



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

Hendersonville, North Carolina

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2025 and 2024

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

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Richard Reagen
Matt Ballance

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Western Carolina Community Action, Inc. d/b/a WNCSource (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary'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 audits were conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, on our consideration of Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary'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 and Subsidiary'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 and Subsidiary's internal control over financial reporting and compliance.

CARTER, P.C.

Asheville, North Carolina
November 26, 2025

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

Consolidated Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,508,940	\$ 1,693,133
Restricted	289,088	272,846
Grants receivable, current portion	1,828,736	1,337,986
Other receivables	28,841	66,038
Prepaid expenses	<u>196,569</u>	<u>170,883</u>
Total current assets	3,852,174	3,540,886
 Grants receivable, net of current portion	 332,836	
Other investments	108,416	91,708
Beneficial interest in endowment fund	55,525	49,110
Operating lease right-of-use assets	180,002	217,435
Cash restricted to capital projects	204,945	169,366
Property and equipment	<u>16,220,642</u>	<u>15,614,717</u>
 Total assets	 <u>\$ 20,954,540</u>	 <u>\$ 19,683,222</u>
Liabilities and net assets		
Current liabilities:		
Current maturities of operating lease liabilities	\$ 69,981	\$ 74,286
Current maturities of notes payable	423,190	534,564
Accounts payable	618,632	741,120
Accrued liabilities	1,615,867	1,580,147
Deferred revenue, current portion	567,632	594,995
Escrow and security deposits	<u>112,276</u>	<u>120,305</u>
Total current liabilities	3,407,578	3,645,417
 Deferred revenue, net of current portion		176,389
Operating lease liabilities, net of current maturities	110,021	143,149
Notes payable, net of current maturities	<u>1,868,184</u>	<u>1,941,536</u>
Total liabilities	5,385,783	5,906,491
 Net assets:		
Without donor restrictions	14,440,828	13,219,032
With donor restrictions	<u>1,127,929</u>	<u>557,699</u>
Total net assets	<u>15,568,757</u>	<u>13,776,731</u>
 Total liabilities and net assets	 <u>\$ 20,954,540</u>	 <u>\$ 19,683,222</u>

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

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

Consolidated Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, grants, and other support			
Government grants	\$ 19,304,043	\$ 23,520	\$ 19,327,563
Local grants	1,218,173	728,562	1,946,735
Contributions	58,535		58,535
In-kind contributions	191,299		191,299
Program income and fees	1,545,360		1,545,360
Rental income	292,119		292,119
Investment income, net	14,374		14,374
Thrift store sales	41,508		41,508
Miscellaneous	3,131		3,131
Net assets released from restrictions	<u>181,852</u>	<u>(181,852)</u>	
Total revenues, grants, and other support	<u>22,850,394</u>	<u>570,230</u>	<u>23,420,624</u>
Expenses			
Program services	19,750,656		19,750,656
Supporting services	<u>1,884,785</u>		<u>1,884,785</u>
Total expenses	<u>21,635,441</u>		<u>21,635,441</u>
Increase in net assets before other gains	1,214,953	570,230	1,785,183
Other gains			
Net gains on beneficial interest in endowment fund	<u>6,843</u>		<u>6,843</u>
Increase in net assets	1,221,796	570,230	1,792,026
Net assets at beginning of year	<u>13,219,032</u>	<u>557,699</u>	<u>13,776,731</u>
Net assets at end of year	<u>\$ 14,440,828</u>	<u>\$ 1,127,929</u>	<u>\$ 15,568,757</u>

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

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

Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, grants, and other support			
Government grants	\$ 19,409,570	\$ 147,004	\$ 19,556,574
Local grants	678,413	25,781	704,194
Contributions	24,883		24,883
In-kind contributions	137,413		137,413
Program income and fees	1,124,364		1,124,364
Rental income	258,950		258,950
Investment income, net	8,874		8,874
Thrift store sales	61,669		61,669
Miscellaneous	43,578		43,578
Net assets released from restrictions	483,514	(483,514)	
Total revenues, grants, and other support	<u>22,231,228</u>	<u>(310,729)</u>	<u>21,920,499</u>
Expenses			
Program services	18,396,802		18,396,802
Supporting services	<u>1,682,450</u>		<u>1,682,450</u>
Total expenses	<u>20,079,252</u>		<u>20,079,252</u>
Increase (decrease) in net assets before other gains	<u>2,151,976</u>	<u>(310,729)</u>	<u>1,841,247</u>
Other gains			
Gain on inherent contribution from acquisition of English Hills	6,578,601	335,943	6,914,544
Net gains on other investments	1,403		1,403
Net gains on beneficial interest in endowment fund	4,238		4,238
Gain on sale of property and equipment	<u>385</u>		<u>385</u>
Total other gains	<u>6,584,627</u>	<u>335,943</u>	<u>6,920,570</u>
Increase in net assets	8,736,603	25,214	8,761,817
Net assets at beginning of year	<u>4,482,429</u>	<u>532,485</u>	<u>5,014,914</u>
Net assets at end of year	<u>\$ 13,219,032</u>	<u>\$ 557,699</u>	<u>\$ 13,776,731</u>

