

NATIONAL LEAD FOR AMERICA, INC.

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
and
UNIFORM GUIDANCE REPORTS
YEAR ENDED DECEMBER 31, 2021**

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows.....	7
Notes to Financial Statements	8
Appendices:	
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 <i>Government Auditing Standards</i>	13
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	15
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs.....	20

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Lead for America, Inc.
Dodge City, Kansas

Opinion

We have audited the accompanying financial statements of National Lead for America, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2021, 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 National Lead for America, Inc. as of December 31, 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Lead for America, 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 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, which raise substantial doubt about National Lead for America, 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 Responsibility 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, including omissions, 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 judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Lead for America, 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 judgement, there are conditions or events, considered in the aggregate, which raise substantial doubt about National Lead for America, Inc.'s ability to continue as a going concern for a reasonable period of time.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, on our consideration of the National Lead for America, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 National Lead for America, 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 the National Lead for America, Inc.'s internal control over financial reporting and compliance.

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.

Kennedy McKee & Company LLP

September 20, 2022

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2021

ASSETS

Cash and cash equivalents	\$ 3,471,972
Accounts receivable	317,512
Unconditional promises to give	11,000
Reimbursements receivable	3,604
Fellow advances	8,843
Grants receivable	687,077
Prepaid expense	78,931
	<hr/>
Total assets	<u>\$ 4,578,939</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 102,648
Accrued salaries and benefits payable	209,586
Deferred revenue	1,098,609
	<hr/>
Total liabilities	<u>1,410,843</u>
Net assets:	
Without donor restrictions	3,168,096
With donor restrictions	-
	<hr/>
Total net assets	<u>3,168,096</u>
	<hr/>
Total liabilities and net assets	<u>\$ 4,578,939</u>

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

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions	\$ 3,408,210	\$ -	\$ 3,408,210
Program income	1,934,246	-	1,934,246
Grants	1,001,122	-	1,001,122
In-kind contributions	284,825	-	284,825
Interest income	152	-	152
Miscellaneous	850	-	850
Cancellation of indebtedness	85,140	-	85,140
Net assets released from restriction	-	-	-
	6,714,545	-	6,714,545
Total revenues and other support			
Expenses:			
Program services	3,589,266	-	3,589,266
Supporting activities:			
Management and general	983,905	-	983,905
Fund-raising	77,872	-	77,872
Total expenses	4,651,043	-	4,651,043
Change in net assets	2,063,502	-	2,063,502
Net assets at beginning of year, as previously stated	1,104,594	-	1,104,594
Net assets at end of year	\$ 3,168,096	\$ -	\$ 3,168,096

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

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	<u>Program</u>	<u>Management and general</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and benefits	\$ 720,847	\$ 513,965	\$ 75,966	\$ 1,310,778
Fellow scholarship costs	1,326,017	688	-	1,326,705
Living allowances	1,071,267	4,670	-	1,075,937
Professional fees	122,090	289,345	-	411,435
Fellow enrichment	229,951	12	-	229,963
Software and subscriptions	102,290	101,807	-	204,097
Office space	-	10,514	-	10,514
Advertising	500	-	-	500
Recruiting	-	999	-	999
Speaker fees	-	2,820	-	2,820
Professional development	-	632	-	632
Travel and lodging	5,063	6,424	1,906	13,393
Licenses and filing fees	865	9,759	-	10,624
Insurance	-	7,032	-	7,032
Workers compensation	5,126	7,953	-	13,079
Materials	-	281	-	281
Website/web development	-	3,851	-	3,851
Utilities and maintenance	-	1,779	-	1,779
Office supplies	256	-	-	256
Bank and credit card fees	-	916	-	916
Background checks	130	8,988	-	9,118
Membership fees	622	10,210	-	10,832
Postage, mailing service	556	811	-	1,367
Telephone telecommunications	-	416	-	416
Other	3,105	(1,805)	-	1,300
Meals	16	510	-	526
Enrichment activities	565	1,328	-	1,893
	<u>\$ 3,589,266</u>	<u>\$ 983,905</u>	<u>\$ 77,872</u>	<u>\$ 4,651,043</u>

