

**THAMES VALLEY COUNCIL FOR COMMUNITY
ACTION, INC. AND SUBSIDIARIES**

**Consolidated Financial Statements,
Supplemental Information,
Independent Auditor's Report, and
Federal and State Single Audit Reports**

Years ended March 31, 2018 and 2017

CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to Consolidated Financial Statements | 7 |
| SUPPLEMENTARY INFORMATION | |
| Schedule 1 – Statement of Financial Position Information | 18 |
| Schedule 2 – Statement of Activities Information | 19 |
| Schedule 3 – Statement of Cash Flows Information | 20 |
| INTERNAL CONTROL AND COMPLIANCE REPORT | |
| 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> | 21 |
| FEDERAL SINGLE AUDIT SECTION | |
| Federal Internal Control and Compliance Report | |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 23 |
| Schedule of Expenditures of Federal Awards | |
| Schedule of Expenditures of Federal Awards | 25 |
| Notes to Schedule of Expenditures of Federal Awards | 27 |
| Federal Findings and Questioned Costs | |
| Schedule of Federal Findings and Questioned Costs | 28 |
| Summary Schedule of the Status of Prior Year Audit Findings | 29 |

CONTENTS *(Continued)*

| | <u>Page</u> |
|---|-------------|
| STATE SINGLE AUDIT SECTION | |
| State Internal Control and Compliance Report | |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Connecticut State Single Audit Act | 30 |
| Schedule of Expenditures of State Financial Assistance | |
| Schedule of Expenditures of State Financial Assistance | 32 |
| Note to Schedule of Expenditures of State Financial Assistance | 33 |
| State Findings and Questioned Costs | |
| Schedule of State Findings and Questioned Costs | 34 |
| Summary Schedule of the Status of Prior Year Audit Findings | 35 |

**INDEPENDENT
AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Thames Valley Council for Community Action, Inc.
Jewett City, Connecticut

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Thames Valley Council for Community Action, Inc. and Subsidiaries ("TVCCA", a nonprofit organization), which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Thames Valley Council for Community Action, Inc. and Subsidiaries as of March 31, 2018 and 2017, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in Schedules 1, 2 and 3, 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*, and the accompanying schedule of expenditures of state financial assistance, as required by the Connecticut State Single Audit Act, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of TVCCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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 TVCCA's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
August 28, 2018

**CONSOLIDATED
FINANCIAL STATEMENTS**

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2018 and 2017

| | 2018 | 2017 |
|---------------------------------------|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 3,585,885 | \$ 4,552,287 |
| Receivables: | | |
| Grants and contracts | 2,335,824 | 1,295,459 |
| Other | 583,126 | - |
| Other current assets | 198,452 | 179,500 |
| Total current assets | 6,703,287 | 6,027,246 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 5,942,680 | 6,400,637 |
| OTHER ASSETS | | |
| Restricted cash equivalents | 117,610 | 104,913 |
| Total assets | \$ 12,763,577 | \$ 12,532,796 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 2,179,870 | \$ 1,692,928 |
| Current portion of long-term debt | 241,092 | 224,621 |
| Deferred grant and contract revenue | 148,179 | 367,060 |
| Total current liabilities | 2,569,141 | 2,284,609 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, less current portion | 4,816,928 | 5,056,943 |
| Total liabilities | 7,386,069 | 7,341,552 |
| NET ASSETS | | |
| Unrestricted | 3,748,786 | 3,525,498 |
| Temporarily restricted | 1,628,722 | 1,665,746 |
| Total net assets | 5,377,508 | 5,191,244 |
| Total liabilities and net assets | \$ 12,763,577 | \$ 12,532,796 |