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

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

Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

		Supporting Services			
	Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries and wages	\$ 7,866,721	\$ 988,492	\$ 16,511	\$ 1,005,003	\$ 8,871,724
Payroll taxes	582,327	72,540	1,206	73,746	656,073
Retirement contributions	533,298	73,253	1,238	74,491	607,789
Employee benefits	1,168,184	120,711	1,312	122,023	1,290,207
Employee recruiting & onboarding	118,372	19,166		19,166	137,538
Dues, memberships, & subscriptions	19,981	4,106	8	4,114	24,095
Equipment	36,851	2,663		2,663	39,514
Food services	575,549	4,960		4,960	580,509
Misc. program support	101,307	8,501		8,501	109,808
Participant costs	4,946,647				4,946,647
Postage & shipping	6,579	2,803	14	2,817	9,396
Printing & copy work	13,377	477		477	13,854
Professional services	167,477	256,049	428	256,477	423,954
Software	102,372	102,545	2,188	104,733	207,105
Staff travel & continuing education	146,977	44,839		44,839	191,816
Supplies	252,027	7,177		7,177	259,204
Vehicles	287,868	172		172	288,040
Occupancy	467,009	17,959	484	18,443	485,452
Advertising	10,008	54,801		54,801	64,809
Subcontractors	535,285				535,285
Communications	84,997	20,357		20,357	105,354
Facilities	314,203	22,698		22,698	336,901
Insurance	443,888	36,310	213	36,523	480,411
Depreciation	832,342	604		604	832,946
Interest expense	128,300				128,300
Credit losses	8,710				8,710
Total expenses	<u>\$ 19,750,656</u>	<u>\$ 1,861,183</u>	<u>\$ 23,602</u>	<u>\$ 1,884,785</u>	<u>\$ 21,635,441</u>

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

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

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

		Supporting Services			
	Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries and wages	\$ 7,458,464	\$ 965,155	\$ 30,414	\$ 995,569	\$ 8,454,033
Payroll taxes	554,154	71,428	2,249	73,677	627,831
Retirement contributions	502,292	70,507	2,127	72,634	574,926
Employee benefits	1,157,106	123,857	2,802	126,659	1,283,765
Employee recruiting & onboarding	206,091	19,321		19,321	225,412
Dues, memberships, & subscriptions	22,197	8,656	136	8,792	30,989
Equipment	4,325		107	107	4,432
Food services	502,686	3,147		3,147	505,833
Misc. program support	37,984	12,378		12,378	50,362
Participant costs	4,035,581				4,035,581
Postage & shipping	6,147	2,492	35	2,527	8,674
Printing & copy work	14,381	18,381		18,381	32,762
Professional services	190,260	112,888	375	113,263	303,523
Software	59,798	84,415	2,173	86,588	146,386
Staff travel & continuing education	179,918	36,030	242	36,272	216,190
Supplies	351,589	8,166		8,166	359,755
Vehicles	259,634	42		42	259,676
Occupancy	296,486	16,524	176	16,700	313,186
Advertising	17,551	227		227	17,778
Subcontractors	697,249				697,249
Communications	82,887	19,637	259	19,896	102,783
Facilities	505,604	23,590		23,590	529,194
Insurance	453,713	38,259	568	38,827	492,540
Depreciation	676,232	5,687		5,687	681,919
Interest expense	118,730				118,730
Credit losses	5,743				5,743
Total expenses	<u>\$ 18,396,802</u>	<u>\$ 1,640,787</u>	<u>\$ 41,663</u>	<u>\$ 1,682,450</u>	<u>\$ 20,079,252</u>

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

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

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,792,026	\$ 8,761,817
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	832,946	681,919
Amortization of operating lease right-of-use assets	65,893	31,407
Provision for credit losses	8,710	5,743
Present value adjustment	(17,164)	
Net gains on other investments		(1,403)
Net gains on beneficial interest in endowment fund	(6,843)	(4,238)
Gain on sale of property and equipment		(385)
Amortization of discount on note receivables		(1,456)
Amortization of discount on deferred revenue	23,611	17,851
Amortization of debt issuance costs	709	2,059
Amortization of discount on notes payable	37,020	32,806
Gain on inherent contribution from acquisition of English Hills		(6,914,544)
Changes in working capital - sources (uses)		
Grants receivable	(806,422)	(165,124)
Other receivables	28,487	(32,259)
Prepaid expenses	(25,686)	(77,748)
Accounts payable	(122,488)	418,809
Accrued liabilities	35,720	196,748
Deferred revenue	(227,363)	(233,318)
Escrow and security deposits	(8,029)	(3,953)
Operating lease liabilities	(65,893)	(31,407)
Net cash provided by operating activities	<u>1,545,234</u>	<u>2,683,324</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment		932
Purchase of other investments	(16,708)	(27)
Purchase of property and equipment	(1,438,871)	(2,587,915)
Change in beneficial interest in endowment fund	428	(1,028)
Cash acquired in acquisition of English Hills		238,646
Purchase of English Hills		(103,890)
Net cash used by investing activities	<u>(1,455,151)</u>	<u>(2,453,282)</u>

