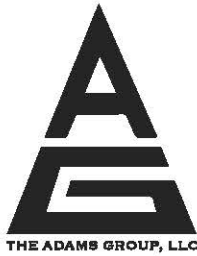


JEFFCO ACTION CENTER, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Jeffco Action Center, Inc.
Lakewood, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jeffco Action Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jeffco Action Center, Inc. as of June 30, 2022, 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. The financial statements of Jeffco Action Center, Inc. as of June 30, 2021, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated January 24, 2022.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jeffco Action Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jeffco Action Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022, on our consideration of Jeffco Action Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jeffco Action Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jeffco Action Center, Inc.'s internal control over financial reporting and compliance.

The Adams Group, LLC

Denver, Colorado
November 7, 2022

JEFFCO ACTION CENTER, INC.
STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
<u>Assets</u>		
Cash and cash equivalents	\$ 1,847,109	\$ 882,663
Investments held at Community First Foundation	3,487,789	4,430,108
Promises to give, net	236,094	356,355
Accounts receivable	686,834	887,708
Prepaid expenses and other assets	83,984	79,161
Investment portfolio	0	6,215
Beneficial interest in assets held by others	192,049	231,707
Property and equipment, net	4,905,310	4,251,301
Total Assets	\$ 11,439,169	\$ 11,125,218
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 258,841	\$ 240,840
Paycheck Protection Program loan	0	352,200
Notes payable	782,383	807,837
Total Liabilities	1,041,224	1,400,877
<u>Net Assets</u>		
Without donor restriction:		
Undesignated	6,207,893	4,057,061
Board designated	3,503,137	4,454,733
Total without donor restriction	9,711,030	8,511,794
With donor restriction	686,915	1,212,547
Total net assets	10,397,945	9,724,341
Total Liabilities and Net Assets	\$ 11,439,169	\$ 11,125,218

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

JEFFCO ACTION CENTER, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2022

	Without Donor Restriction	With Donor Restriction	Total
<u>Support, Revenue, and Gains</u>			
Contributed nonfinancial assets	\$ 14,422,077	\$ 0	\$ 14,422,077
Contributions	3,776,271	772,347	4,548,618
Government grants and contracts	4,878,288	0	4,878,288
Special event revenue, net of \$31,611 direct expenses	21,186	0	21,186
Investment income (loss), net	(529,132)	0	(529,132)
Change in value of beneficial interest held by others	(29,863)	0	(29,863)
Other revenue	60,112	0	60,112
Net assets released from restrictions	1,297,979	(1,297,979)	0
 Total revenues	 23,896,918	 (525,632)	 23,371,286
 <u>Expenses</u>			
Program services:			
Participant services	10,039,236		10,039,236
Food programs	11,323,356		11,323,356
 Total program services	 21,362,592		 21,362,592
Supporting services:			
Management and general	681,808		681,808
Fundraising	653,282		653,282
 Total supporting services	 1,335,090		 1,335,090
 Total expenses	 22,697,682		 22,697,682
 Changes in net assets	 1,199,236	 (525,632)	 673,604
Net assets, beginning of year	8,511,794	1,212,547	9,724,341
Net assets, end of year	\$ 9,711,030	\$ 686,915	\$ 10,397,945

