UNION COUNTY COMMUNITY ACTION, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2024

UNION COUNTY COMMUNITY ACTION, INC.

FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union County Community Action, Inc.
Monroe, North Carolina

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of **Union County Community Action, Inc.** (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Union County Community Action, Inc. as of September 30, 2024, 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 standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 the Organization'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2025, on our consideration of Union County Community Action, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 the Organization'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 Union County Community Action, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
January 27, 2025

UNION COUNTY COMMUNITY ACTION, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024

ASSETS		
Current assets		
Cash	$	1,516,486
Grants receivable		625,403
Other receivables		20,181
Prepaid expenses		188,867
Total current assets		2,350,937
Noncurrent assets		
Property, equipment, and improvements, net		499,256
Right-of-use assets		364,966
Total noncurrent assets		864,222
Total assets	$	3,215,159
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	54,431
Accrued payroll expenses		366,256
Lease liability, current portion		123,545
Total current liabilities		544,232
Noncurrent liabilities		
Lease liability, less current portion		241,421
Total noncurrent liabilities		241,421
Total liabilities		785,653
Net assets		
Without donor restrictions		2,429,506
Total liabilities and net assets	$	3,215,159

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Federal grants and contracts	$ 7,781,089	$ -	$ 7,781,089
State grants and contracts	658,548	-	658,548
Local revenue	106,747	-	106,747
Contributed nonfinancial assets	1,184,517	-	1,184,517
Total support	9,730,901	-	9,730,901
Interest income	740	-	740
Other revenue	3,281	-	3,281
Total revenue	4,021	-	4,021
Net assets released from restrictions	-	-	-
Total support and revenue	9,734,922	-	9,734,922
Expenses			
Program services (less capitalized expenses and indirect costs):			
Early Head Start (EHS)/Head Start (HS)	6,310,141	-	6,310,141
Nonfederal EHS and HS	1,307,824	-	1,307,824
CSBG	273,021	-	273,021
Childcare food	371,487	-	371,487
Pre-kindergarten program - Anson County	172,767	-	172,767
Pre-kindergarten program - Richmond County	75,072	-	75,072
Other programs	49,201	-	49,201
Total program services	8,559,513	-	8,559,513
Supporting services:			
Administrative	987,017	-	987,017
Depreciation	545	-	545
Total supporting services	987,562	-	987,562
Total expenses	9,547,075	-	9,547,075
Change in net assets	187,847	-	187,847
Net assets, beginning	2,241,659	-	2,241,659
Net assets, ending	$ 2,429,506	$ -	$ 2,429,506