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

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

Consolidated Statements of Cash Flows (continued)
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from financing activities		
Principal repayments on notes payable	\$ <u>(222,455)</u>	\$ <u>(211,730)</u>
Net increase (decrease) in cash and equivalents and restricted cash	(132,372)	18,312
Cash and equivalents and restricted cash at beginning of year	<u>2,135,345</u>	<u>2,117,033</u>
Cash and equivalents and restricted cash at end of year	<u>\$ 2,002,973</u>	<u>\$ 2,135,345</u>
Schedule of noncash investing and financing activities		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ <u>28,460</u>	\$ <u>77,528</u>
Note receivables extinguished with acquisition of notes payable	\$ <u></u>	\$ <u>384,994</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ <u>66,960</u>	\$ <u>66,014</u>

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

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

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 1 - Nature of Agency

Agency

Western Carolina Community Action, Inc. d/b/a WNCSource (WNCSource) 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.

WCCA English Hills Holding, LLC (WCCA English Hills) was organized in June 2023 as a holding company for English Hills LLC (English Hills). WNCSource is the sole member of WCCA English Hills. The member interest of English Hills was acquired by WCCA English Hills in July 2023 when WCCA English Hills became the sole member of English Hills. English Hills operates the property of an apartment complex with 40 units that provides safe and affordable housing for tenants.

Programs

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 to 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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of WNCSource and WCCA English Hills (collectively the Agency). All significant intercompany transactions and balances have been eliminated.

Note 2 - Summary of Significant Accounting Policies (continued)

Principles of Consolidation (continued)

WNCSOURCE and WCCA English Hills operate on the fiscal year ended June 30. English Hills operates on a calendar year end. These consolidated financial statements represent the financial position and activities as of and for the twelve months ended June 30, 2025 and 2024.

Income Tax Status

WNCSOURCE 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 WNCSOURCE's tax-exempt purpose is subject to taxation as unrelated business income. In addition, WNCSOURCE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). WNCSOURCE 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).

WCCA English Hills and English Hills are single member limited liability companies which are disregarded entities for U.S. federal and state income tax purposes. All income and expenses of WCCA English Hills and English Hills are reported on WNCSOURCE's Form 990. Accordingly, no provision for income taxes has been recognized in these consolidated financial statements.

Basis of Presentation

The consolidated 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 consolidated financial positions and activities according to the following net asset classifications:

- *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.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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 consolidated statements of activities report 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, gains on sale of property and equipment, gain on inherent contribution in acquisition of English Hills, 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 grants receivable, other investments, beneficial interest in endowment fund, 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.

Amounts recognized for grants receivable and deferred revenue approximates fair value due to net present value adjustments applied to outstanding balances.

The fair value of other investments and beneficial interest in endowment fund are discussed in Note 8.

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.

The carrying value of notes payable approximates fair value due to market-based interest rates charged at the time of borrowing. Interest-free loans contain an implied interest rate comparable to market rates.

Cash and Equivalents

For purposes of the consolidated statements 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 tenant security deposits, client escrow accounts, and employee benefit escrow accounts.

Note 2 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of consolidated 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 consolidated 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.

Grants Receivable

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 consolidated 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.

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

Other Receivables and Allowance for Credit Losses

Other receivables consists primarily of rent and sales tax receivables.

The allowance for credit losses represents an estimate made by management of the lifetime expected credit losses inherent in other receivable balances. Accounts outstanding longer than the contractual payment terms are considered past due. Management believes its billing and collection policies are adequate to minimize potential credit risk. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for credit losses. The Agency writes-off accounts and other receivables when they become uncollectible, and payments subsequently received on such receivables are credited back to the allowance account in the period the payment is received. All other receivables are considered by management to be fully collectible and therefore no allowance for credit losses has been recorded.

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 consolidated statements of activities.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 three to thirty-nine years.

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as in-kind contributions or gain on inherent contribution from acquisition of English Hills 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 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. Materials donated to the thrift store are not recorded as in-kind contributions or inventory when received since there is no readily determinable value for these donated items. Donated materials sold at the thrift store are reflected as thrift store sales. Noncash donated assets are described in Note 14.

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 14.

Debt Issuance Costs

Debt issuance costs are comprised of costs incurred in connection with financing arrangements with third party lenders and are presented as a direct deduction of the carrying value of the associated debt. These costs are amortized as interest expense on a straight-line basis over the terms of the related financing contracts.

Leases

The Agency determines if 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) at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities in the accompanying consolidated statements of financial position.

ROU assets represent the Agency's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments, discounted using the Agency's incremental borrowing rate or the implied interest rates.

The Agency has elected to apply the short-term lease exception to all leases with a remaining term of 12 months or less and those that are considered immaterial.

Note 2 - Summary of Significant Accounting Policies (continued)

Leases (continued)

Lease terms may include options to renew when it is reasonably certain the Agency will exercise those options. Lease agreements do not contain any material residual value guarantees or restrictive covenants.

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 accompanying consolidated statements 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.

The Agency recognizes revenue from merchandise sales through a thrift store. 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.

