Appalachia Service Project, Inc.

Financial Report

December 31, 2023

BROWNEDWARDS
certified public accountants

Appalachia Service Project, Inc.

Contents

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Board of Directors
Appalachia Service Project, Inc.
Johnson City, Tennessee

Opinion

We have audited the accompanying financial statements of Appalachia Service Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appalachia Service Project, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Appalachia Service Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Appalachia Service Project, Inc.'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 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 Appalachia Service Project, 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 Appalachia Service Project, 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 June 5, 2024, on our consideration of Appalachia Service Project, 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 Appalachia Service Project, 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 Appalachia Service Project, Inc.'s internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
June 5, 2024

Financial Statements

APPALACHIA SERVICE PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	**2023**	**2022**
CURRENT ASSETS		
Cash and cash equivalents:		
Undesignated	$ 607,648	$ 1,776,261
Board designated - operating reserve	1,230,000	1,230,000
Board designated - revolving loan fund	75,490	64,048
Board designated - endowment (Note 7)	12,194	194
Unrestricted cash	1,925,332	3,070,503
Board designated endowment fund (Notes 5, 7, and 12)	1,238,247	1,058,620
Project income receivable	866,844	361,899
Mortgages receivable current, net (Note 6)	2,931	2,931
Current prepaid expenses	46,527	63,398
Inventories (Note 8)	1,509,413	1,579,096
Total current assets	5,589,294	6,136,447
NONCURRENT ASSETS		
Restricted cash (Note 11)	1,957,042	1,856,586
Property and equipment, net (Note 9)	1,940,255	1,714,714
Operating lease right-of-use asset (Note 15)	65,167	-
Finance lease right-of-use asset (Note 15)	75,425	-
Long-term mortgages receivable, net (Note 6)	36,148	36,148
Total noncurrent assets	4,074,037	3,607,448
Total assets	$ 9,663,331	$ 9,743,895
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 387,148	$ 543,959
Lines of credit (Note 10)	89,100	117,500
Current portion of operating lease liability (Note 15)	10,818	-
Current portion of finance lease liability (Note 15)	22,349	-
Deferred revenue	575,408	612,674
Current maturities of long-term debt (Note 10)	105,222	-
Total current liabilities	1,190,045	1,274,133
LONG-TERM LIABILITIES		
Long-term operating lease liability, net of current portion (Note 15)	55,877	-
Long-term finance lease liability, net of current portion (Note 15)	45,365	-
Total long-term liabilities	101,242	-
Total liabilities	1,291,287	1,274,133
NET ASSETS		
Without donor restrictions (Note 11)	4,516,801	4,670,195
With donor restrictions by purpose (Note 11)	3,855,243	3,799,567
Total net assets	8,372,044	8,469,762
Total liabilities and net assets	$ 9,663,331	$ 9,743,895

The Notes to Financial Statements are an integral part of these statements.

APPALACHIA SERVICE PROJECT, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Donations	$ 7,381,212	$ 4,371,001
Grants	1,870,874	1,139,143
Volunteer work crews fees	3,037,714	2,777,937
Project income	819,778	942,800
In-kind donations	38,197	-
Merchandise sales	147,881	148,262
Investment return, net	259,572	(223,164)
Gain on sale of assets	4,250	36,447
Miscellaneous	463,617	263,330
Total revenues and gains without donor restrictions	14,023,095	9,455,756
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	44,781	-
Total revenues, gains, and other support without donor restrictions	14,067,876	9,455,756
EXPENSES		
Program services	12,943,367	9,033,373
SUPPORTING SERVICES		
Office and administration	627,125	584,349
Fundraising	650,778	593,818
Total supporting services	1,277,903	1,178,167
Total expenses	14,221,270	10,211,540
Change in net assets without donor restrictions	(153,394)	(755,784)

The Notes to Financial Statements are an integral part of these statements.