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

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

For the Year Ended March 31, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Federal and state grants and contracts | \$ 23,271,900 | \$ - | \$ 23,271,900 |
| Local and other grants and contributions | 645,644 | 22,390 | 668,034 |
| Program and other income | 1,629,808 | - | 1,629,808 |
| Contributed goods and services | 263,613 | - | 263,613 |
| Debt service paid on-behalf of TVCCA by the State of Connecticut | 364,435 | - | 364,435 |
| Net assets released from restrictions | 59,414 | (59,414) | - |
| Total support and revenue | <u>26,234,814</u> | <u>(37,024)</u> | <u>26,197,790</u> |
| EXPENSES | | | |
| Salaries and benefits | 13,370,510 | - | 13,370,510 |
| Client assistance | 8,310,474 | - | 8,310,474 |
| Contractual services | 848,055 | - | 848,055 |
| Materials and supplies | 669,835 | - | 669,835 |
| Depreciation and amortization | 595,478 | - | 595,478 |
| Administrative and general | 531,521 | - | 531,521 |
| Repairs and maintenance | 500,443 | - | 500,443 |
| Contributed goods and services | 263,613 | - | 263,613 |
| Other expenses | 255,795 | - | 255,795 |
| Interest | 236,932 | - | 236,932 |
| Travel and transportation | 207,720 | - | 207,720 |
| Utilities | 206,629 | - | 206,629 |
| Insurance | 195,531 | - | 195,531 |
| Rent and leasing | 169,388 | - | 169,388 |
| Total expenses | <u>26,361,924</u> | <u>-</u> | <u>26,361,924</u> |
| Change in net assets from operating activities | (127,110) | (37,024) | (164,134) |
| NONOPERATING REVENUE | | | |
| Inherent contribution from acquisition | <u>350,398</u> | <u>-</u> | <u>350,398</u> |
| Change in net assets | 223,288 | (37,024) | 186,264 |
| NET ASSETS, beginning of year | <u>3,525,498</u> | <u>1,665,746</u> | <u>5,191,244</u> |
| NET ASSETS, end of year | <u>\$ 3,748,786</u> | <u>\$ 1,628,722</u> | <u>\$ 5,377,508</u> |

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

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

For the Year Ended March 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Federal and state grants and contracts | \$ 23,688,975 | \$ - | \$ 23,688,975 |
| Local and other grants and contributions | 658,462 | 16,215 | 674,677 |
| Program and other income | 1,731,487 | - | 1,731,487 |
| Contributed goods and services | 265,838 | - | 265,838 |
| Debt service paid on-behalf of TVCCA by the State of Connecticut | 370,048 | - | 370,048 |
| Net assets released from restrictions | 7,465 | (7,465) | - |
| Total support and revenue | <u>26,722,275</u> | <u>8,750</u> | <u>26,731,025</u> |
| EXPENSES | | | |
| Salaries and benefits | 14,184,797 | - | 14,184,797 |
| Client assistance | 7,894,438 | - | 7,894,438 |
| Contractual services | 812,624 | - | 812,624 |
| Materials and supplies | 674,839 | - | 674,839 |
| Depreciation and amortization | 576,420 | - | 576,420 |
| Administrative and general | 599,046 | - | 599,046 |
| Repairs and maintenance | 550,770 | - | 550,770 |
| Contributed goods and services | 265,838 | - | 265,838 |
| Other expenses | 322,268 | - | 322,268 |
| Interest | 220,418 | - | 220,418 |
| Travel and transportation | 278,300 | - | 278,300 |
| Utilities | 224,649 | - | 224,649 |
| Insurance | 143,885 | - | 143,885 |
| Rent and leasing | 175,346 | - | 175,346 |
| Total expenses | <u>26,923,638</u> | <u>-</u> | <u>26,923,638</u> |
| Change in net assets | (201,363) | 8,750 | (192,613) |
| NET ASSETS, beginning of year | <u>3,726,861</u> | <u>1,656,996</u> | <u>5,383,857</u> |
| NET ASSETS, end of year | <u>\$ 3,525,498</u> | <u>\$ 1,665,746</u> | <u>\$ 5,191,244</u> |

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

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017

| | 2018 | 2017 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 186,264 | \$ (192,613) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 595,478 | 576,420 |
| Gain on sale of equipment | 7,144 | 40,224 |
| Principal repayments on long-term debt paid on-behalf of TVCCA | (170,970) | (174,430) |
| (Increase) decrease in operating assets: | | |
| Grant and contracts receivables | (1,040,365) | 212,700 |
| Other receivables | (583,126) | 76,453 |
| Other current assets | (18,952) | 119,858 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 486,942 | (141,582) |
| Deferred grant and contract revenue | (218,881) | (49,012) |
| Net cash (used in) provided by operating activities | (756,466) | 468,018 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (144,665) | (108,609) |
| Net cash used in investing activities | (144,665) | (108,609) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal repayments on long-term debt | (52,574) | (53,031) |
| Net cash used in financing activities | (52,574) | (53,031) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (953,705) | 306,378 |
| CASH AND CASH EQUIVALENTS, beginning of year | 4,657,200 | 4,350,822 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 3,703,495 | \$ 4,657,200 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for interest | \$ 38,697 | \$ 39,322 |

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

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 2018 and 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Thames Valley Council for Community Action, Inc. (the "Council") was established in 1965 as Southeastern Connecticut's community action agency. The Council provides a wide range of services to disadvantaged and at-risk clients, including Headstart, daycare, energy assistance, senior nutrition, housing and shelter services and various others. Support and revenue consists of federal, state, and local government grants, individual, corporate and foundation contributions, and participant fees received in the operation of certain programs.