Functional Allocation of Expenses

The cost of providing program and supporting services have been summarized on a functional basis in the consolidated statements 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 years ended June 30, 2025 and 2024, was 20.70%, using the basis of direct salaries and wages including all fringe benefits. Certain categories of expenses are attributable to programs and support. Participant costs, subcontractors, interest expense, and credit loss expenses are directly related to program services. All other expenses are allocated using the indirect cost rate.

Note 2 - Summary of Significant Accounting Policies (continued)

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 years ended June 30, 2025 and 2024, was \$64,809 and \$17,778, respectively.

Newly Adopted Accounting Pronouncement

During the year ended June 30, 2025, the Agency adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2023-01 *Leases (Topic 842): Common Control Arrangements*. ASU 2023-01 provides guidance on determining if an arrangement between entities under common control qualifies as a lease and the accounting treatment of that arrangement if the agreement qualifies as a lease. Additionally, the ASU provides guidance on the accounting for leasehold improvements related to related party leases. The Agency has elected to apply the practical expedient available under the standard to use the written terms and conditions of a related party arrangement between entities under common control to determine whether that arrangement is or contains a lease. The implementation of this standard did not have a material impact on the Agency's consolidated financial statements and related disclosures.

Note 3 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions:		
Undesignated	\$ 458,993	\$ 31,305
Investment in property and equipment	13,926,310	13,138,617
Board designated endowment reserve	<u>55,525</u>	<u>49,110</u>
Net assets without donor restrictions	<u>14,440,828</u>	<u>13,219,032</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or time restriction:		
Passage of time	981,760	335,943
Childcare services	49,570	127,056
Senior services	88,505	68,110
Transportation		21,114
Housing services	<u>8,094</u>	<u>5,476</u>
Net assets with donor restrictions	<u>1,127,929</u>	<u>557,699</u>
Total net assets	<u>\$ 15,568,757</u>	<u>\$ 13,776,731</u>

Note 4 - Acquisition

WCCA English Hills Housing of Brevard, Inc. and English Hills LLC

On July 31, 2023, the Agency acquired all of the outstanding ownership interest in WCCA English Hills Housing of Brevard, Inc. and English Hills LLC, an affordable housing apartment management company.

On the consolidated statement of activities for the year ended June 30, 2024, the gain on inherent contribution received is recorded as the excess of fair value of net assets acquired over consideration paid and increases net assets without donor restrictions. The gain from inherent contribution received of \$6,914,544 arising from the acquisition consists primarily of the fair value of the property and equipment acquired through the acquisition

The following table summarizes the consideration paid for the membership interest in English Hills, as well as assets acquired and the liabilities assumed at July 31, 2023:

Consideration:

Cash	\$ <u>103,890</u>
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Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash and equivalents, unrestricted	\$ 47,856
Cash and equivalents, restricted	190,790
Other receivables	2,656
Prepaid expenses	24,612
Property and equipment	8,470,000
Accounts payable	(28,478)
Accrued liabilities	(8,933)
Escrow and security deposits	(21,961)
Notes payable, net	<u>(1,658,108)</u>
Total identifiable assets, net	7,018,434
Gain on inherent contribution received	<u>(6,914,544)</u>
Total value of consideration transferred	\$ <u>103,890</u>

Note 5 - 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.

Note 5 - Liquidity and Availability of Financial Assets (continued)

The following reflects the liquidity and availability of the Agency's financial assets:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and equivalents, unrestricted	\$ 1,508,940	\$ 1,693,133
Grants receivable	2,161,572	1,337,986
Other receivables	28,841	66,038
Beneficial interest in endowment fund	<u>55,525</u>	<u>49,110</u>
Total financial assets	<u>3,754,878</u>	<u>3,146,267</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(1,127,929)	(557,699)
Board designated endowment reserve	(55,525)	(49,110)
Add back: restricted grants receivable, current portion	<u>350,000</u>	<u></u>
Total amounts not available for general expenditure	<u>(833,454)</u>	<u>(606,809)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,921,424</u>	<u>\$ 2,539,458</u>

Line of Credit

The Agency maintains a line of credit with a local bank to meet short-term working capital needs that is secured by essentially all assets. 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 plus 0.5%, with a floor of 4% and ceiling of 18%. The interest rate at June 30, 2025 and 2024, was 8% and 9%, respectively. At June 30, 2025 and 2024, there were no outstanding balances on the line of credit.

Note 6 - 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 the present value of future cash flows.

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

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 note receivables were extinguished with the acquisition of English Hills in July 2023.

Note 6 - Contract Assets and Liabilities (continued)

The following table provides information about contract assets:

At June 30	2025	2024	2023
Grants receivable:			
Due in less than one year	\$ 1,828,736	\$ 1,337,986	\$ 1,172,862
Due in one to five years	350,000		
Less, discount at 4.75%	<u>(17,164)</u>	<u></u>	<u></u>
Total grants receivable	2,161,572	1,337,986	1,172,862
Accounts receivable	8,179	13,150	5,001
Note receivables	<u></u>	<u></u>	<u>383,538</u>
Total contract assets	\$ 2,169,751	\$ 1,351,136	\$ 1,561,401

Significant changes in the allowance for credit losses are as follows:

Years Ended June 30	2025	2024
Allowance for credit losses, beginning of year	\$	\$
Provision for credit losses	8,710	5,743
Write-offs	<u>(8,710)</u>	<u>(5,743)</u>
Allowance for credit losses, end of year	\$	\$

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 consolidated statements 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.
- 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.