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

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2021

Cash flows from operating activities:	
Cash received from:	
Contributions	\$ 3,427,210
Program income	2,146,622
Grants	411,882
Other	850
	5,986,564
Cash received from operating activities	
	5,986,564
Cash paid for:	
Salaries and benefits	1,131,420
Fellowship costs	2,349,671
Operating expenses	644,595
	4,125,686
Cash disbursed for operating activities	
	4,125,686
Net cash flows provided (used) by operating activities	
	1,860,878
Cash flows from investing activities:	
Interest income	152
	152
Cash flows from financing activities:	
Proceeds from notes payable	85,140
	85,140
Net increase (decrease) in cash	
	1,946,170
Cash and cash equivalents, beginning of year	
	1,525,802
Cash and cash equivalents, end of year	
	\$ 3,471,972
Reconciliation of change in net assets to cash provided by operating activities:	
Change in net assets	\$ 2,063,502
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:	
Interest income	(152)
Cancellation of indebtedness	(85,140)
(Increase) decrease in accounts receivable	(218,039)
(Increase) decrease in unconditional promises to give	19,000
(Increase) decrease in reimbursements receivable	(3,604)
(Increase) decrease in fellow advances	72,236
(Increase) decrease in grants receivable	(589,240)
(Increase) decrease in other assets	300
(Increase) decrease in prepaid expenses	(59,765)
Increase (decrease) in accounts payable	52,007
Increase (decrease) in accrued salaries and benefits payable	179,358
Increase (decrease) in deferred revenue	430,415
	(202,624)
Net cash flows provided (used) by operating activities	
	\$ 1,860,878

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

NATIONAL LEAD FOR AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

1. History and business activity

National Lead for America, Inc. was incorporated in August 2018 and received exempt tax status in September 2018 under the laws of the State of North Carolina. It relocated its headquarters to Dodge City, Kansas in October 2020.

The Organization is operating as a nonprofit organization to support and provide skills to young professionals between ages 21 and 30 years of age. Professionals are recruited, trained, and placed in civic leadership roles to tackle the toughest challenges facing their communities.

2. Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting

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

4. Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

6. Promises to give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

7. Fellow advances

Advances to fellows are housing and living scholarships paid to fellows one week before the first day of the month. The advances are expensed in the month due.

8. Deferred revenue

Program income from fellowships received in advance is deferred and recognized over the periods to which the fellowships relate.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Revenue with and without donor restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

10. Expense allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on an estimate of amounts allocable to each function. The expenses that are allocated include personnel costs and travel which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

11. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

12. Donated assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

13. Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided tutoring and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Income taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Organization has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has not identified any uncertainties in federal or state income taxes for any open tax years as of December 31, 2021. The Organization is no longer subject to federal and state tax examinations by tax authorities generally for three years after they were filed. No authorities have commenced income tax examinations as of December 31, 2021.

B. CONCENTRATION OF CREDIT RISK

To Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2021, the Organization's uninsured balances were \$1,892,157.

C. PAYROLL PROTECTION PROGRAM LOAN

The Organization was granted a second loan on February 17, 2021 under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The \$85,140 loan was uncollateralized and fully guaranteed by the Federal government. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The loan was forgiven on October 7, 2021 in the amount of \$85,140. It is reported as cancellation of indebtedness in the Statements of Activities.

D. LIQUIDITY

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

	<u>December 31,</u> <u>2021</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 3,471,972
Accounts receivable	317,512
Unconditional promises to give	11,000
Reimbursements receivable	3,604
Grants receivable	<u>687,077</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,491,165</u>

E. CORONAVIRUS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future result of operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

F. DONATED SERVICES AND MATERIALS

The Organization received donated services and materials as follows during the year ended December 31, 2021:

	<u>Program</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total</u>
Professional fees	\$ -	\$ 1,200	\$ -	\$ 1,200
Fellow scholarships	158,691	-	-	158,691
Software and subscriptions	16,913	43,378	-	60,291
Office space	-	7,114	-	7,114
Speaker fees	55,750	-	-	55,750
Utilities	-	1,779	-	1,779
	<u>\$ 231,354</u>	<u>\$ 53,471</u>	<u>\$ -</u>	<u>\$ 284,825</u>

G. DEFINED CONTRIBUTION PLAN

The Organization has a 401(k) plan which provides for a salary reduction by participating employees and allows for an employer match of up to 4% of the eligible employees’ compensation. During the current year, a matching contribution on the eligible employees’ elective deferrals of their salaries was \$4,682.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2022, the date on which the financial statements were available to be used. Management’s evaluation concluded there are no subsequent events required to be recognized or disclosed in these financial statements other than the ongoing concern regarding the novel strain of coronavirus was discussed in Note E above.