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

JEFFCO ACTION CENTER, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2021

	Without Donor Restriction	With Donor Restriction	Total
<u>Support, Revenue, and Gains</u>			
Contributed nonfinancial assets	\$ 10,771,247	\$ 0	\$ 10,771,247
Contributions	5,073,097	639,255	5,712,352
Government grants and contracts	1,847,337	556,159	2,403,496
Special event revenue, net of \$0 direct expenses	1,732	0	1,732
Investment income, net	378,567	0	378,567
Change in value of beneficial interest held by others	0	22,243	22,243
Other revenue	135,982	0	135,982
Net assets released from restrictions	1,416,927	(1,416,927)	0
 Total revenues	 <u>19,624,889</u>	 <u>(199,270)</u>	 <u>19,425,619</u>
<u>Expenses</u>			
Program services:			
Participant services	4,960,680		4,960,680
Food programs	10,068,889		10,068,889
 Total program services	 <u>15,029,569</u>		 <u>15,029,569</u>
Supporting services:			
Management and general	802,222		802,222
Fundraising	541,923		541,923
 Total supporting services	 <u>1,344,145</u>		 <u>1,344,145</u>
 Total expenses	 <u>16,373,714</u>		 <u>16,373,714</u>
Changes in net assets	3,251,175	(199,270)	3,051,905
Net assets, beginning of year	<u>5,260,619</u>	<u>1,411,817</u>	<u>6,672,436</u>
Net assets, end of year	<u>\$ 8,511,794</u>	<u>\$ 1,212,547</u>	<u>\$ 9,724,341</u>

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

JEFFCO ACTION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

2022

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expense</u>
	<u>Participant Services</u>	<u>Food Programs</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>		
Grants and other assistance	\$ 8,531,162	\$ 10,757,595	\$ 19,288,757	\$ 15,343	\$ 7,833	\$ 23,176	\$ 19,311,933
Salaries and wages	903,806	264,526	1,168,332	389,330	310,873	700,203	1,868,535
Employee benefits	105,652	56,784	162,436	39,739	40,382	80,121	242,557
Payroll taxes	69,511	20,240	89,751	29,607	23,611	53,218	142,969
Professional services	26,013	14,000	40,013	90,462	53,310	143,772	183,785
Occupancy	130,299	28,743	159,042	19,476	40,744	60,220	219,262
Office expenses	17,771	23,148	40,919	12,766	28,242	41,008	81,927
Repairs and maintenance	22,563	56,361	78,924	7,613	7,427	15,040	93,964
Insurance	29,801	12,257	42,058	8,642	8,885	17,527	59,585
Interest	16,290	9,873	26,163	6,971	7,021	13,992	40,155
Depreciation	72,230	70,102	142,332	27,320	27,757	55,077	197,409
Other	114,138	9,727	123,865	63,727	128,808	192,535	316,400
Total expenses by function	<u>10,039,236</u>	<u>11,323,356</u>	<u>21,362,592</u>	<u>710,996</u>	<u>684,893</u>	<u>1,395,889</u>	<u>22,758,481</u>
Less: cost of special events	0	0	0	0	(31,611)	(31,611)	(31,611)
Less: investment management fees	0	0	0	(29,188)	0	(29,188)	(29,188)
Total expenses on statement of activities	<u>\$ 10,039,236</u>	<u>\$ 11,323,356</u>	<u>\$ 21,362,592</u>	<u>\$ 681,808</u>	<u>\$ 653,282</u>	<u>\$ 1,335,090</u>	<u>\$ 22,697,682</u>

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

JEFFCO ACTION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

2021

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expense</u>
	<u>Participant Services</u>	<u>Food Programs</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Grants and other assistance	\$ 4,128,058	\$ 9,498,119	\$ 13,626,177	\$ 16,991	\$ 10,421	\$ 27,412	\$ 13,653,589
Salaries and wages	490,195	286,827	777,022	453,762	310,021	763,783	1,540,805
Employee benefits	83,337	54,943	138,280	50,674	44,692	95,366	233,646
Payroll taxes	37,072	21,545	58,617	34,173	23,018	57,191	115,808
Professional services	24,020	3,468	27,488	67,211	17,232	84,443	111,931
Occupancy	67,572	47,496	115,068	38,292	22,540	60,832	175,900
Office expenses	8,938	20,018	28,956	7,775	14,346	22,121	51,077
Repairs and maintenance	19,435	43,526	62,961	11,519	8,782	20,301	83,262
Insurance	19,609	11,466	31,075	16,814	9,552	26,366	57,441
Interest	17,525	11,752	29,277	8,358	9,033	17,391	46,668
Depreciation	55,333	62,910	118,243	52,308	29,731	82,039	200,282
Other	9,586	6,819	16,405	63,739	42,555	106,294	122,699
Total expenses by function	<u>4,960,680</u>	<u>10,068,889</u>	<u>15,029,569</u>	<u>821,616</u>	<u>541,923</u>	<u>1,363,539</u>	<u>16,393,108</u>
Less: investment management fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>(19,394)</u>	<u>0</u>	<u>(19,394)</u>	<u>(19,394)</u>
Total expenses on statement of activities	<u>\$ 4,960,680</u>	<u>\$ 10,068,889</u>	<u>\$ 15,029,569</u>	<u>\$ 802,222</u>	<u>\$ 541,923</u>	<u>\$ 1,344,145</u>	<u>\$ 16,373,714</u>