The Council's subsidiaries consists of TVCCA Catering to You, LLC, and TVCCA Information Systems, LLC (the "LLCs"). TVCCA Catering to You, LLC, is a limited liability company organized in November 2002, which provides catering services for various programs of the Council and to outside parties. TVCCA Catering to You, LLC ceased operations during the year ended March 31, 2015. TVCCA Information Systems, LLC, is a limited liability company organized in October 2007, which sells its internally developed energy software to other nonprofit organizations.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Council and the LLCs (collectively "TVCCA"). All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain amounts as of and for the year ended March 31, 2018 have been reclassified to conform to the current year presentation. The reclassifications had no material effect on the prior year consolidated financial statements.

Net assets totaling \$913,131 were reclassified from unrestricted net assets to temporarily restricted net assets as of March 31, 2016 to present unspent program fees restricted to the Supportive Housing Program.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to TVCCA, the accounts of TVCCA are maintained in the following net asset categories:

Unrestricted

Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants and contracts, which may be earmarked for specific purposes.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

RECOGNITION OF SUPPORT AND REVENUE

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants and contracts is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenues recognized are presented as deferred grant and contract revenue.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions received whose use is contingent on the occurrence of a future event are deferred until the condition is substantially met, at which time they are recognized as support.

Donated Assets

Donated assets, including the usage of assets such as rent, are recognized at their estimated fair market value.

TVCCA reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be paid to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, TVCCA reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

Donated Services

TVCCA recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the consolidated financial statements. However, a substantial number of volunteers have donated significant amounts of time to TVCCA's programs.

Program Fees

Program service fees are recognized as revenue as services are performed. Program service fees received in advance of the applicable program period are presented as deferred revenue.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements *(Continued)*

March 31, 2018 and 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RECOGNITION OF SUPPORT AND REVENUE *(Continued)*

Debt Service Paid on Behalf of TVCCA by the State of Connecticut

As described more fully in Note D, the State of Connecticut Office of Early Childhood (“OEC”) has agreed to pay a percentage of the qualifying debt service required by TVCCA’s mortgage loan agreements executed with the State of Connecticut Health and Educational Facilities Authority (“CHEFA”). TVCCA recognizes revenue for debt service paid on-behalf of TVCCA when the amounts are actually paid by the State of Connecticut.

CASH EQUIVALENTS

For purposes of the consolidated statement of cash flows, TVCCA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

RESTRICTED CASH EQUIVALENTS

Certain amounts have been deposited into escrow accounts under terms of the CHEFA mortgage financing. Such funds are restricted for allowable purposes related to repairs and renovations of CHEFA financed child daycare facilities.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquisitions and improvements thereon individually exceeding \$1,000 are capitalized at cost and depreciated on a straight-line basis over estimated service lives ranging from 5 to 30 years. Maintenance and repairs are charged to expense as incurred.

Funding sources retain a reversionary right to certain property acquired with grant funds. No significant grant programs ended during the years ended March 31, 2018 or 2017 that would require disposition of such property in accordance with applicable grant requirements.

FAIR VALUE MEASUREMENTS

TVCCA measures and discloses the fair values of assets and liabilities required to be carried at fair value in accordance with authoritative guidance for fair value measurements. Applicable accounting guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard only applies when other standards require or permit the fair value measurement of assets and liabilities.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements *(Continued)*
March 31, 2018 and 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INCOME TAXES

TVCCA qualifies as an organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from federal and state income taxes on exempt function income. TVCCA's informational and tax returns for the last three years generally remain open for examination.

The LLCs report all of their activities, including any unrelated business income on TVCCA's federal and state informational returns. No provision for unrelated business income taxes was recorded for the years ended March 31, 2018 and 2017.

EXPENSES BY FUNCTION

The costs of providing various programs and activities have been summarized on a functional basis in Note H. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OPERATING MEASURE

TVCCA has defined the change in net assets from operating activities to include all support, revenue, expenses, and gains and losses, except for gains or losses resulting from unusual or infrequent transactions.