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Program Services									
	EHS/HS	Nonfederal HS/EHS	CSGB	Childcare Food	Pre-K Program Anson County	Pre-K Program Richmond County	Other Programs	Total Program Services	Total Supporting Services	Total
Salaries	$ 3,908,596	$ -	$ 122,067	$ 79,138	$ 47,120	$ 14,289	$ -	$ 4,171,210	$ 730,513	$ 4,901,723
Employee benefits	1,061,563	-	33,945	29,560	17,861	5,728	-	1,148,657	143,013	1,291,670
Contractual services	45,142	-	-	-	-	-	-	45,142	-	45,142
Dues and subscriptions	58,572	-	3,070	-	62	-	-	61,704	3,038	64,742
Travel	22,178	-	1,712	-	900	-	-	24,790	631	25,421
Training and technical assistance	55,926	-	1,709	-	6,453	5,485	-	69,573	738	70,311
Rent	86,506	-	8,774	-	-	-	-	95,280	37,485	132,765
Utilities	92,625	53,965	4,466	-	-	275	-	151,331	6,756	158,087
Insurance	65,530	24,054	765	61	20	6	-	90,436	2,961	93,397
Professional services	275,146	-	15,481	-	2,291	9,603	-	302,521	22,960	325,481
Maintenance and janitorial	84,010	11,613	65	-	11,782	8,857	-	116,327	1,110	117,437
Supplies and equipment	144,815	30,421	3,843	-	27,433	2,296	10,860	219,668	5,512	225,180
Food costs	58,020	-	-	262,728	53,598	24,913	-	399,259	-	399,259
Equipment and leasing	18,375	-	1,954	-	17	-	-	20,346	4,387	24,733
Telephone	116,582	-	6,089	-	-	-	32,752	155,423	15,052	170,475
Client assistance	56,537	-	65,744	-	-	-	-	122,281	-	122,281
Office and computer costs	17,322	3,254	3,133	-	643	230	-	24,582	12,861	37,443
In-kind expenses	-	1,184,517	-	-	-	-	-	1,184,517	-	1,184,517
Total expenses before indirect costs and transfers	6,167,445	1,307,824	272,817	371,487	168,180	71,682	43,612	8,403,047	987,017	9,390,064
Transfers	-	-	-	-	49,553	36,976	-	86,529	(86,529)	-
Indirect costs	848,852	-	40,780	-	-	-	-	889,632	(889,632)	-
Total expenses before depreciation, and capitalized items	7,016,297	1,307,824	313,597	371,487	217,733	108,658	43,612	9,379,208	10,856	9,390,064
Depreciation	142,696	-	204	-	4,587	3,390	5,589	156,466	545	157,011
Total expenses	$ 7,158,993	$ 1,307,824	$ 313,801	$ 371,487	$ 222,320	$ 112,048	$ 49,201	$ 9,535,674	$ 11,401	$ 9,547,075

See notes to financial statements.

UNION COUNTY COMMUNITY ACTION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Cash Flows from Operating Activities		
Change in net assets	$	187,847
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		157,011
(Increase) decrease in operating assets:		
Grants receivable		(243,875)
Other receivables		51,599
Prepaid expenses		1,874
Right of use asset		22,632
Increase (decrease) in operating liabilities:		
Accounts payable		(14,008)
Deferred revenues		(42,601)
Lease liability		(22,632)
Other accrued expenses		63,042
Net cash provided by operating activities		160,889
Increase in cash		160,889
Cash, beginning of year		1,355,597
Cash, end of year	$	1,516,486

See notes to financial statements.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Union County Community Action, Inc. (the "Organization") is a private, not-for-profit organization established in 1966 in the State of North Carolina. The Agency was structured in accordance with standards and requirements of the Federal Economic Opportunity Act of 1964 and amendments. This Act states, "The basic purpose of community action is to stimulate a better focusing of all available local, state, private, and federal resources upon the goals of enabling low-income families and low-income individuals of all ages to obtain skills, knowledge, and motivations, and secure the opportunities needed for them to become fully self-sufficient."

The Organization services federally and non-federally funded government programs in Anson, Richmond, and Union Counties of North Carolina. The Organization's method of financing comes primarily from grants received, with the purpose of each grant aimed toward continuing the overall purpose of the Organization. The following is a brief description of the purpose of each grant program administered by the Organization, along with the federal organization through which the funds are originally provided.

i. *Head Start Program* – Funds that provide educational, nutrition, and social services to low-income families with children to help ensure that children are ready to start school. Head Start serves families with children that are three and four years of age. Early Head Start serves those families with children who are infants through two years old. Federal Agency: Department of Health and Human Services.

ii. *Child and Adult Care Food Program* (USDA) – Funds provided to assist in making breakfast and lunch available to disadvantaged children. Federal Agency: United States Department of Agriculture.

iii. *North Carolina Pre-kindergarten Program* – This program, through a specific pre-school curriculum, helps prepare four-year-olds for school. State Agency: North Carolina Department of Health and Human Services Division of Child Development and Early Education.

iv. *Community Services Block Grant* (CSBG) – Funds provided to assist in eliminating the causes and consequences of poverty. Federal Agency: Department of Health and Human Services.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred for providing program related services, raising contributions and performing administrative functions.