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

JEFFCO ACTION CENTER, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 673,604	\$ 3,051,905
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	197,409	200,282
Amortization of deferred financing costs and capitalized interest	0	201
Bad debt expense (recoveries) for promises to give	(14,923)	(13,057)
Change in beneficial interest in assets held by others	29,863	(22,243)
Net realized and unrealized (gain) loss on investments	622,163	(359,593)
Change in discount on unconditional promises to give PPP loan forgiveness	1,641	7,991
Changes in operating assets and liabilities:	(352,200)	0
Accounts receivable	200,874	(705,816)
Promises to give	133,543	109,953
Prepaid expenses and other assets	(4,823)	(14,568)
Accounts payable and accrued expenses	18,001	(18,591)
Net cash from operating activities	1,505,152	2,236,464
Cash flows from investing activities:		
Purchases of investments	(507,514)	(4,090,845)
Purchase of property and equipment	(851,418)	(145,307)
Distributions from beneficial interest held by others	9,795	9,400
Proceeds from sale of investments	833,885	627,995
Net cash from investing activities	(515,252)	(3,598,757)
Cash flows from financing activities:		
Principal payments on notes payable	(25,454)	(18,778)
Net change in cash and cash equivalents	964,446	(1,381,071)
Cash and cash equivalents - beginning of year	882,663	2,263,734
Cash and cash equivalents - end of year	\$ 1,847,109	\$ 882,663
Supplemental cash flow information:		
Cash paid for interest	\$ 40,155	\$ 46,467

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

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Jeffco Action Center, Inc. (the "Organization"), a nonprofit corporation, was incorporated in the state of Colorado on October 1, 1968 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization provides an immediate response to basic human needs and promotes pathways to self-sufficiency for Jefferson County residents and the homeless. The Organization fulfills its mission by focusing its efforts in the following program areas:

- Basic needs - Provide food and clothing to those in need of assistance and resource navigation.
- Homelessness prevention - Provide financial assistance for rent, utilities, and other bills. Connect individuals and families to appropriate resources to stretch their own financial resources, as well as help them to increase their resources through unutilized benefits or employment.
- Poverty alleviation - Provide cash management for individuals and families to help them create short and long-term action plans around striving for their full potential in areas that are lagging, generally surrounding income, employment, education, health care benefits and access, mental health concerns, and social supports. This programming was on hold during the COVID-19 pandemic.

The primary funding sources of the Organization include private contributions of cash and contributed nonfinancial assets from individuals, churches, businesses, and foundations. The Organization also receives revenue from special events and grants from governmental sources.

Adoption of New Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are now reported by category within the financial statements with additional disclosures for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The ASU was applied using the retrospective method. The amendments did not change the recognition and measurement requirements for those assets. See Note 10.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable State law.

Board Designated Net Assets

Board designated net assets are net assets without donor restrictions designated by the board. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents. At times, balances may exceed federally insured limits. The organization is selective in choosing financial institutions to maintain accounts and believes any risk of loss is remote.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist of amounts due under grants and contracts for allowable expenditures incurred but not yet reimbursed as of June 30, 2022 and 2021. Management's best estimate is that all balances will be collected. Accordingly, the Organization has not established an allowance for doubtful accounts as of June 30, 2022 and 2021.