(Continued)

APPALACHIA SERVICE PROJECT, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)
Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	$ 100,457	$ 2,447,663
Net assets released from restrictions	(44,781)	-
Change in net assets with donor restrictions	55,676	2,447,663
BALANCE, beginning	3,799,567	1,351,904
BALANCE, ending	3,855,243	3,799,567
Change in total net assets	(97,718)	1,691,879
BALANCE, beginning	8,469,762	6,777,883
BALANCE, ending	$ 8,372,044	$ 8,469,762

The Notes to Financial Statements are an integral part of these statements.

APPALACHIA SERVICE PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	Program Services	Supporting Services		
	Home Repair and Building	**Office and Administration**	**Fundraising**	**Total 2023**
Salaries and related taxes	$ 2,786,664	$ 354,987	$ 230,161	$ 3,371,812
Employee benefits	629,186	95,752	56,441	781,379
Total salaries and related expenses	3,415,850	450,739	286,602	4,153,191
Staff expenses	295,074	3,400	47,582	346,056
Group expenses	477,076	-	-	477,076
Repair/rehabilitation/construction	6,817,565	-	-	6,817,565
Transportation/maintenance	305,744	2,554	5,983	314,281
Publications	51,731	-	206,923	258,654
Office expenses	698,022	96,687	51,584	846,293
Program expenses	492,082	18,278	42,820	553,180
Taxes, licenses, and fees	74,299	3,464	8,114	85,877
Warehouse	15,771	-	-	15,771
Professional fees	73,482	48,988	-	122,470
Total expenses before depreciation	12,716,696	624,110	649,608	13,990,414
Depreciation and amortization	226,671	3,015	1,170	230,856
Total expenses	$ 12,943,367	$ 627,125	$ 650,778	$ 14,221,270

The Notes to Financial Statements are an integral part of these statements.

(Continued)

APPALACHIA SERVICE PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
Years Ended December 31, 2023 and 2022

	Program Services	Supporting Services		
	Home Repair and Building	Office and Administration	Fundraising	Total 2022
Salaries and related taxes	$ 2,417,227	$ 295,150	$ 219,150	$ 2,931,527
Employee benefits	496,928	73,707	45,819	616,454
Total salaries and related expenses	2,914,155	368,857	264,969	3,547,981
Staff expenses	185,847	2,697	28,140	216,684
Group expenses	428,368	-	-	428,368
Repair/rehabilitation/construction	4,067,154	-	-	4,067,154
Transportation/maintenance	208,111	1,928	5,664	215,703
Publications	47,068	-	188,274	235,342
Office expenses	537,344	76,403	62,434	676,181
Program expenses	401,818	11,503	33,802	447,123
Taxes, licenses, and fees	46,946	32,771	9,324	89,041
Warehouse	9,644	-	-	9,644
Professional fees	70,179	83,966	20	154,165
Miscellaneous expenses	1,799	-	-	1,799
Total expenses before depreciation	8,918,433	578,125	592,627	10,089,185
Depreciation	114,940	6,224	1,191	122,355
Total expenses	$ 9,033,373	$ 584,349	$ 593,818	$ 10,211,540

The Notes to Financial Statements are an integral part of these statements.

APPALACHIA SERVICE PROJECT, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in total net assets	$ (97,718)	$ 1,691,879
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	230,856	122,355
Gain on sale of assets	(4,250)	(36,447)
Unrealized (gains) losses on investments	(157,612)	241,903
Lease expense	(6,183)	-
(Increase) decrease in:		
Project income receivable	(504,945)	227,137
Employee retention credit receivable	-	331,409
Mortgages receivable	-	1,771
Prepaid expenses	16,871	(13,076)
Inventories	69,683	(997,054)
Increase (decrease) in:		
Accounts payable and accrued expenses	(156,811)	243,047
Deferred revenue	(37,266)	40,713
Net cash provided by (used in) operating activities	(647,375)	1,853,637
INVESTING ACTIVITIES		
Purchase of property and equipment	(452,147)	(172,613)
Purchase of investments	2,843	2,799
Endowment dividends reinvested	(24,858)	(14,212)
Net cash used in investing activities	(474,162)	(184,026)
FINANCING ACTIVITIES		
Line of credit activity, net	(28,400)	17,500
Borrowings on note payable	105,222	-
Net cash provided by financing activities	76,822	17,500
INCREASE (DECREASE) IN CASH	(1,044,715)	1,687,111
CASH, beginning	4,927,089	3,239,978
CASH, ending	$ 3,882,374	$ 4,927,089
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents, unrestricted	$ 1,925,332	$ 3,070,503
Cash and cash equivalents, restricted	1,957,042	1,856,586
	$ 3,882,374	$ 4,927,089
SUPPLEMENTAL INFORMATION		
Interest paid	$ 6,835	$ 3,371