Note 6 - Contract Assets and Liabilities (continued)

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

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Conditional grants, beginning of year	\$ 594,995	\$ 603,313
Revenue recognized that was included in deferred revenue at the beginning of the year	(594,995)	(486,048)
HOME conditional grant transferred to short-term	200,000	225,000
Increase due to cash received during the year	<u>367,632</u>	<u>252,730</u>
Conditional grants, end of year	<u>567,632</u>	<u>594,995</u>
Long-term conditional grants, beginning of year (net of discount to net present value at 4.52% - 4.59% of \$23,611 and \$41,462, respectively)	176,389	383,538
HOME conditional grants transferred to short-term	(200,000)	(225,000)
Amortization of discount to net present value	<u>23,611</u>	<u>17,851</u>
Long-term conditional grants, end of year (net of discount to net present value at 4.52% of \$23,611)	<u> </u>	<u>176,389</u>
Escrow and security deposits, beginning of year	120,305	102,297
Escrow and security deposits paid out	(61,982)	(61,102)
Escrow and security deposits acquired with English Hills		20,186
Increase due to cash received during the year	<u>53,953</u>	<u>58,924</u>
Escrow and security deposits, end of year	<u>112,276</u>	<u>120,305</u>
Total deferred revenue	\$ 679,908	\$ 891,689

Note 7 - 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 consolidated financial statements in the aggregate at fair value.

Note 8 - Fair Value Measurements

Other investments and beneficial interest in endowment fund are reported in the accompanying consolidated 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 that holds the underlying assets. Due to inputs being unobservable, the instrument is categorized as Level 3.

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

At June 30, 2025	Level 1	Level 2	Level 3	Total
Other investments	\$	\$	\$ 108,416	\$ 108,416
Beneficial interest in endowment fund			55,525	55,525
<u>Total fair value measurements</u>	<u>\$</u>	<u>\$</u>	<u>\$ 163,941</u>	<u>\$ 163,941</u>

At June 30, 2024	Level 1	Level 2	Level 3	Total
Other investments	\$	\$	\$ 91,708	\$ 91,708
Beneficial interest in endowment fund			49,110	49,110
<u>Total fair value measurements</u>	<u>\$</u>	<u>\$</u>	<u>\$ 140,818</u>	<u>\$ 140,818</u>

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

Years Ended June 30	2025	2024
Level 3 inputs, beginning of the year	\$ 140,818	\$ 134,122
Purchases of other investments	16,708	27
Interest and dividends		1,403
Investment fees	(428)	(375)
Net gains	<u>6,843</u>	<u>5,641</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 163,941</u>	<u>\$ 140,818</u>

Note 9 - Property and Equipment

Property and equipment consist of the following:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 19,805,820	\$ 16,599,293
Land	1,237,822	1,237,822
Vehicles	1,887,737	1,441,186
Equipment	361,073	240,103
Other	28,090	28,090
Construction in progress	<u>27,073</u>	<u>2,400,143</u>
	23,347,615	21,946,637
Less, accumulated depreciation	<u>(7,126,973)</u>	<u>(6,331,920)</u>
<u>Property and equipment</u>	<u>\$ 16,220,642</u>	<u>\$ 15,614,717</u>

Depreciation expense for the years ended June 30, 2025 and 2024, was \$832,946 and \$681,919, respectively.

The Agency has a building and land related to the Head Start program with a carrying value of \$2,371,689 and \$2,400,143 as of June 30, 2025 and 2024, respectively. If the Agency discontinues the administration of the Head Start program or disposes of these assets, then the assets are subject to a Notice of Federal Interest imposed and filed at the time construction was completed.

Note 10 - Accrued Liabilities

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Accrued payroll	\$ 307,821	\$ 303,656
Accrued compensated absences	274,090	244,934
Health insurance reserve	833,306	829,957
Health insurance claims	143,000	149,000
Employee benefits and withholdings	52,942	47,817
Accrued interest	<u>4,708</u>	<u>4,783</u>
<u>Accrued liabilities</u>	<u>\$ 1,615,867</u>	<u>\$ 1,580,147</u>

Note 11 - Leases

The Agency leases building space under non-cancellable operating lease agreements with a weighted average remaining lease term of approximately four years and five years as of June 30, 2025 and 2024, respectively. The discount rate for the operating leases was determined using the Agency's incremental borrowing rate of 4.25% to 9.50%. The weighted average discount rate for the operating leases is 5.91% and 6.07% as of June 30, 2025 and 2024, respectively. 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. 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>
2026	\$ 77,470
2027	38,741
2028	21,000
2029	21,000
2030	21,000
Thereafter	<u>21,000</u>
Total payments	200,211
Less, imputed interest	<u>(20,209)</u>
<u>Total operating lease liabilities</u>	<u>\$ 180,002</u>

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

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Short-term and immaterial operating leases included in occupancy	\$ 193,401	\$ 219,412
Operating lease costs included in occupancy	<u>80,833</u>	<u>36,959</u>
<u>Total lease costs</u>	<u>\$ 274,234</u>	<u>\$ 256,371</u>

The following summarizes cash flow information related to leases:

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	<u>\$ 80,833</u>	<u>\$ 36,959</u>
Asset obtained in exchange for operating lease liabilities	<u>\$ 65,893</u>	<u>\$ 77,528</u>

Note 11 - Leases (continued)

The Agency also leases additional building space under non-cancelable operating lease agreements. Leases with a remaining term of 12 months or less at lease inception, or those that are considered immaterial, are not recorded in the consolidated statements 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.