Promises to Give

Promises to give consist of contributions relating to general operations and the capital campaign that ended in 2015. Promises to give that are expected to be collected within one year are recorded at their net realizable value, and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts was computed using a rate comparable to the interest rate earned on short-term investments (2.00 percent at June 30, 2022 and 2021). Amortization of the discount is included in contribution revenue in the statement of activities and changes in net assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Property and Equipment

The Organization records property and equipment additions over \$2,500 at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years, or, in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization reports investments at fair value with unrealized gains and losses included in investment income in the statement of activities and changes in net assets.

Beneficial Interest in Assets Held by Others

During 2004, the Organization established a fund (the "Fund") with the Community First Foundation's (CFF) Nonprofit Preservation Endowment Challenge Grant program, naming the Organization as beneficiary. Variance power was granted to CFF, which allows CFF to modify any condition or restriction on its distributions for any specified charitable purpose to any specified organization if, in the sole judgment of CFF's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by CFF for the Organization's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized on the statement of activities and changes in net assets.

Revenue Recognition

Contributions

Contributions are recognized when cash is received, when ownership of donated assets is transferred, or when a verifiable unconditional promise to give is received. Contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Amounts of contributions with donor restrictions are subsequently released to net assets without donor restrictions when expenses have been incurred in satisfaction of those restrictions. Contributed nonfinancial assets are recorded at fair value on the date of donation.

Grant Revenue

The Organization receives grants which are considered nonexchange transactions, with revenue generally recognized when allowable expenses are incurred.

Contributed Nonfinancial Assets

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities. However, donated services are only recorded if the services require specialized skill and would otherwise need to be purchased by the Organization, as prescribed generally accepted accounting principles. Accordingly, no donated services are recognized with respect to volunteer time. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. See Note 10.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited on several bases and estimates. Salaries and benefits are allocated based on time studies for each employee. Other expenses are allocated based on the overall salary allocation plus direct expenses, which are categorized directly when incurred.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

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

Subsequent Events

The Organization's financial statements were available to be issued on November 7, 2022, which is the date through which subsequent events were evaluated.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of June 30, 2022 is comprised of the following:

Cash and cash equivalents	\$ 1,847,109
Promises to give, net	126,502
Accounts receivable	686,834
Investments held at Community First Foundation	3,487,789
Beneficial interest in assets held by others	192,049
Less: donor restricted net assets	(686,915)
Less: board designated net assets	(3,503,137)
	<hr/>
Available for general expenditure	<u><u>\$ 2,150,231</u></u>

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 150 days of normal operating expenses. The Organization considers most unrestricted expenditures to be normal operating expenses.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in various short-term investments. The board of directors of the Organization could make the board designated net assets available if needed. Additionally, the Organization can on the line of credit, if necessary, as described in Note 6. The Organization realizes there could be unanticipated liquidity needs.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give are comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Gross promises to give	\$ 284,341	\$ 417,884
Less: unamortized discount	(16,970)	(15,329)
Less: allowance for uncollectible promises to give	<u>(31,277)</u>	<u>(46,200)</u>
Net promises to give	<u>\$ 236,094</u>	<u>\$ 356,355</u>
Amounts due in :		
Less than one year	\$ 126,502	\$ 183,463
One to five years	155,582	226,045
More than five years	<u>2,257</u>	<u>8,376</u>
Total	<u>\$ 284,341</u>	<u>\$ 417,884</u>

NOTE 4 – FAIR VALUE MEASUREMENT

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

- Level 1: quoted prices in active markets for identical assets.
- Level 2: quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENT (CONTINUED)

- Level 3: unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The fair value of the investments and the beneficial interest in assets held by CFF is based on information determined and reported by CFF. The fair value of investments held at CFF may include Level 1, 2, and 3 assets; however, the Organization's pro rata share of the pooled investments is not quoted in active markets and, therefore, is classified under Level 3 in the fair value hierarchy.