The Notes to Financial Statements are an integral part of these statements.

Note 1 – Significant Accounting Policies

Nature of Activities

Appalachia Service Project, Inc. ("ASP") is a nonprofit organization organized for the purpose of alleviating sub-standard housing conditions in Appalachia by utilizing volunteers to repair, renovate and construct housing for the individuals affected by these conditions. ASP allows for the exchange of culture, hopes, talents, faith, and love between volunteers and Appalachian families. The purpose of the project is to extend a helping hand to fellow human beings in the spirit of love and acceptance. ASP's programs are supported primarily by grants, donations, and fees paid by volunteer work groups. ASP operates year-round centers in Johnson City, TN, and Jonesville, VA.

ASP performs major remodeling and repairs to various homes. When necessary, ASP has allowed notes to be carried for the remodeling work performed. Individuals apply for assistance through grants and low or non-interest bearing mortgages. Assistance is determined based upon financial need and debt to equity ratios with a varying amount of grants and mortgages per individual.

Basis of Accounting and Presentation

The accompanying financial statements are presented on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities.* Under FASB ASC 958, ASP is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

ASP reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All net assets with donor restrictions that have their restrictions met in the same reporting period as the donation received are reported as net assets without donor restrictions.

ASP reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, ASP reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Cash and Cash Equivalents

ASP considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Funds kept in regular checking and savings accounts are secured by the Federal Deposit Insurance Corporation (FDIC). At times, these funds may be in excess of the FDIC insurance limit. ASP has not experienced any losses in such accounts. ASP also maintains funds in registered money market funds covered by fidelity bonds and held by custodian banks.

Mortgages Receivable

Mortgages receivable are reported at their outstanding unpaid principal balances adjusted by an allowance for loan losses. ASP maintains an allowance for loan losses to absorb an estimate of losses inherent in the receivables. The allowance is reviewed periodically by management to provide assurance that an appropriate level of loan loss reserve is maintained. The allowance for loan losses is maintained at an amount management deems adequate to cover inherent losses at the balance sheet date. ASP considers a loan to be impaired when, based upon current information and events, it believes it is probable that ASP will be unable to collect all amounts due according to the contractual terms of the loan agreement. If an impaired loan is forgiven, loss of principal, if any, is recorded through a charge-off to the appropriate expense account.

Inventories

Inventories of resale items and purchased building materials are valued at the lower of cost or net realizable value. Small tools and building materials, which are donated, are valued at flea market value.

Property and Equipment

Property and equipment are capitalized at cost for purchases and at fair market value for donated items. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. ASP follows the practice of capitalizing, at cost, all expenses for fixed assets in excess of $400. Estimated useful lives are as follows:

Vehicles	3 years
Equipment	5-10 years
Office equipment	5 years
Buildings	30-39 years

Small tools and other materials are included in inventory and are not depreciated.

Compensated Absences

Personal days are accrued at a rate of 1.25 days for the first two years of employment, 1.67 days for years 3 through 7, and 2.08 days beginning in the 8th year, for each month worked, based on the employee's anniversary date. Employees are encouraged to use their personal time in the calendar year in which it is earned. A maximum of five days of personal time may be carried over into the first quarter of the following year. If the personal time earned is not taken by the end of the first quarter, it is forfeited. However, ASP is liable for the amount of accrued but unused personal time, up to the maximum allowed, for any employee who left ASP as of the end of the calendar year.