Net Assets with Donor Restrictions – The net assets result from gifts of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

It is the Organization's policy to report donor restricted contributions whose restrictions are met in the same reporting period in which the contributions are recognized as an increase in net assets without donor restriction. There were no restricted net assets at September 30, 2024.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Support

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Support (Continued)

The Organization reports gifts of land, buildings, and equipment as unrestricted support 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 or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when construction expenditures are incurred or when the donated long-lived assets are placed in service.

Grants and Deferred Revenue

For cost reimbursement grants, revenue is carried upon the occurrence of allowable costs. For grants under the advance/letter of credit draw down arrangements, revenue is earned based on draw down limitations and schedules stipulated by the funding source. However, proper matching of revenues with expenditures will prevail in the timing of revenue recognition. Grants receivable are recognized as revenue over the periods necessary to match them with the related costs. Grants received in advance of costs incurred are recorded as deferred revenue.

Contributed Materials, Services and Space (In-kind)

The Organization receives significant amounts of contributed materials, services and space in relation to its Head Start Program. Under ASC 958-605-15, *Revenue Recognition*, the service contributions are recognized as contributed nonfinancial assets if the services either create or enhance a non-financial asset or require specialized skills that are provided by entities or persons possessing those skills and would need to be purchased if they were not contributed. These contributed nonfinancial assets are recorded as revenues and expenses at their estimated value at the date of contribution.

Consumable Supplies Inventories

Costs for food and operating supplies are treated as expenditures of the grant in the period the costs are incurred. The cost of any such supplies on hand at program year-end is not reported as an asset of the program for financial statement purposes.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Property, Equipment, and Improvements

Purchased property and equipment is capitalized at cost; donated assets are recorded as contributions at their estimated fair value on the date donated. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Certain property was purchased with government grants and restrictive finance agreements; if these assets were sold or not used for their intended charitable purpose repayment may be required. All assets are depreciated over estimated useful lives on a straight-line basis. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized.

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of $5,000 as required by all programs. Expenditures of less than $5,000 may be considered for capitalization on an individual basis.

Estimated useful lives are as follows:

	Years
Buildings and improvements	30
Leasehold improvements	15
Furniture and equipment	3 - 10
Vehicles	5 - 10

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose.

The most significant tax position of the Organization is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax, (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's Form 990 for 2020 through 2023 are open to examination by the Internal Revenue Service as of September 30, 2024.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Compensated Absences

Employees may accumulate up to 80 hours of earned vacation leave with such leave being fully vested when earned. A lump-sum payment is made for accrued leave at termination of employment. The accrued liability is estimated to be $97,278 at September 30, 2024.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. The Organization reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, contract services, telephone and depreciation expenses include certain expenses that are allocated on the basis of estimates of time and effort. Occupancy expenses are allocated among functional areas based on square footage and headcount.

Indirect Cost Rate

The Organization computes its indirect cost rate using the direct allocation method. That method is used because all of the Organization’s direct program activities received services from all of its administrative activities in approximately the same degree. Under the method, total indirect costs are the excess of total allowable administrative expenses over those administrative costs charged directly to programs. A single rate is computed by relating the cost associated with its direct activities. Significant cost principles used in computing the rate are as follows:

a) The indirect cost base is composed of all direct costs except depreciation, in-kind, capital items and other unallowable costs.
b) A fringe benefit rate is not used. Fringe benefits applicable to direct salaries and wages are charged to the respective programs as direct costs.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Grant Balances and Conditions

The Organization receives a substantial amount of its support from grant funds. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities. The Organization has responsibility for expending grant funds in accordance with specific instructions from funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization. At the discretion of the various funding sources, funds would be transferred among programs or supplemental funding could be provided to cover any deficits.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limit of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 2. CONCENTRATION OF CUSTODIAL CREDIT RISK FOR CASH HELD IN BANK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts at financial institutions. At September 30, 2024, the Organization's cash exceeded federally insured limits by $1,312,394 but was fully insured by the pooling method provided by Truist with the State Treasurer. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash.