There were no changes to the Organization's valuation techniques during the year.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Beneficial interest	\$ 0	\$ 0	\$ 192,049	\$ 192,049
Investments held by CFF	0	0	3,487,789	3,487,789
Total	\$ 0	\$ 0	\$ 3,679,838	\$ 3,679,838

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Beneficial interest	\$ 0	\$ 0	\$ 231,707	\$ 231,707
Investments held by CFF	0	0	4,430,108	4,430,108
Total	\$ 0	\$ 0	\$ 4,661,815	\$ 4,661,815

Included in investments is cash of \$6,215 as of June 30, 2021 which is not subject to fair value reporting.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENT (CONTINUED)

Net investment income consists of the following for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 122,219	\$ 24,654
Net realized and unrealized gain (loss)	(622,163)	355,593
Investment management services fees	<u>(29,188)</u>	<u>(1,680)</u>
Total investment income, net	<u>\$ (529,132)</u>	<u>\$ 378,567</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 439,132	\$ 305,082
Buildings and improvements	6,588,127	5,882,958
Furniture and equipment	429,694	417,494
Transportation equipment	148,906	148,906
	<u>7,605,859</u>	<u>6,754,440</u>
Less: accumulated depreciation	<u>(2,700,549)</u>	<u>(2,503,139)</u>
Property and equipment, net	<u>\$ 4,905,310</u>	<u>\$ 4,251,301</u>

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit with a bank with an available balance of \$250,000. Interest accrues at the Wall Street Journal prime rate plus 1% or 4.25%, which is greater. The interest rate on the line of credit was 5% and 4.25% as of June 30, 2022 and 2021. The line of credit is secured by a deed of trust on two buildings and matures on September 14, 2024. There was no outstanding balance on the line of credit as of June 30, 2022 and 2021.

NOTE 7 – NOTE PAYABLE

In 2015, the Organization entered into a note payable with a lender totaling \$2,100,000. Payments under the note are due in monthly installments of \$5,462 through August 15, 2025, at which time any unpaid remaining principal and interest will be due. The note bears interest at 5% and is secured by a deed of trust on two buildings. The note contains a restricted covenant that requires the Organization to maintain a minimum debt service coverage ratio. As of June 30, 2022 and 2021, the Organization was in compliance with the covenant.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 – NOTE PAYABLE (CONTINUED)

Future maturities of the note payable are as follows for the years ending June 30:

2023	\$ 26,479
2024	27,749
2025	29,292
2026	<u>698,863</u>
Total	<u>\$ 782,383</u>

NOTE 8 – ENDOWMENTS

The Organization's endowment (the "Endowment") consists of a single fund established by a donor to provide annual funding for general operations. The endowment also includes certain net assets without donor restrictions designated for endowment by the board of directors. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial gift donated to the Endowment, (b) the original value of subsequent gifts to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 – ENDOWMENTS (CONTINUED)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Changes in endowments during the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowments - July 1, 2020	\$ 630,211	\$ 4,000	\$ 634,211
Investment return	358,402	0	358,402
Additions	3,454,180	0	3,454,180
Distributions	<u>(17,610)</u>	<u>0</u>	<u>(17,610)</u>
Endowments - June 30, 2021	4,425,183	4,000	4,429,183
Investment return	(502,397)	0	(502,397)
Additions	384,686	0	384,686
Distributions	<u>(833,885)</u>	<u>0</u>	<u>(833,885)</u>
Endowments - June 30, 2022	<u>\$ 3,473,587</u>	<u>\$ 4,000</u>	<u>\$ 3,477,587</u>

There were no funds with deficiencies as of June 30, 2022 and 2021.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period and board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is, net of spending, greater than the rate of inflation. The board-designated endowment is held at Community First Foundation and is subject to the investment policies and spending policies as defined in the fund agreement. These policies are designed for the protection and growth of the fund over a significant period of time and so that the investments may be held in a diversified portfolio designed to dampen the effects of market volatility over the long term.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 – ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

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

The board-designated endowment held at Community First Foundation also relies on a total return strategy in order to protect and grow the Endowment over the long term.