Full-time employees accrue sick leave at the rate of one day per month. Part-time employees earn sick leave on a prorated basis relative to the average number of hours worked per month. At the end of the calendar year, employees with unused sick leave days will be credited with 1/3 of remaining sick days as additional personal days in the first quarter of the new year. ASP does not provide for any payment of unused sick days.

ASP has $42,392 and $34,729 worth of compensated absences recorded at December 31, 2023 and 2022, respectively. These amounts are included with accounts payable and accrued expenses on the Statements of Financial Position.

Allocation of Expenses

ASP's expenses are presented on a functional basis, showing basic program activities and support services. ASP allocates expenses to home repair and building, office and administration, and fundraising based on the organizational cost centers in which expenses are incurred. Expenses are allocated between support and program services based upon specific identification, or a defined allocation method. Such expenses include salaries and wages, which are allocated based on time and effort and occupancy expenses.

Leases

ASP recognizes right-of-use assets and related liabilities for long-term leases exceeding 12 months. Leases with terms of 12 months or less are expensed as incurred. The current right-of-use assets and liabilities from long-term leases are characterized as operating and finance based on the terms of the lease. The lease expense for operating leases and amortization of finance lease right-of-use assets are characterized as operating activities. See Note 15 for further details.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that were used.

Deferred Revenue

Income from prepaid summer program registration fees and prepaid summer volunteer fees are deferred and recognized in the period to which the fees relate. Also, grant funds received but not expended are deferred and recognized in the period the grant expenditures are made.

Income Tax Status

ASP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2 – Revenue Recognition

During the first quarter of 2019, ASP adopted ASU 2014-09, *"Revenue from Contracts with Customers"* (ASC Topic 606) and ASU 2018-08, *"Not-For-Profit Entities"* (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. Topic 958 clarifies whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance (for example, ASU 2014-09, Revenue from Contracts with Customers).

There have been no significant changes to the amount or timing of our revenue recognition as a result of our adoption of ASU 2014-09, *"Revenue from Contracts with Customers"* (Accounting Standards Codification Topic 606) and ASU 2018-08 (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Total revenues are primarily derived from donor contributions, program fees and grant funding. Based on the guidance in ASU 2018-08 (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, these revenue sources were determined to be contributions (nonreciprocal transactions) within the scope of Topic

958. Volunteer work crew fees represent contributions from churches and individuals to purchase materials and supplies for volunteers and is treated as a contribution. As a result, the amount and timing of our revenues remain materially unchanged.

Note 3 – Contributed Services

A substantial number of unpaid volunteers make significant contributions of their time to work in ASP's programs. Although these services are necessary to the program, they are, for the most part, not provided by volunteers with specialized skills. In addition, they probably would not be purchased if they were not donated, a requirement of FASB ASC 958-605, *Revenue Recognition*, to be recognized in the financial statements. Accordingly, the value of this labor has not been recorded in the financial statements. Management estimates the value of these services to be $9,394,626 and $9,117,259 for 2023 and 2022, respectively.

Note 4 – Liquidity and Availability

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

	2023	**2022**
Cash and cash equivalents	$ 607,648	$ 1,776,261
Board designated - operating reserve	1,230,000	1,230,000
Project income receivable	866,844	361,899
Mortgages receivable, current	2,931	2,931
	$ 2,707,423	**$ 3,371,091**

ASP also has endowment funds consisting of funds designated by the board as endowments.

ASP's board-designated endowment of $1,250,441 does have a spending policy detailed in Note 7. Although management does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of ASP's liquidity management plan, five lines of credit have also been acquired and are detailed in Note 10.

ASP Board of Directors has designated a cash reserve for the purpose of meeting ASP's cash flow needs. At the end of each calendar year, this Board designation requires a cash reserve of no less than $1,230,000, not including any cash balance in the Revolving Loan Fund, to be maintained in the General Fund. At December 31, 2023 and 2022, ASP was in compliance with the Board designated reserve.