NOTE B - CONCENTRATIONS

CONCENTRATIONS OF CREDIT RISK

TVCCA's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash equivalents, grants, contracts receivable and other receivables.

- Cash and cash equivalents – TVCCA places its cash and cash equivalents with highly rated financial institutions, which are continually reviewed by senior management for financial stability. Generally, TVCCA's cash and cash equivalents in interest bearing accounts exceeds financial depository insurance limits. However, TVCCA has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant credit risk.
- Restricted cash equivalents – Restricted cash equivalents with CHEFA are uninsured.
- Grants and contracts receivable – Grants and contracts receivable are supported by contracts with a variety of federal, state and local governments. Based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.
- Other receivables – Other receivables consist primarily of amounts due from the Windham/Willimantic Child Care and Family Development Programs, Inc. in connection with the acquisition as disclosed in Note K. Management believes all other receivables are fully collectable and, accordingly, management has not established an allowance for doubtful accounts as of March 31, 2018.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements *(Continued)*

March 31, 2018 and 2017

NOTE B - CONCENTRATIONS *(Continued)*

SUPPORT AND REVENUE CONCENTRATIONS

TVCCA receives a significant portion of its grants and contracts from the U.S. Department of Health and Human Services, the State of Connecticut, and certain nonprofit pass-through agencies. As with all governmental funding, these grants and contracts are subject to reduction or termination in future years. Any significant reduction in these grants and contracts could have a negative impact on TVCCA's program services.

NOTE C - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment is as follows:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Land, buildings and improvements | \$ 10,658,934 | \$ 10,668,122 |
| Vehicles | 682,567 | 756,191 |
| Appliances | 451,404 | 444,757 |
| Computer equipment | 593,884 | 501,437 |
| Telephone equipment | 329,511 | 298,762 |
| Furniture and fixtures | 346,317 | 350,295 |
| Office equipment | 36,131 | 36,131 |
| | <u>13,098,748</u> | <u>13,055,695</u> |
| Less: accumulated depreciation and amortization | 7,156,068 | 6,655,058 |
| | <u>\$ 5,942,680</u> | <u>\$ 6,400,637</u> |

Depreciation and amortization expense for property, plant and equipment totaled \$595,478 and \$576,420 for the years ended March 31, 2018 and 2017, respectively.

NOTE D - LONG-TERM DEBT

A summary of long-term debt is as follows:

| | 2018 | 2017 |
|-------------------------------|---------------------|---------------------|
| CHEFA mortgage notes payable: | | |
| Taftville Facility | \$ 1,735,000 | \$ 1,820,000 |
| Windham Facility | 600,000 | 635,000 |
| Vernon Facility | 375,000 | 395,000 |
| New London Facility | 2,265,000 | 2,330,000 |
| Other mortgage notes payable | 83,020 | 101,564 |
| | <u>5,058,020</u> | <u>5,281,564</u> |
| Less: current portion | 241,092 | 224,621 |
| | <u>\$ 4,816,928</u> | <u>\$ 5,056,943</u> |

NOTE D - LONG-TERM DEBT *(Continued)*

CHEFA MORTGAGE NOTES PAYABLE

Taftville Facility

In April 2001, TVCCA entered into a Loan Agreement and Open-End Mortgage (collectively the “Taftville Agreements”) with CHEFA to finance the construction of a qualifying child care facility through CHEFA’s sale of \$3,865,000 Child Care Facilities Series E Revenue Bonds (the “Series E Bonds”). TVCCA’s share of the Series E Bond proceeds totaled \$2,745,000 or 72.3% of total Series E Bond proceeds. Payments by TVCCA are based on interest costs and principal payments on 72.3% of the Series E Bonds, amounts required to establish and maintain trust funds required under the Taftville Agreements, annual fees and certain expenses of CHEFA. TVCCA also pays the cost of insuring the property and of operation and maintenance. Interest is payable semi-annually at rates ranging from 3.0% to 5.0% with principal payable in various installments through July 2031.

Windham Facility

In January 2003, TVCCA entered into a Loan Agreement and Open-End Mortgage (collectively the “Windham Agreements”) with CHEFA in connection with the assumption of CHEFA mortgage financing and acquisition of related real property, consisting of a qualifying child care facility, previously held by an unrelated entity. The qualifying child care facility acquired was constructed through CHEFA’s sale of Child Care Facilities Series A Revenue Bonds (the “Series A Bonds”). Payments by TVCCA are based on interest costs and principal payments on the Series A Bonds, amounts required to establish and maintain trust funds required under the Windham Agreements, annual fees and certain expenses of CHEFA. TVCCA also pays the cost of insuring the property and of operation and maintenance. Interest is payable semi-annually at rates ranging from 3.0% to 5.0% with principal payable in various installments through July 2028.