Investment and Spending Policies

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. The board approves distributions from the endowment funds. Expenditures from the donor-restricted endowment funds are controlled by the board in concert with the donors' intent, with no more than 5 percent of the trailing six-quarter average of the Endowment's investment portfolio.

The spending policy of the board-designated endowment held at Community First Foundation is defined in the fund agreement as 3.5 percent per year of the average of the net fair market value of the assets held in the fund on the last business day of each of the three calendar years preceding the year of distribution. The Organization may request a larger or full distribution of funds.

NOTE 9 – NET ASSETS

Net assets were released from restrictions as follows during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restriction:		
Energy Outreach Colorado	\$ 62,500	\$ 258,649
Participant programs	513,865	386,472
Other	461,312	490,392
Betty Proctor fund	18,258	12,059
Homeless shelter	9,763	1,784
General use	1,520	0
Expiration of time restriction	<u>230,761</u>	<u>267,571</u>
Total donor restricted net assets released	<u>\$ 1,297,979</u>	<u>\$ 1,416,927</u>

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – NET ASSETS (CONTINUED)

Net assets were restricted by donors as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Time restriction	\$ 236,094	\$ 353,255
Restricted by donor for:		
Participant programs	170,663	452,920
Other	10,336	96,488
Betty Proctor fund	73,773	74,177
Beneficial interest - General use	31,767	36,166
Beneficial interest - Homeless shelter	160,282	195,541
Endowment - General use	4,000	4,000
	<u> </u>	<u> </u>
Total donor restricted net assets	<u>\$ 686,915</u>	<u>\$ 1,212,547</u>

Board designated net assets are comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Board designated endowment	\$ 3,473,587	\$ 4,425,183
Facilities reserve	20,000	20,000
Technology reserve	9,550	9,550
	<u> </u>	<u> </u>
Total board designated net assets	<u>\$ 3,503,137</u>	<u>\$ 4,454,733</u>

NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS

The Organization’s policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. During the years ended June 30, 2022 and 2021 the amount of contributed nonfinancial assets sold was not significant. All donated services and materials were utilized during the period received.

Donated Materials

The estimated fair value of donated and materials is determined using average metro-area retail prices for food, personal care, baby, and other new items and average thrift store values for used clothing and other household goods. The amount of donated materials reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses or additions to property and equipment.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Tangible goods donated to the Organization during the year ended June 30, 2022 were utilized for the following programs and activities:

	Participant Services	Food Programs	Management and General	Fundraising	Total
Food	\$ 0	\$ 10,345,572	\$ 0	\$ 0	\$ 10,345,572
Clothing	2,683,297	0	0	0	2,683,297
Toys	244,719	0	0	0	244,719
School supplies	256,295	0	0	0	256,295
Household goods	78,627	0	0	0	78,627
Other	448,674	68,768	14,298	7,508	539,248
Personal items	203,063	0	0	0	203,063
Baby care items	43,779	0	0	0	43,779
Pet items	25,021	0	0	0	25,021
Total	<u>\$ 3,983,475</u>	<u>\$ 10,414,340</u>	<u>\$ 14,298</u>	<u>\$ 7,508</u>	<u>\$ 14,419,621</u>

Tangible goods donated to the Organization during the year ended June 30, 2021 were utilized for the following programs and activities:

	Participant Services	Food Programs	Management and General	Fundraising	Total
Food	\$ 0	\$ 9,137,497	\$ 0	\$ 0	\$ 9,137,497
Clothing	741,836	0	0	0	741,836
Toys	272,704	0	0	0	272,704
School supplies	184,288	0	0	0	184,288
Household goods	52,252	0	0	0	52,252
Other	45,599	128,100	16,991	10,421	201,111
Personal items	92,599	0	0	0	92,599
Baby care items	40,825	0	0	0	40,825
Pet items	24,313	0	0	0	24,313
Total	<u>\$ 1,454,416</u>	<u>\$ 9,265,597</u>	<u>\$ 16,991</u>	<u>\$ 10,421</u>	<u>\$ 10,747,425</u>