NOTE 3. PROPERTY, EQUIPMENT, AND IMPROVEMENTS

At September 30, 2024, the carrying value of property, equipment, and improvements and the related accumulated depreciation are as follows:

Buildings	$ 32,553
Leasehold improvements	1,307,522
Equipment	407,976
Furniture	256,463
Vehicles	1,738,078
	3,742,592
Accumulated depreciation	(3,243,336)
Total property, equipment and improvements (net)	$ 499,256

Depreciation expense was $157,011 for the year ended September 30, 2024.

NOTE 4. GRANTS RECEIVABLE

At September 30, 2024, grants receivable consisted of the following:

Other Governments	$	169,033
Pre-K Program Anson County		83,935
Pre-K Program Richmond County		22,260
Early Head Start/Head Start (Department of HHS)		320,375
Early Head Start/Head Start Match (County)		29,800
	$	625,403

Management evaluated the collectability of its grants receivable at September 30, 2024. The Organization believes all grants receivable will be fully collected. Accordingly, no allowances for credit losses are required.

NOTE 5. ALLOCATION OF ADMINISTRATIVE COSTS

The Organization receives reimbursement from various programs for general administrative expenses by use of an indirect cost rate established with the federal agencies. This allocation plan is approved by the Office of Head Start, the Organization's cognizant agent. For the year ended September 30, 2024, a provisional rate of 13.70% was established. A provisional rate is a temporary rate applicable to a specific period, which is used for funding, interim reimbursement, and reporting indirect cost on awards pending establishment of the final rate.

NOTE 6. LEASE COMMITMENTS

The Organization enters into leases in the normal course of business of land and equipment. The Organization's leases have remaining terms of 12 months to 8 years.

The Organization evaluates potential lease extensions towards the end of each individual lease term. Economic and business factors impact renewal considerations until renewal deadlines, so the Organization cannot be reasonably certain about extending lease terms and therefore has not included any renewal options for its leases. In addition, the Organization has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Organization's statement of financial position.

Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

NOTE 6. LEASE COMMITMENTS (CONTINUED)

Right-of-use assets related to operating leases are associated with real estate primarily used in the Organization's operation as well as equipment. The Organization does not currently have any leases classified as finance leases.

As permitted under U.S. GAAP for non-public business entities, when the rate implicit in a lease is not known, the Organization can elect to use a risk-free rate for a period comparable to the lease term to calculate the present value of lease payments. The risk-free rate is the zero-coupon U.S. Treasury rate for an instrument for the same period as the lease term.

Right-of-use assets and lease liabilities by lease type, and the associated statement of financial position classifications, are as follows:

	Statement of Financial Position Classification	September 30, 2024
Right-of-Use Asset:		
Operating leases	Right-of-use asset	$ 364,966
Lease Liabilities:		
Operating leases	Lease liabilities	$ 364,966

The total operating lease cost was $132,465 for the year ending September 30, 2024.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of September 30, 2024, are as follows:

2025	$ 135,692
2026	99,676
2027	44,676
2028	41,030
2029	22,800
Thereafter	55,100
Total undiscounted lease payments	398,974
Less: imputed interest	(34,006)
Net lease liabilities	$ 364,968

The carrying value of the right-of-use assets was $510,328 less the amortization of $145,362.

NOTE 6. LEASE COMMITMENTS (CONTINUED)

Supplemental lease information as of September 30, 2024, is as follows:

Weighted average remaining lease term (months)		54.64
Weighted average discount rate		4.12%
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	132,465

NOTE 7. RETIREMENT PLAN

The Organization sponsors a 401(k) and profit-sharing plan, covering all eligible, full-time employees who have completed one year of service with a minimum of 1,000 hours. Plan participants may make salary deferral contributions to the plan in an amount not in excess of the maximum allowed by the Internal Revenue Code. The Organization contributes 5% of the participant's base compensation for employees having 1-17 years of service, 5.5% for 18-20 years of service, and 6% for 20 plus years of service. Profit sharing amounts may be contributed at the discretion of the Organization’s Board of Directors. The Organization's contribution to the plan amounted to $200,491 for the year ended September 30 2024.