Vernon Facility

In January 2003, TVCCA entered into a Loan Agreement and Open-End Mortgage (collectively the “Vernon Agreements”) with CHEFA in connection with the assumption of CHEFA mortgage financing and acquisition of related real property, consisting of a qualifying child care facility, previously held by an unrelated entity. The qualifying child care facility acquired was constructed through CHEFA’s sale of Child Care Facilities Series A and B Revenue Bonds (the “Series A and B Bonds”). Payments by TVCCA are based on interest costs and principal payments on the Series A and B Bonds, amounts required to establish and maintain trust funds required under the Vernon Agreements, annual fees and certain expenses of CHEFA. TVCCA also pays the cost of insuring the property and of operation and maintenance. Interest is payable semi-annually at rates ranging from 3.0% to 5.0% with principal payable in various installments through July 2028.

New London Facility

In October 2008, TVCCA entered into a Loan Agreement and Open-End Mortgage (collectively the “New London Agreements”) with CHEFA to finance the construction of a qualifying child care facility through CHEFA’s sale of \$16,875,000 Child Care Facilities Series G Revenue Bonds (the “Series G Bonds”). TVCCA’s share of the Series G Bond proceeds totaled \$2,465,000 or 14.6% of total Series G Bond proceeds. Payments by TVCCA are based on interest costs and principal payments on 14.6% of the Series G Bonds, amounts required to establish and maintain trust funds required under the New London Agreements, annual fees and certain expenses of CHEFA. TVCCA also pays the cost of insuring the property and of operation and maintenance. Interest is payable semi-annually at rates ranging from 1.5% to 5.0% with principal payable in various installments through July 2038.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements *(Continued)*
March 31, 2018 and 2017

NOTE D - LONG-TERM DEBT *(Continued)*

CHEFA MORTGAGE NOTES PAYABLE *(Continued)*

CHEFA Refinancing

During August 2011, CHEFA refinanced approximately \$32 million of Child Care Facilities Series A through Series E bonds which resulted in the Child Care Facilities series H Revenue Bonds (the "Series H Bonds"). TVCCA's Taftville, Windham, and Vernon child care facilities were refinanced through the Series H Bonds. Payments by TVCCA are based on interest costs and principal payments on the Series H Bonds, amounts required to establish and maintain all three refinanced facilities, annual fees and certain expenses of CHEFA. TVCCA is also responsible for the cost of insuring the properties and of operation and maintenance. The refinanced loans require interest payable in semi-annual payments at rates ranging from 1.0% to 5.0%, with principal payable in various installments throughout the original life of the bonds.

During April 2015, CHEFA refinanced approximately \$2.3 million of Child Care Facilities Series G bonds relating to the New London facility through the issuance of State Supported Child Care Revenue Bonds, Series 2015 (the "Series 2015 Bonds"). TVCCA's share of the Series 2015 Bonds totaled \$2,465,000 or 7.4% of total Series 2015 Bond proceeds, resulting in an overall increase in principal owed by TVCCA of \$195,000. Payments by TVCCA are based on interest costs and principal payments on 7.4% of the Series 2015 Bonds, amounts required to establish and maintain trust funds required under the New London Agreements, annual fees and certain expenses of CHEFA. TVCCA is also responsible for the cost of insuring the properties and of operation and maintenance. The refinanced loan requires interest payable in semi-annual payments at rates ranging from 1.5% to 5.0%, with principal payable in various installments through July 2038.

Each of the CHEFA mortgages provide, among other things, that principal and interest on the mortgage loans are payable by TVCCA, which is obligated to make such payments so long as the applicable bonds are outstanding. The underlying collateral of the mortgage loans is the buildings constructed with bond proceeds. As additional collateral, TVCCA has pledged the gross receipts of each qualifying child care facility to CHEFA. Additionally, TVCCA is subject to certain financial and nonfinancial covenants, noncompliance with which may be considered to be an event of default and could provide CHEFA with the right to demand repayment currently. For the years ended March 31, 2018 and 2017, TVCCA was in compliance with these covenants.