Donated Services

Donated services are recognized at fair value if the service require specialized skills and would otherwise need to be purchased by the Organization. The estimated fair value of donated services is determined using published rates for similar services published by the Bureau of Labor Statistics. The amount of donated materials reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses or additions to property and equipment.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Donated Services (continued)

Services donated to the Organization during the year ended June 30, 2022 were utilized for the following programs and activities:

	<u>Participant Services</u>	<u>Food Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Participant counseling	\$ 161	\$ 94	\$ 819	\$ 76	\$ 1,150
Professional development	525	306	226	249	1,306
	<u>\$ 686</u>	<u>\$ 400</u>	<u>\$ 1,045</u>	<u>\$ 325</u>	<u>\$ 2,456</u>

Services donated to the Organization during the year ended June 30, 2021 were utilized for the following programs and activities:

	<u>Participant Services</u>	<u>Food Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Participant counseling	\$ 20,253	\$ 0	\$ 0	\$ 0	\$ 20,253
Professional development	702	409	2,126	332	3,569
	<u>\$ 20,955</u>	<u>\$ 409</u>	<u>\$ 2,126</u>	<u>\$ 332</u>	<u>\$ 23,822</u>

NOTE 11 – RETIREMENT PLAN

The Organization sponsors a 401(k) employee salary reduction savings plan (Plan) for all employees over age 21 once they have completed 30 days of employment. Employees may contribute up to the maximum allowed by the Internal Revenue Code. The Organization does not contribute to the Plan.

NOTE 12 – PAYCHECK PROTECTION PROGRAM

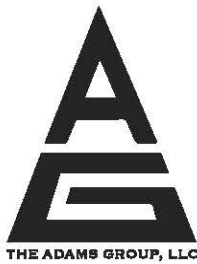
During the year ended June 30, 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$352,200. Under the terms of this program, the loan can be forgivable if the loan is spent on qualifying expenses and if staffing level requirements are met. The Organization has elected to account for these funds as debt in accordance with ASC 470 until it is repaid or legal notice of forgiveness is received.

JEFFCO ACTION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 – PAYCHECK PROTECTION PROGRAM (CONTINUED)

The Organization has the option to use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the Small Business Administration (SBA) will be recorded as debt and will be paid over a period of two years at a 1% interest rate, with payments beginning six months after the conclusion of the covered. Period. In July 2021, the Organization received notification of forgiveness of the entire loan balance from the SBA. Accordingly, the Organization recognized revenue of \$352,200 for the year ended June 30, 2022.

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors
Jeffco Action Center, Inc.
Lakewood, CO

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jeffco Action Center, Inc., as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Jeffco Action Center, Inc.'s financial statements and have issued our report thereon dated November 7, 2022. The financial statements of Jeffco Action Center, Inc. as of June 30, 2021, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated January 24, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jeffco Action Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jeffco Action Center, Inc.'s Response to Finding

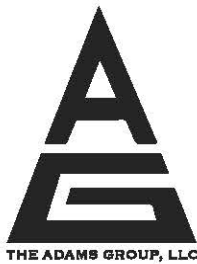
Government Auditing Standards requires the auditor to perform limited procedures on the Jeffco Action Center, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Jeffco Action Center, Inc.'s response was not subjected to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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Adams Group, LLC

Denver, Colorado
November 7, 2022



THE ADAMS GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Jeffco Action Center Inc.
Lakewood, CO

Report on Compliance for The Major Federal Program

Opinion on The Major Federal Program

We have audited Jeffco Action Center, Inc.'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 the Jeffco Action Center, Inc.'s major federal program for the year ended June 30, 2022. Jeffco Action Center, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on The 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 Jeffco Action Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Jeffco Action Center, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Jeffco Action Center, Inc.'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 Jeffco Action Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Jeffco Action Center, Inc.'s compliance with the requirements of the major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