Note 5 – Investments

Endowment investments at December 31 included the following:

	2023			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Mutual funds	$ 1,080,635	$ 157,612	$ -	$ 1,238,247

	2022			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Mutual funds	$ 1,300,523	$ -	$ (241,903)	$ 1,058,620

Note 6 – Mortgages Receivable

ASP issues non-interest and low-interest loans for construction and remodeling of homes. The mortgages result primarily from funds received from federal and state programs. These funds have a predetermined interest rate set by the grantor agencies. For this reason, no imputed interest has been calculated.

Mortgages receivable, net totaled $39,079 at December 31, 2023 and 2022. Due to the inherent uncertainties associated with the collectability of the loans, the value of the underlying collateral, and the reputational risk associated with foreclosure, mortgages receivable, net are recorded at an amount that management believes approximates net realizable value as stated below.

	2023	2022
Mortgages receivable	$ 102,952	$ 116,999
Less allowance for loan losses	(63,873)	(77,920)
Mortgages receivable, net	39,079	39,079
Less mortgages receivable, current	2,931	2,931
Mortgages receivable, long-term	$ 36,148	$ 36,148

Note 7 – Endowment

ASP’s endowment funds consist of cash and investments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ASP’s Board of Directors has segregated a portion of net assets without donor restrictions as a board designated endowment to be invested to provide income for an unspecified period. The board designated endowment is classified as net assets without donor restrictions.

Endowment assets consist of the following:

	2023	2022
Board designated endowment cash	$ 12,194	$ 194
Board designated endowment investments	1,238,247	1,058,620
	$ 1,250,441	**$ 1,058,814**

	Endowment Net Asset Composition by Type of Fund as of December 31, 2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board designated endowment funds	**$ 1,250,441**	**$ -**	**$ 1,250,441**

	Endowment Net Asset Composition by Type of Fund as of December 31, 2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board designated endowment funds	**$ 1,058,814**	**$ -**	**$ 1,058,814**

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 1,058,814	$ -	$ 1,058,814
Investment return:			
Investment dividend income, net	18,528	-	18,528
Net appreciation (realized and unrealized)	161,099	-	161,099
Total investment return	179,627	-	179,627
Contributions	12,000	-	12,000
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	**$ 1,250,441**	**$ -**	**$ 1,250,441**

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,302,589	$ -	$ 1,302,589
Investment return:			
Investment dividend income, net	14,213	-	14,213
Net appreciation (realized and unrealized)	(244,702)	-	(2,800)
Total investment return	(230,489)	-	11,413
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(13,286)	-	(255,188)
Endowment net assets, end of year	**$ 1,058,814**	**$ -**	**$ 1,058,814**

Description of Amounts Classified as Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions

Net Assets Without Donor Restrictions	December 31, 2023	December 31, 2022
Board designated endowment funds	**$ 1,250,441**	**$ 1,058,814**

Return Objectives and Risk Parameters

ASP 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. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk. ASP expects its endowment funds, over time, to provide an average rate of return that is above the combined rate of inflation and spending rate of ASP. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ASP 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). ASP targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

ASP has a policy of appropriating distributions only after the endowment exceeds $500,000. Once the endowment achieves this minimum threshold, the maximum annual distribution permitted is five percent of the average of the previous three years fair market value at December 31. In establishing this policy, ASP considered the long-term expected return on its endowment. This is consistent with ASP’s objective to maintain the purchasing power of the endowment assets held.

Note 8 – Inventories

Inventories consist of the following:

		2023		2022
Resale items	$	22,421	$	23,181
Homes under construction		1,367,963		1,427,909
Small tools		119,029		128,006
	$	**1,509,413**	**$**	**1,579,096**

Note 9 – Property and Equipment

Property and equipment consists of the following:

		2023		2022
Land	$	619,705	$	619,705
Vehicles		2,092,777		1,789,520
Buildings		2,063,280		2,036,321
Building improvements		59,433		86,398
Office equipment		339,324		339,324
Equipment		237,763		199,223
		5,412,282		5,070,491
Less accumulated deprecation		(3,472,027)		(3,355,777)
	$	**1,940,255**	**$**	**1,714,714**

Note 10 – Lines of Credit and Debt

ASP has the following lines of credit:

Bank of Tennessee, up to $500,000, variable interest at a minimum of 8.25% through July 2026. This line of credit is secured by certain property of ASP and had no balance December 31, 2023 or 2022.