Note 12 - Notes Payable

Notes payable is described as follows:

At June 30	2025	2024
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 \$1,786,475	\$ 39,042	\$ 191,106
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 \$1,728,139	488,334	526,027
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 \$363,114	340,601	357,209
Noninterest bearing note payable due with a balloon payment in May 2028, secured by building and land with a carrying value of \$363,114, can be forgiven in full if certain guidelines are met in accordance with HOME program	120,215	120,125
Noninterest bearing note payable due with a balloon payment in December 2027, implied interest rate of 3.875%, secured by building and land with a carrying value of \$7,933,304	21,500	21,500
Noninterest bearing note payable due with a balloon payment in March 2036, implied interest rate of 3.875%, secured by building and land with a carrying value of \$7,933,304	846,390	846,390
Noninterest bearing note payable due monthly payments of \$45 through November 2024 and a final balloon payment in December 2027, implied interest rate of 3.875%, secured by building and land with a carrying value of \$7,933,304	112,293	112,519

Note 12 - Notes Payable (continued)

At June 30	2025	2024
Noninterest bearing note payable due with a balloon payment in November 2025, implied interest rate of 3.875%, secured by building and land with a carrying value of \$7,933,304, can be forgiven in full if certain guidelines are met in accordance with HOME program	\$ 310,000	\$ 310,000
Installment note due in monthly principal and interest payments of \$3,411 through December 2027 with an interest rate of 7.25%, secured by building and land with a carrying value of \$7,933,304	<u>335,784</u>	<u>351,738</u>
Total notes payable	2,614,159	2,836,614
Less, unearned discount on notes payable	(298,924)	(335,944)
Less, debt issuance costs	<u>(23,861)</u>	<u>(24,570)</u>
Total notes payable, net of unearned discounts and debt issuance costs	2,291,374	2,476,100
Less, current maturities	<u>(423,190)</u>	<u>(534,564)</u>
Notes payable, net	\$ 1,868,184	\$ 1,941,536

Principal maturities on notes payable are as follows:

Years Ending June 30	Payments
2026	\$ 423,190
2027	79,351
2028	337,130
2029	87,281
2030	91,570
Thereafter	<u>1,595,637</u>
Total principal payments on notes payable	\$ 2,614,159

Note 13 - Commitments and Contingencies**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.

Note 13 - Commitments and Contingencies (continued)

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 consolidated financial statements for the repayment of any grant monies or third-party reimbursements.

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 \$143,000 and \$149,000 at June 30, 2025 and 2024, respectively, 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 \$833,306 and \$829,957 at June 30, 2025 and 2024, respectively, that is included in accrued liabilities in the accompanying consolidated statements 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 approximately \$1,213,000 over the minimum aggregate deductible for the year ended June 30, 2025.

Note 14 - 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 consolidated financial statements since the recognition criteria were not met.

Fair valuation techniques - The fair value of donated building space is based on estimated fair market value at the date of receipt. The inherent contribution received from net assets acquired from English Hills is based on the fair value of the underlying assets and liabilities acquired in excess of the consideration exchanged. The present value adjustment applied to notes payable is based on market interest rates at the time of acquisition of the underlying note payables. Donated professional services are valued based on standard billing rates for the underlying services provided.

The Agency receives a significant amount of contributed clothing and household goods that are sold in the thrift store. 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 consolidated statements of activities at the sales price received from the sale.

Note 14 - In-kind Contributions (continued)

In-kind contributions are summarized as follows:

<u>Year Ended June 30, 2025</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
In-kind contributions:			
Building space	\$ 185,069	Program	None
Professional services	<u>6,230</u>	Program	None
Total in-kind contributions	191,299		
Thrift store sales of clothing and household goods	<u>41,508</u>	Fundraising	None
Total contributions of nonfinancial assets	<u>\$ 232,807</u>		
<u>Year Ended June 30, 2024</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
In-kind contributions:			
Building space	<u>\$ 137,413</u>	Program	None
Thrift store sales of clothing and household goods	<u>61,669</u>	Fundraising	None
Gain on inherent contribution from acquisition of English Hills:			
Inherent contribution received from net assets acquired	6,545,795	Program	None
Present value adjustment of notes payable acquired	<u>368,749</u>	Program	Passage of Time
Total gain on inherent contribution from acquisition of English Hills	<u>6,914,544</u>		
Total contributions of nonfinancial assets	<u>\$ 7,113,626</u>		

Note 15 - Rental Income

The Agency leases apartment units under non-cancelable operating lease agreements that expire through May 2026. 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 years ended June 30, 2025 and 2024, was \$292,119 and \$258,950, respectively. The future minimum rental income to be received under all non-cancelable operating lease agreements is \$18,841 for the year ended June 30, 2026.