The Adams Group, LLC

Denver, Colorado
November 7, 2022

JEFFCO ACTION CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Awarding Agencies	Federal CFDA Number	Passthrough Grantor's Number	Amounts Passed to Subrecipients	Federal Awards Expended
For the Year Ended June 30, 2022				
U.S. Department of Housing and Urban Development:				
Community Development Block Grants				
Passed through Jefferson County	14.218	N/A	\$ 0	\$ 79,335
Passed through the City of Lakewood	14.218	20-09024	0	29,742
Total Community Development Block Grants			<u>0</u>	<u>109,077</u>
Emergency Solutions Grant Program				
Passed through Jefferson County	14.231	MDHI-ESG-CV	<u>0</u>	<u>20,969</u>
Total U.S. Department of Housing and Urban Development			0	130,046
U.S Department of Treasury				
Emergency Rental Assistance Program				
Passed through Jefferson County	21.023	10122	0	3,932,101
Coronavirus State and Local Fiscal Recovery Funds				
Passed through Jefferson County	21.027	N/A	<u>0</u>	<u>8,780</u>
Total U.S. Department of Treasury			0	3,940,881
The Federal Emergency Management Agency				
Emergency Food and Shelter National Board Program	97.024	N/A	<u>0</u>	<u>21,352</u>
Total Federal Emergency Management Agency			0	21,352
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 4,092,279</u>

JEFFCO ACTION CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Jeffco Action Center, Inc., under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Jeffco Action Center, Inc. it is not intended to and does not present the financial position or changes in net assets or cash flows of Jeffco Action Center, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the full 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. See Note 1 of the financial statements for summary of significant policies.

The Organization has not elected to use the ten percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

JEFFCO ACTION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified opinion*

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X No

Type of auditors' report issued on compliance for major program: *unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with *Uniform*

Guidance 2 CFR 200.516 Yes X No

Identification of major program: 21.023 Emergency Rental Assistance

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

Auditee qualified as low-risk auditee? Yes X No

JEFFCO ACTION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

2022-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our testing of grant revenues, we noted multiple instances of improper revenue recognition related to the requirements outlined in FASB ASU 2018-08.

Context: In our testing of grant revenues, we noted the organization did not accrue grant revenues and accounts receivable for 2022 reimbursable grant expenses that were not reimbursed by the pass - through agency until fiscal year 2023.

Cause: This finding occurred because the organization did not have a control in place to review the cutoff of reimbursable grant revenues during the fiscal year close.

Effect: An audit adjustment was posted that increased accounts receivable and governmental grant revenues by \$397,875.

Repeat Finding: This is not a repeat finding.

Recommendation: The Adams Group, LLC recommends that the organization implement a process to review grant invoices submitted around the fiscal year end to ensure that reimbursable grant revenues are recognized in the period the expense was incurred.

Views of responsible officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Findings

2021-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The online banking user setup is not adequate to establish segregation of duties for wire transfers. Though there is a dual authorization established within the bank system, there is an individual with multiple logins that can pose as two separate individuals using the different login credentials.

Status: The Organization has implemented a process to review transfer activities for any anomalies, and has removed the second login for the single user. The finding was corrected.

JEFFCO ACTION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

2021-002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Due to the size of the Organization's finance and accounting team, there are inadequate controls related to segregation of duties in the IT environment. The director of finance and the accountant both have access to financial applications, including access to prepare and record transactions, and also have administrative rights to add or remove users or change their rights. This results in a lack of segregation of duties over IT controls and could result in transactions being inappropriately created, modified, or manipulated.

Status Management re-evaluated which users need administrative access and are reviewing Segregations of duties within the financial applications through user access controls. Management has also put in place compensating controls if certain users have to cross over duties due to periodic absence of staff members during the year. The finding was corrected.