In connection with the State of Connecticut's school readiness initiative, the State of Connecticut Office of Early Childhood ("OEC") has agreed to pay a portion of qualifying debt service payments. The OEC has agreed to pay 85.7% of the qualifying debt service of the Taftville facility mortgage loan, 90.0% of the qualifying debt service of the Windham facility mortgage loan, 81.9% of the qualifying debt service of the Vernon facility mortgage loan and 77.3% of the qualifying debt service of the New London facility mortgage loan. Principal and interest payments made by the OEC on behalf of TVCCA totaled \$170,970 and \$193,465 for the year ended March 31, 2018, respectively, and \$174,430 and \$195,618 for the year ended March 31, 2017, respectively.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements *(Continued)*
March 31, 2018 and 2017

NOTE D - LONG-TERM DEBT *(Continued)*

OTHER MORTGAGE NOTES PAYABLE

TVCCA is party to a mortgage note payable agreement with a bank in connection with the acquisition of real property in New London, Connecticut, which is used for several TVCCA programs. The mortgage note presently requires monthly payments of principal and interest of \$2,225 through April 2022. The current interest rate is 5.0% and is subject to adjustment every three years during the term of the mortgage note. The interest rate is adjusted to a percentage equal to the weekly average yield on U.S. Treasury securities, adjusted to a constant maturity of three years plus 3.5%. In addition to the real property acquired, the mortgage note is also secured by an assignment of rents and leases. Additionally, TVCCA is subject to certain financial and nonfinancial covenants, noncompliance with which may be considered to be an event of default and could provide the bank with the right to demand repayment currently. For the years ended March 31, 2018 and 2017, TVCCA was in compliance with these covenants. The balance of this note totaled \$83,020 and \$101,564 as of March 31, 2018 and 2017, respectively.

Aggregate principal maturities of all mortgage notes payable in subsequent years are as follows:

| | | |
|-----------------------|----|--------------|
| Year ending March 31: | | |
| 2019 | \$ | 241,092 |
| 2020 | | 257,673 |
| 2021 | | 279,373 |
| 2022 | | 269,882 |
| 2023 | | 270,000 |
| Thereafter | | 3,740,000 |
| | | \$ 5,058,020 |

LINE OF CREDIT

As of March 31, 2018 and 2017, TVCCA has available a \$400,000 line of credit that is due on demand with an adjustable interest rate that is renewable annually. No borrowings were outstanding against the line as of March 31, 2018 and 2017.

NOTE E - DEFERRED GRANT AND CONTRACT REVENUE

Deferred grant and contract revenue expected to be recognized in subsequent fiscal years upon incurring allowable expenditures or achieving performance goals in the following areas:

| | 2018 | 2017 |
|----------------------------------|------------|------------|
| Children services | \$ 65,076 | \$ 174,398 |
| Housing and shelter services | 43,507 | 81,594 |
| Other community services | 7,102 | 84,403 |
| Elderly services | 32,494 | 250 |
| Employment and training services | - | 21,415 |
| Energy related services | - | 5,000 |
| | \$ 148,179 | \$ 367,060 |

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements *(Continued)*

March 31, 2018 and 2017

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were released from restrictions during the years ended March 31, 2018 and 2017 by satisfying purpose restrictions in the following areas:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|------------------|-----------------|
| Housing and shelter services | \$ 34,926 | \$ 193 |
| Other community services | 9,338 | 117 |
| Children services | 8,980 | 5,985 |
| Elderly services | 6,170 | 1,170 |
| | <u>\$ 59,414</u> | <u>\$ 7,465</u> |

Temporarily restricted net assets as of March 31, 2018 and 2017 are expected to be utilized in TVCCA's subsequent fiscal years upon satisfaction of purpose restrictions in the following areas:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Housing and shelter services | \$ 1,077,967 | \$ 1,111,968 |
| Elderly services | 234,437 | 252,050 |
| Other community services | 222,232 | 211,623 |
| Children services | 47,848 | 43,867 |
| Employment and training services | 26,349 | 26,349 |
| Facilities improvement (capital campaign) | 19,889 | 19,889 |
| | <u>\$ 1,628,722</u> | <u>\$ 1,665,746</u> |

NOTE G - NONCASH CONTRIBUTIONS

Noncash contributions recognized in the accompanying consolidated statement of activities consist principally of the use of space in connection with children services programs and totaled \$263,613 and \$265,838 for the years ended March 31, 2018 and 2017, respectively.