APPENDICES

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**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**

The Board of Directors
National Lead for America, Inc.
Dodge City, Kansas

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 National Lead for America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Lead for America, Inc.'s internal control over financial reporting (internal control) to determine 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 National Lead for America, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of National Lead for America, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Lead for America, Inc.'s financial statements are free of 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 determination of financial statement amounts. 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*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kennedy McKee & Company LLP

September 20, 2022

Kennedy
McKee & Company LLP Certified Public Accountants

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

The Board of Directors
National Lead for America, Inc.
Dodge City, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited National Lead for America, 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 each of National Lead for America, Inc.'s major federal programs for the year ended December 31, 2021. National Lead for America, Inc.'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, National Lead for America, Inc. 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, 2021.

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 National Lead for America, 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 each major federal program. Our audit does not provide a legal determination of National Lead for America, 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 National Lead for America, Inc.'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 National Lead for America, 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 National Lead for America, Inc.'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 National Lead for America, 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 National Lead for America, 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 National Lead for America, 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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization'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.

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.

Kennedy McKee & Company LLP

September 20, 2022

NATIONAL LEAD FOR AMERICA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2021

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Passed through to subrecipients	Total federal expenditures
U.S. Corporation for National Community Service				
Direct program:				
AmeriCorps State and National	94.006	N/A	\$ -	\$ 508,639
Passed through Kansas Department of Education:				
AmeriCorps ServeKansas	94.006	22AC248305	-	47,825
Passed through the State of Minnesota:				
AmeriCorps ServeMinnesota 2020-2021	94.006	20AC221117	-	190,717
AmeriCorps ServeMinnesota 2021-2022	94.006	21AC239051	-	188,646
Passed through the Nebraska Volunteer Service Commission:				
AmeriCorps ServeNebraska	94.006	N/A	-	65,295
Total federal awards			<u>\$ -</u>	<u>\$ 1,001,122</u>

The accompanying Notes to Schedule of Expenditures of
Federal Awards are an integral part of this statement.

NATIONAL LEAD FOR AMERICA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of National Lead for America, Inc. under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirement 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 operation of National Lead for America, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of National Lead for America, Inc.

B. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. INDIRECT COST RATE

National Lead for America, Inc. has not elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

NATIONAL LEAD FOR AMERICA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of National Lead for America, Inc.
2. One significant deficiency relating to the audit of the financial statements is 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 Auditing Standards*. No material weaknesses reported.
3. No instances of noncompliance material to the financial statements of National Lead for America, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance. No material weaknesses reported.
5. The auditor's report on compliance for the major federal award programs of National Lead for America, Inc. expresses an unmodified opinion on the major program.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was:

AmeriCorps State and National	CFDA 94.006
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8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. National Lead for America, Inc. did not qualify as a low-risk auditee.

NATIONAL LEAD FOR AMERICA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended December 31, 2021

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

**2021-001 GRANTS RECEIVABLE
SIGNIFICANT DEFICIENCY**

Condition and Context: During the course of fieldwork, we noted the following grants reimbursement requests were submitted for reimbursement but no corresponding grants receivable were reflected on the books: ServeMinnesota July, August, September and December reimbursement requests, ServeKansas – November and December reimbursement requests, ServeNebraska – November and December reimbursement requests.

Criteria: The Organization's financial statements are prepared on the accrual basis of accounting and should reflect all significant receivables, payables and other liabilities.

Cause: Grants receivable were recorded in the month received subsequent to year end rather than based on the month the grant expenditures were incurred.

Effect: Grant revenue and grants receivable were understated by \$155,221.

Recommendation: Management should communicate with grant administrators to confirm details on grant reimbursement requests to ensure grant revenue is recognized in the proper period.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and recommendation. Management will develop a process to ensure grants receivable are reflected in the proper reporting period.

NATIONAL LEAD FOR AMERICA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended December 31, 2021

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS
AUDIT

U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
SIGNIFICANT DEFICIENCY

2021-002: AmeriCorps State and National – CFDA No. 94.006
Grant period: Year Ended December 31, 2021

Condition and Context: We performed a test of 40 AmeriCorps members paid a living allowance. Our test of 40 members resulted in 3 instances where members who were paid a living allowance after a background check was completed but prior to the Organization documenting the members' background check as being adjudicated.

Criteria: Organizations utilizing Truescreen for background checks must enter a final adjudication decision in their MyTruescreen account. If the recipient does not enter a final adjudication decision, the background check is not complete and if the applicant begins service, the background check is noncompliant.

Cause: The Organization failed to complete the adjudication process.

Effect: Since the member was paid a living allowance prior to the adjudication date, the background check is noncompliant.

Recommendation: Management should develop a system to track member background checks and document the adjudication dates prior to adding the member to the AmeriCorps service roster.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and recommendation. Management will develop a process to prevent noncompliant background checks in the future.