:			
Passed through Land of Sky Regional Council:			
Passed through Henderson County, North Carolina:			
Home and Community Care Block Grant		22/23AANCT3SS	51,997
Passed through Transylvania County, North Carolina:		22/23AANCT3CM	
Home and Community Care Block Grant		& 22/23AANCT3HD	<u>29,980</u>
Total North Carolina Department of Health and Human Services			<u>1,001,364</u>
<u>North Carolina Department of Transportation</u>			
Community Transportation Rural Formula Grant Program		23-CT-022 36233.109.22.1	7,736
Passed through Henderson County, North Carolina:			
Transportation - Rural Operating Assistance Program		FYE 23	<u>159,782</u>
Total North Carolina Department of Transportation			<u>167,518</u>
Total expenditures of state awards			<u>\$ 1,168,882</u>

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSource**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2023

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

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of Western Carolina Community Action, Inc. d/b/a WNCSource under programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA 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 SEFSA presents only a selected portion of the operations of Western Carolina Community Action, Inc. d/b/a WNCSource, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Western Carolina Community Action, Inc. d/b/a WNCSource.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are presented 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.

**Note C - Indirect Cost Rate**

Western Carolina Community Action, Inc. d/b/a WNCSource has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The Agency was approved to use a 20% provisional indirect cost rate by the U.S. Department of Health and Human Services.

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified?   X   yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over compliance:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance  
for major federal program: Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal programs:

Head Start Cluster:

AL# 93.600 - Head Start

Housing Voucher Cluster:

AL#14.871 - Section 8 Housing Choice Vouchers

The threshold for distinguishing Type A and Type B programs was \$750,000.

Western Carolina Community Action, Inc. d/b/a WNCSource was determined not to be a low-risk auditee.

**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2023

Section II - Financial Statement Findings

Finding 2023-001 - Conditional Grant Contributions

**SIGNIFICANT DEFICIENCY**

*Criteria:* The Agency should not recognize conditional grant contributions as revenue until the conditions have substantially been met.

*Condition:* The Agency recognized conditional grant contributions as grant revenue upon receipt of funds instead of upon meeting conditional requirements. Additionally, the Agency recorded refunds of conditional grant contributions as program expenses.

*Context:* \$603,313 of grant contributions received were determined to be conditional and adjusted to deferred revenue as of June 30, 2023. \$30,495 of grant contributions received in prior periods were refunded to the grantors as unexpended grant funding during the year ended June 30, 2023, and recorded as program expenses.

*Cause:* The Agency did not implement ASU 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* in the required year of adoption. Procedures were not in place to analyze grant contributions received to determine if they met the definition of conditional as required by U.S. GAAP.

*Effect:* Grant revenue for conditional grant awards was recognized prior to substantially meeting the conditions of the grant awards.

*Recommendation:* Management should implement procedures to analyze grant contributions received to determine if they meet the definition of conditional in accordance with U.S. GAAP.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with this finding and will adhere to the Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

None reported.

**WESTERN CAROLINA COMMUNITY ACTION, INC.  
D/B/A WNCSOURCE**

Corrective Action Plan  
Year Ended June 30, 2023

Section II - Financial Statement Findings

Finding 2023-001 - Conditional Grant Contributions

Name of Contact Person: Erin Outlaw

Corrective Action: The Agency has put procedures in place to determine the proper classification of conditional grant revenue. All new and annually renewed grant contracts will be reviewed by the CFO and the Director of Finance to determine whether the grant contribution meets the definition of conditional. A list of conditional grants will be maintained and communicated to Finance Staff. When the conditions of a grant have been substantially met, a journal entry will be made to recognize the revenue earned during the period.

**WESTERN CAROLINA COMMUNITY ACTION, INC.**  
**D/B/A WNCSOURCE**

Summary Schedule of Prior Audit Findings  
June 30, 2023

No audit findings were reported for the year ended June 30, 2022.

No audit findings were reported for the year ended June 30, 2021.