NOTE H - EXPENSES BY FUNCTION

Expenses by function are as follows:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|----------------------|----------------------|
| Program Services | | |
| Children services, including | | |
| Headstart and child daycare | \$ 10,407,004 | \$ 9,952,055 |
| Energy related services | 7,287,806 | 7,019,923 |
| Elderly services | 3,034,478 | 3,588,164 |
| Employment and training services | 1,975,450 | 2,443,161 |
| Housing and shelter services | 1,704,612 | 1,820,519 |
| Other community services | 432,249 | 460,497 |
| Total program services | <u>24,841,599</u> | <u>25,284,319</u> |
| Management and general | 1,520,325 | 1,639,319 |
| Total expenses | <u>\$ 26,361,924</u> | <u>\$ 26,923,638</u> |

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements *(Continued)*

March 31, 2018 and 2017

NOTE I - OPERATING LEASES

TVCCA leases office space and various other facilities throughout eastern Connecticut to conduct its programs. Future minimum lease payments under non-cancelable operating leases with remaining terms in excess of one year are as follows:

| | | |
|-----------------------|----|----------------|
| Year ending March 31: | | |
| 2019 | \$ | 124,972 |
| 2020 | | 31,167 |
| | \$ | <u>156,139</u> |

Rent expense totaled \$133,283 and \$137,447 for the years ended March 31, 2018 and 2017, respectively.

NOTE J - EMPLOYEE BENEFIT PLANS

TVCCA maintains two defined contribution employee benefit plans: a Section 403(b) employee contribution plan and a money purchase pension plan. All permanent employees are eligible to participate in both plans after a three month waiting period.

Employee contributions under the 403(b) plan are determined by the participating employees and must be at least 5% of wages. Employer contributions to the money purchase pension plan are based on a percentage match of 403(b) participating employee wages. Employees are always 100% vested in employee salary deferrals and become fully vested in employer contributions after one year. Employees hired after April 1, 2004 become fully vested in employer contributions after three years. Employer contributions totaled \$523,461 and \$529,343 for the years ended March 31, 2018 and 2017, respectively.

NOTE K - ACQUISITION

On January 1, 2018 (the "Transaction Date"), TVCCA acquired Windham/Willimantic Child Care and Family Development Programs, Inc. ("WWCC") as a result of WWCC's board approved plan of liquidation. The acquisition transaction was formally approved by TVCCA's Board of Directors on September 26, 2017. Since inception, WWCC has offered quality day care for children of parents who live or work in the Windham/Willimantic, Connecticut area. As a result of the acquisition, WWCC's net assets were transferred fully to TVCCA upon revocation of WWCC's tax-exempt status. In order to preserve the day care program, Windham Regional Community Council ("WRCC"), a separate 501(c)(3) tax-exempt organization, assumed control of the day care facility and program through use of a subcontractor services agreement with TVCCA.

There was no consideration transferred by TVCCA as a result of the acquisition, which resulted in the recognition of an inherent contribution in the amount of \$350,398 reported by TVCCA in the accompanying consolidated statement of activities for the year ended March 31, 2018. TVCCA accounted for this combination by applying the acquisition method of accounting, and accordingly the inherent contribution received was valued as the excess of the fair value of assets acquired over liabilities assumed.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

March 31, 2018 and 2017

NOTE K - ACQUISITION (Continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Transaction Date:

| | |
|---|-------------------|
| Assets acquired: | |
| Cash and cash equivalents | \$ 466,335 |
| Grants and contracts receivable | 38,496 |
| Other current assets | 3,295 |
| Total assets | <u>508,126</u> |
| Liabilities assumed: | |
| Accounts payable | 4,256 |
| Due to State of Connecticut | 153,472 |
| Total liabilities | <u>157,728</u> |
| Excess of assets assumed over liabilities assumed | <u>\$ 350,398</u> |

NOTE L - RELATED PARTY TRANSACTIONS

TVCCA operates as a delegate agency for certain programs administered by the Connecticut Association for Community Action, Inc. ("CAFCA"). TVCCA's Executive Director currently serves on CAFCA's Board of Directors. Grant and contract revenues recognized by TVCCA from CAFCA totaled \$152,478 and \$183,834 for the years ended March 31, 2018 and 2017, respectively.

NOTE M - CONTINGENCIES

TVCCA has received State and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Management believes that such disallowances, if any, will not be material to the financial position of TVCCA.