Bank of Tennessee, up to $100,000, variable interest at a minimum of 6.5% through December 2023. This line of credit is secured by certain property of ASP and had a balance of $75,000 at December 31, 2023 and $100,000 at December 31, 2022. In January 2024, the line of credit was renewed up to $150,000 through January 2025 with an interest rate of 8%.

Federation of Appalachian Housing Enterprises, Inc. up to $150,000, interest at 5.25% at both December 31, 2023 and 2022. This line of credit is unsecured and was unused at December 31, 2023 and 2022.

Bank of Tennessee, up to $100,000, interest at a minimum of 6.5% through December 2023. This line of credit is unsecured and had a balance of $14,100 at December 31, 2023 and $17,500 at December 31, 2022. In January 2024, the line of credit was renewed through January 2025 with an interest rate of 8%.

Bank of Tennessee, up to $1,250,000, interest fixed at 6.71% through December 2023. This line of credit is secured by certain property of ASP and had no balance at December 31, 2023 and 2022. In January 2024, the line of credit was renewed through January 2025 with an interest rate of 7.5%.

In April 2023, ASP entered into an agreement to purchase vehicles. The outstanding balance at December 31, 2023 and 2022 was $105,222 and $0, respectively. This balance was paid in full in January 2024.

Note 11 – Net Assets

Net assets without donor restrictions consist of the following categories:

	2023	2022
Board designated – operating reserve	$ 1,230,000	$ 1,230,000
Board designated – revolving loan fund	75,490	64,048
Board designated – endowment	12,194	194
Other net assets without donor restrictions	3,199,117	3,375,953
	$ 4,516,801	**$ 4,670,195**

Restricted cash and net assets with donor restrictions are available for the following purposes:

	2023	2022
Purchase of vehicles	$ 4,243	$ 2,877
Front porch fund	5,789	5,689
Capital campaign	1,947,010	1,848,020
	1,957,042	1,856,586
Disaster relief funds	1,898,201	1,942,981
	$ 3,855,243	**$ 3,799,567**

Note 12 – Fair Value of Financial Instruments

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices in active markets for identical investments and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs where there is little or no market activity. Level 3 inputs have the lowest priority.

The following are the major categories of investments measured at fair value on a recurring basis during the years ended December 31, 2023 and 2022, using quoted prices in active markets for identical assets (Level 1) and significant other observable inputs (Level 2). For these investments, for which there are no quoted market prices available, a reasonable estimate of fair value was based on quoted prices for similar investments in active markets. ASP had no Level 3 valuations at December 31, 2023 and 2022.

	Level 2: Significant Other Observable Inputs	
Description	**2023**	**2022**
Mutual funds	**$ 1,238,247**	**$ 1,058,620**

Note 13 – Pension Plan

ASP permits employees to contribute to a tax-deferred annuity program for the purchase of an annuity contract or the establishment of a custodial account as described by Internal Revenue Code Section 403(b). ASP matches the employee's contribution up to a maximum of 6% of the employee's salary. Matching funds totaled $136,782 and $121,011 for 2023 and 2022, respectively.

Note 14 – Commitments and Contingencies

As of December 31, 2023 and 2022, ASP is contingently liable as guarantor with respect to $33,846 and $36,403 of indebtedness for certain recipients of federal monies received for the purpose of home repair or construction. No material loss is anticipated by reason of such guarantee.

ASP endowment program invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and amounts reported in the financial statements.

Note 15 – Leases

Operating Leases

ASP leases equipment under long-term operating leases. The leases have varying terms and expiration dates, ranging from 5 to 7 years, are generally non-cancellable, and may include options to extend or terminate the lease. ASP exercises judgment to determine the term of those leases when such options are present and include such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

At commencement, right-of-use assets and liabilities are measured at the present value of future lease payments over the expected lease term. ASP uses its incremental borrowing rate based on information available at the time of the lease commencement to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense for the years ended December 31, 2023 and 2022 was $8,450 and $0 respectively.