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.

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

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Building and land	\$ 10,164,660	\$ 9,868,198
Less, accumulated depreciation	<u>(1,868,241)</u>	<u>(1,506,973)</u>
Total cost, net	<u>\$ 8,296,419</u>	<u>\$ 8,361,225</u>

Note 16 - 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 years ended June 30, 2025 and 2024, were \$607,789 and \$574,926, respectively.

Note 17 - 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.

Note 17 - Concentrations of Credit Risk

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, 2025 and 2024, totaled approximately \$16,338,000 and \$16,902,000, respectively. Grants receivable from these grantors at June 30, 2025 and 2024, was approximately \$981,000 and \$1,093,000, respectively.

Note 18 - Income Taxes

Uncertain Tax Positions

WNCSOURCE 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. Management 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 consolidated financial statements.

Open Tax Years

WNCSOURCE's Return of Organization from Income Tax (Form 990) for the years ended June 30, 2024, 2023, and 2022, 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 November 26, 2025, the date on which the consolidated financial statements were available to be issued.

In November 2025, the Agency replaced its existing line of credit agreement with a new agreement. Interest is payable monthly on outstanding principal balances at the Prime Rate as published in The Wall Street Journal plus 0.50%, with a floor of 4%. The interest rate as of November 2025 is 7.5%. As of the report issuance date, there were no outstanding balances on the line of credit.

SUPPLEMENTARY INFORMATION

Western Carolina Community Action, Inc.
HUD Housing Choice Vouchers Program
Financial Data Schedule - Balance Sheet
June 30, 2025

Line Item #		14.871 Housing Choice Vouchers	14.896 FSS Coordinator	14.EFA FSS Foreitures
	Assets			
	Current Assets			
111	Cash - unrestricted	\$ 525,342	\$ -	\$ -
113	Cash - other restricted	85,609	-	5,506
115	Cash - restricted for payment of current liabilities	5,250	-	-
100	Total Cash	<u>616,201</u>	<u>-</u>	<u>5,506</u>
	Accounts Receivable			
121	Accounts Receivable - PHA Projects	75,508	-	-
120	Total Receivables, net of allowances for doubtful accounts	<u>75,508</u>	<u>-</u>	<u>-</u>
150	Total Current Assets	<u>691,709</u>	<u>-</u>	<u>5,506</u>
	Noncurrent Assets			
	Capital Assets			
164	Furniture, equipment and machinery - administration	38,385	-	-
166	Accumulated depreciation	<u>(38,385)</u>	<u>-</u>	<u>-</u>
160	Total Capital Assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
180	Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
290	Total Assets and Deferred Outflow of Resources	<u><u>\$ 691,709</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,506</u></u>
	Liabilities and Equity			
	Current Liabilities			
312	Accounts payable - due within 90 days	\$ 5,250	\$ -	\$ -
310	Total Current Liabilities	<u>5,250</u>	<u>-</u>	<u>-</u>
342	Unearned Revenue			
	Noncurrent Liabilities			
353	Noncurrent liabilities - other	85,609	-	-
350	Total Noncurrent Liabilities	<u>85,609</u>	<u>-</u>	<u>-</u>
300	Total Liabilities	<u>90,859</u>	<u>-</u>	<u>-</u>
	Equity			
511.4	Restricted Net Assets	-	-	5,506
512.4	Unrestricted Net Assets	<u>600,850</u>	<u>-</u>	<u>-</u>
513	Total Equity - Net Assets / Position	<u>600,850</u>	<u>-</u>	<u>5,506</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets / Position	<u><u>\$ 691,709</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,506</u></u>

Western Carolina Community Action, Inc.
HUD Housing Choice Vouchers Program
Financial Data Schedule - Revenues and Expenses
Year Ended June 30, 2025

Line Item #		14.871 Housing Choice Vouchers	14.896 FSS Coordinator	14.EFA FSS Foreitures
	Revenues			
70600	HUD PHA Operating Grants	\$ 5,725,396	\$ 70,891	\$ -
71100	Investment Income - Unrestricted	1,158	-	-
71500	Other Revenue	6,188	-	3,131
70000	Total Revenues	<u>5,732,742</u>	<u>70,891</u>	<u>3,131</u>
	Expenses			
91100	Administrative Salaries	221,716	-	-
91500	Employee Benefit Contributions - Administrative	74,522	-	-
91800	Travel	13,930	-	-
91810	Allocated Overhead	73,056	-	-
91900	Other	131,644	-	-
91000	Total Operating - Administrative	<u>514,868</u>	<u>-</u>	<u>-</u>
92100	Tenant Services - Salaries	-	52,999	-
92300	Employee Benefit Contributions - Tenant Services	-	17,892	-
92500	Total Tenant Services	<u>-</u>	<u>70,891</u>	<u>-</u>
96900	Total Operating Expenses	<u>514,868</u>	<u>70,891</u>	<u>-</u>
97000	Excess of Operating Revenues over Operating Expenses	<u>5,217,874</u>	<u>-</u>	<u>3,131</u>
97300	Housing Assistance Payments	5,127,477	-	-
97350	HAP Portability-In	6,662	-	-
90000	Total Expenses	<u>5,649,007</u>	<u>70,891</u>	<u>-</u>
10000	Excess of Total Revenue Over Total Expenses	<u>\$ 83,735</u>	<u>\$ -</u>	<u>\$ 3,131</u>
11030	Beginning Equity	<u>\$ 517,115</u>	<u>\$ -</u>	<u>\$ 2,375</u>
11170	Administrative Fee Equity	<u>\$ 600,850</u>	<u>\$ -</u>	<u>\$ -</u>
11180	Housing Assistance Payments Equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,506</u>
11190	Unit Months Available	<u>7,672</u>	<u>-</u>	<u>-</u>
11210	Number of Unit Months Leased	<u>7,488</u>	<u>-</u>	<u>-</u>