NOTE 8. DONATED SERVICES AND FACILITIES

Contributions of non-cash goods, facilities, and services are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. The Organization receives free or reduced rent in-kind. The donated value is based on a market rate appraisal multiplied by the donated square footage. The Organization operates six facilities in three counties. In addition, training and classroom materials are donated by parents, community partners, and local businesses. All contributions of nonfinancial assets were utilized during the year ended September 30, 2024, to facilitate the various programs operated by the Organization.

In-kind contributions for the year ended September 30, 2024, consisted of the following:

Salaries and benefits	$	121,947
Materials and transportation		1,137
Rent		1,061,433
Total	$	1,184,517

NOTE 9. CONCENTRATION OF REVENUES

Approximately 80% of the Organization's revenue was derived from federal grant revenues passed through the North Carolina Department of Health and Human Services, and other federal, and state governments for the year ended September 30, 2024. Any future losses of these revenues would have a significant impact on the Organization's ability to continue funding these programs.

NOTE 10. LIQUIDITY AND AVAILABILITY

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operation, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of September 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Cash and cash equivalents	$ 1,516,486
Grant receivable	625,403
Other receivables	20,181
Financial assets available to meet cash needs for general expenditures within one year	$ 2,162,070

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 27, 2025, which is the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Board of Directors
Union County Community Action, Inc.
Monroe, North Carolina

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 **Union County Community Action, Inc.** (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2024, 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 27, 2025.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.*

Purpose of this Report

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

Mauldin & Jenkins, LLC

Columbia, South Carolina
January 27, 2025

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

To the Board of Directors
Union County Community Action, Inc.
Monroe, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Union County Community Action, Inc.'s** (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2024. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

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 (GAAS); 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization's compliance with the compliance requirements referred to above.

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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 the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Columbia, South Carolina
January 27, 2025

UNION COUNTY COMMUNITY ACTION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures	
US Department of Health and Human Services			
Direct Award:			
Head Start/Early Head Start	93.600	$ 6,943,178	*
Head Start/Early Head Start - T/TA	93.600	122,118	*
		7,065,296	
Head Start Cluster Total		7,065,296	
Passed through North Carolina Department of Health and Human Resources:			
Office of Economic Opportunity			
Community Service Block Grant	93.569	313,698	
		313,698	
Total US Department of Health and Human Services		7,378,994	
US Department of Agriculture			
Passed through North Carolina Department of Health and Human Resources:			
Division of Public Health			
Child and Adult Care Food	10.558	373,192	
Total US Department of Agriculture		373,192	
Total Expenditures of Federal Awards		$ 7,752,186	

* Indicates Major Program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Union County Community Action, Inc. under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Union County Community Action, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Union County Community Action, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

Union County Community Action, Inc. has elected not to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

UNION COUNTY COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2024

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were presented in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ Yes __X__ None Reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ Yes __X__ None Reported

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

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

Identification of major program

Assistance Listing No. 93.600 Head Start/Early Head Start

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

Auditee qualified as low-risk auditee? ______ Yes __X__ No

II. FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

UNION COUNTY COMMUNITY ACTION, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2024

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2023-001 Restatement of Prior Year Balance

Criteria: Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: Material misstatements were detected in the reporting of the Organization's expenses, revenues, and receivables.

Current Status: Resolved

2023-002 Financial Close

Criteria: Internal controls should be in place to ensure that amounts accrued at year end are not being duplicated nor reversed at the start of the new fiscal period.

Condition: Material misstatements were detected in the reporting of the Organization's expenses, revenues, and receivables.

Current Status: Resolved