Other operating lease information is as follows:

	2023	2022
Lease obligations – operating leases	$ 66,695	$ -
Right-of-use asset – operating leases	$ 65,167	$ -
Weighted average remaining lease term in years	5.3	-
Weighted average discount rate	7.0%	-

Future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

Year Ending December 31,		
2024	$	15,144
2025		15,144
2026		15,144
2027		15,144
2028		10,701
Thereafter		7,527
	$	**78,804**

Finance Leases

ASP has another installment note accounted for as a finance lease for a piece of equipment. The installment note has monthly payments of $1,862, including interest and principal through 2025. The interest rate is 7%. The note is secured by equipment.

Other finance lease information is as follows:

		2023		2022
Lease obligations – finance leases	$	67,714	$	-
Right-of-use asset – finance leases	$	75,425	$	-
Weighted average remaining lease term in years		1.25		-
Weighted average discount rate		7%		-

Future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

Year Ending December 31,		
2024	$	22,349
2025		46,919
	$	**69,268**

For the year ended December 31, 2023 and 2022, cash paid for finance lease liabilities totaled $16,762 and $0, respectively.

Note 16 – Subsequent Events

In accordance with FASB ASC 855, ASP evaluated subsequent events through June 5, 2024, the issue date of the financial statements.

Other Information

APPALACHIA SERVICE PROJECT, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Direct Award:				
Rural Housing Preservation Grants	10.433	N/A		$ 294,831
Total U.S. Department of Agriculture				294,831
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-through City of Johnson City, Tennessee:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A		323,394
Total CDBG Entitlement Grants Cluster				323,394
Pass-through State of Tennessee:				
HOME Investment Partnership Program	14.239	N/A		190,292
Direct Award:				
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	N/A		106,773
Direct Award:				
Older Adults Home Modification Grant Program	14.921	N/A		7,754
Total U.S. Department of Housing and Urban Development				628,213
APPALACHIAN REGIONAL COMMISSION				
Direct Award:				
Appalachian Area Development	23.002	N/A		243,357
Total Appalachian Regional Commission				243,357
TOTAL FEDERAL AWARDS				**$ 1,166,401**

Appalachia Service Project, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the activity of all federally assisted programs of ASP and is presented on the accrual basis of accounting, as described in Note 1 to ASP's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note 2 – De Minimis Indirect Cost Rate

ASP did not elect to use the 10% de minimis indirect cost rate.

Note 3 – Federal Loans

At December 31, 2023, ASP had no outstanding loan balances requiring continuing disclosure.

Compliance

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 and Senior Management of
Appalachia Service Project, Inc.
Johnson City, Tennessee

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 Appalachia Service Project, Inc., ("ASP"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASP's internal control over financial reporting (internal control) as a basis for designing the 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 ASP's internal control. Accordingly, we do not express an opinion on the effectiveness of ASP'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 may exist that have not been identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASP'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 ASP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ASP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
June 5, 2024

BROWNEDWARDS
certified public accountants

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 and Senior Management of
Appalachia Service Project, Inc.
Johnson City, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Appalachia Service Project, Inc.'s. ("ASP") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on ASP's major federal programs for the year ended December 31, 2023. ASP'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, ASP 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 December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ASP 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 ASP'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 ASP'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 ASP'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 ASP's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional 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 ASP'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 ASP'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 ASP'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.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of finding and questioned costs as item 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Appalachia Service Project's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on ASP's response to the noncompliance findings identified in our audit and is described in the accompanying schedule of findings and questions costs. ASP's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
June 5, 2024

Appalachia Service Project, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

A – SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies or material weaknesses** relating to the audit of the financial statements were reported in the 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 Accounting Standards.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **two** audit findings related to the major programs.
7. The programs tested as major programs include:

Name of Program	AL Number
Community Development Block Grant Entitlement Cluster	14.218
HOME Investment Partnership Program	14.239

8. The threshold for distinguishing types A and B programs was **$750,000**.
9. Appalachia Service Project, Inc. was **not** determined to be a **low-risk auditee**.

B – FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2023-001: Community Development Block Grant – AL# 14.218, Controls over Reporting

Condition: ASP included an amount for reimbursement to the City of Johnson City, TN that had not been paid and was not paid promptly, resulting in ASP receiving funds in advance from the City, which is in violation of the grant agreement ASP has with the City.

Criteria: The grant agreement with the City states that in no event shall the City provide advance funding to their sub-recipient.

Cause: ASP failed to pay an invoice that was submitted for reimbursement prior to the receipt of the reimbursement from the City. ASP's controls over the process of reconciling reimbursement requests and payables from their general ledger to the request were not sufficient to prevent this issue from occurring, resulting in the error.

Effect: ASP violated their agreement with the City and received funds in advance.

Context: An invoice recorded in their purchasing tracking software was not subsequently recorded in their financial software allowing for request for reimbursement to happen for an invoice that was not promptly paid. Controls were not sufficient to prevent this from occurring.

Questioned Costs: N/A

Recommendation: ASP should pay all invoices submitted for reimbursement prior to receipt of the reimbursement from the City in order to stay in compliance with their agreement with the City. ASP should also reconcile between the purchase tracking software and the general ledger to ensure that all purchases are promptly recorded in accounts payable to be paid promptly. ASP should ensure that controls are implemented to help prevent reoccurrence of this issue in the future.

Repeat Finding: No.

Management's Response: ASP has policies and procedures in place to ensure all reimbursable expenditures are allowable, paid and clear the bank before submitting for reimbursement. However, on one occasion, ASP inadvertently submitted an allowable and paid expenditure of $32.78 that had not cleared the bank. ASP has since repaid this amount and the replacement check has been cashed by the vendor. In the future, ASP will ensure that all expenditures are allowable, paid, and clear the bank before submitting the reimbursement.

2023-002: Community Development Block Grant – AL# 14.218, Reporting

Condition: ASP, a sub-recipient, did not submit their Quarter 3 report in a timely manner, which is in violation of the grant agreement ASP has with the pass-through entity, City of Johnson City, TN.

Criteria: The grant agreement with the City requires an annual report, a projected expenditures report, and four quarterly reports be submitted by ASP in a timely manner.

Cause: ASP failed to submit their Quarter 3 report before it was due.

Effect: ASP violated their agreement with the City and submitted their report late.

Context: The Quarter 3 report required by the grant agreement between ASP and the City of Johnson City was not submitted timely.

Questioned Costs: N/A

Recommendation: ASP should submit all required reports in a timely manner per the grant agreement. Additionally, ASP should review controls and procedures in place to ensure that there are policies to help aid with timely report completion.

Repeat Finding: No.

Management's Response: ASP is currently engaged in home rehabilitation projects under an agreement with Johnson City CDBG. This agreement stipulates that quarterly reports must be submitted by the 15th of the month following the quarter. Despite completing the required work and accurately tracking expenses, the report due on 10/16/2023 was submitted a little over 2 weeks late on 11/2/2023 due to an omission by staff. However, ASP has maintained communication with the grant administrator at Johnson City and has remained compliant with all other aspects of the contract. The delayed submission of the quarterly report has not impacted ASP's favorable standing with the city, and we have promptly rectified the situation, ensuring full compliance with the agreement

Appalachia Service Project, Inc.

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2023

FINDINGS AND QUESTIONSED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2022-001: Community Development Block Grant – AL# 14.218 and HOME Investment Partnership Program – AL# - 14.239, Uniform Guidance Procurement Documentation

Condition: ASP does not have written procurement policies that fully align with requirements in the Uniform Guidance.

Current Year Status: ASP updated their written procurement policies that now fully align with requirements in the Uniform Guidance.

2022-002: Community Development Block Grant – AL# 14.218, Reporting

Condition: ASP, a sub-recipient, did not retain documentation of submission of all required reports to the pass-through entity, the City of Johnson City.

Current Year Status: ASP submitted and retained documentation of submission of all required reports in the current year.