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 and Subsidiary

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 consolidated financial statements of Western Carolina Community Action, Inc. d/b/a WNCSource (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary'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 consolidated 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. However, material weaknesses or significant deficiencies may exist that were not identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary's consolidated 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 consolidated 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*.

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
November 26, 2025

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 and Subsidiary

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 and Subsidiary'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 and Subsidiary's major federal programs for the year ended June 30, 2025. Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary'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 and Subsidiary 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, 2025.

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 Subsidiary 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 and Subsidiary's compliance with the compliance requirements referred to above.

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

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 and Subsidiary'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 and Subsidiary'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 and Subsidiary'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 and Subsidiary'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 and Subsidiary'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 and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

CARTER, P.C.

Asheville, North Carolina
November 26, 2025

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

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Health and Human Services</u>			
Administration for Children and Families:			
Head Start Cluster:			
Head Start	93.600		\$ <u>10,599,461</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	47107	<u>516,549</u>
CCDF Cluster:			
Child Care and Development Block Grant	93.575	47107	<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	23/24AANCT3SS	136,839
Passed through Transylvania County, North Carolina:			
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers	93.044	23/24AANCT3SS 23/24AANCT3CM	50,925
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	& 23/24AANCT3HD	183,484
Nutrition Services Incentive Program	93.053	23/24AANCNSIP	<u>7,351</u>
Total Aging Cluster			<u>378,599</u>
Total U.S. Department of Health and Human Services			<u>11,519,146</u>

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

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<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		\$ 5,649,007
Family Self-Sufficiency Program	14.896		<u>70,891</u>
Total U.S. Department of Housing and Urban Development			<u>5,719,898</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>414,993</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	24-CT-022 & 25-CT-022	381,553
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	20-CA-022	<u>11,070</u>
Total Formula Grants for Rural Areas and Tribal Transit Program			392,623
Public Transportation Emergency Relief Program	20.527		7,838
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	24-ED-022	<u>29,834</u>
Total U.S. Department of Transportation			<u>430,295</u>
Total expenditures of federal awards			<u>\$ 18,084,332</u>

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

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2025

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
STATE AWARDS			
<u>North Carolina Department of Health and Human Services</u>			
Division of Child Development and Early Education:			
Child Care Stabilization Grants			\$ 42,768
North Carolina Pre-K Plan - Henderson County		47107	748,763
Passed through Child Care Services Association:			
TEACH Early Childhood Project			2,895
Division of Health Benefits:			
Passed through Impact Health:			
Healthy Opportunities Pilot Program - Hurricane Helene Relief			10,000
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		23/24AANCT3SS	8,049
Passed through Transylvania County, North Carolina:		23/24AANCT3SS, 23/24AANCT3CM, & 23/24AANCT3HD	13,790
Home and Community Care Block Grant			<u>13,790</u>
Total North Carolina Department of Health and Human Services			<u>826,263</u>
<u>North Carolina Department of Transportation</u>			
Community Transportation Rural Formula Grant Program		24-CT-022 & 25-CT-022	38,438
Passed through Henderson County, North Carolina:			
Transportation - Rural Operating Assistance Program		FY2025	<u>179,989</u>
Total North Carolina Department of Transportation			<u>218,427</u>
Total expenditures of state awards			<u>\$ 1,044,692</u>

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

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2025

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 and Subsidiary under programs of the federal government and the State of North Carolina for the year ended June 30, 2025. 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 and Subsidiary, 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 and Subsidiary.

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 and Subsidiary 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 20.70% provisional indirect cost rate by the U.S. Department of Health and Human Services.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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? _____ yes X none reported

Noncompliance material to consolidated 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:

AL# 93.558 - Temporary Assistance for Needy Families

Head Start Cluster:

AL# 93.600 - Head Start

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

Western Carolina Community Action, Inc. d/b/a WNCSource and Subsidiary was determined to be a low-risk auditee.

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

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2025

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

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

Summary Schedule of Prior Audit Findings
June 30, 2025

Reported finding for the year ended June 30, 2024:

Finding 2024-001 - Accrued Liabilities and Expenditures

Status: Corrected.

No audit findings were reported for the year ended June 30, 2023.