NOTE N - SUBSEQUENT EVENTS

Subsequent events were evaluated through August 28, 2018, which is the date the consolidated financial statements were available to be issued

SUPPLEMENTARY INFORMATION

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION INFORMATION
 March 31, 2018

| | CHEFA Financed Day Care Facility-Taftville | CHEFA Financed Day Care Facility-Windham | CHEFA Financed Day Care Facility-Vernon | CHEFA Financed Day Care Facility-New London | All Other Activities | Total |
|---------------------------------------|--|--|---|---|-------------------------|----------------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ 3,585,885 | \$ 3,585,885 |
| Grants and contracts receivables | 120,989 | - | - | 91,051 | 2,123,784 | 2,335,824 |
| Other receivables | - | - | - | - | 583,126 | 583,126 |
| Other current assets | - | - | - | - | 198,452 | 198,452 |
| Total current assets | <u>120,989</u> | <u>-</u> | <u>-</u> | <u>91,051</u> | <u>6,491,247</u> | <u>6,703,287</u> |
| PROPERTY, PLANT AND EQUIPMENT, NET | 1,390,047 | 551,737 | 373,887 | 1,940,079 | 1,686,930 | 5,942,680 |
| OTHER ASSETS | | | | | | |
| Restricted cash equivalents | 55,425 | 5,062 | 5,062 | 52,061 | - | 117,610 |
| Due (to) from | 976,469 | (142,416) | 187,765 | 19,248 | (1,041,066) | - |
| Total other assets | <u>1,031,894</u> | <u>(137,354)</u> | <u>192,827</u> | <u>71,309</u> | <u>(1,041,066)</u> | <u>117,610</u> |
| Total assets | <u>\$ 2,542,930</u> | <u>\$ 414,383</u> | <u>\$ 566,714</u> | <u>\$ 2,102,439</u> | <u>\$ 7,137,111</u> | <u>\$ 12,763,577</u> |
| LIABILITIES AND NET ASSETS | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 21,306 | \$ 7,419 | \$ 4,638 | \$ 23,576 | \$ 2,122,931 | \$ 2,179,870 |
| Current portion of long-term debt | 85,000 | 40,000 | 25,000 | 70,000 | 21,092 | 241,092 |
| Deferred grant and contract revenue | 13,628 | - | - | 13,695 | 120,856 | 148,179 |
| Total current liabilities | <u>119,934</u> | <u>47,419</u> | <u>29,638</u> | <u>107,271</u> | <u>2,264,879</u> | <u>2,569,141</u> |
| LONG-TERM LIABILITIES | | | | | | |
| Long-term debt, less current portion | 1,650,000 | 560,000 | 350,000 | 2,195,000 | 61,928 | 4,816,928 |
| Total liabilities | <u>1,769,934</u> | <u>607,419</u> | <u>379,638</u> | <u>2,302,271</u> | <u>2,326,807</u> | <u>7,386,069</u> |
| NET ASSETS | | | | | | |
| Unrestricted | 772,996 | (193,036) | 187,076 | (199,832) | 3,181,582 | 3,748,786 |
| Temporarily restricted | - | - | - | - | 1,628,722 | 1,628,722 |
| Total net assets | <u>772,996</u> | <u>(193,036)</u> | <u>187,076</u> | <u>(199,832)</u> | <u>4,810,304</u> | <u>5,377,508</u> |
| Total liabilities and net assets | <u>\$ 2,542,930</u> | <u>\$ 414,383</u> | <u>\$ 566,714</u> | <u>\$ 2,102,439</u> | <u>\$ 7,137,111</u> | <u>\$ 12,763,577</u> |

See accompanying Independent Auditor's Report.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
STATEMENT OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED MARCH 31, 2018

| | CHEFA Financed Day Care Facility-Taftville | CHEFA Financed Day Care Facility-Windham | CHEFA Financed Day Care Facility-Vernon | CHEFA Financed Day Care Facility-New London | All Other Activities | Total |
|---|--|--|---|---|-------------------------|---------------------|
| SUPPORT AND REVENUE | | | | | | |
| Federal and state grants and contracts | \$ 1,861,902 | \$ 6,555 | \$ 7,068 | \$ 1,923,640 | \$ 19,472,735 | \$ 23,271,900 |
| Local and other grants and contributions | - | - | - | - | 668,034 | 668,034 |
| Program and other income | 525,883 | 69,470 | 30,000 | 542,289 | 462,166 | 1,629,808 |
| Contributed goods and services | - | - | - | - | 263,613 | 263,613 |
| Debt service paid on-behalf of TVCCA by the State of Connecticut | 147,704 | 58,995 | 31,982 | 123,897 | 1,857 | 364,435 |
| Total support and revenue | <u>2,535,489</u> | <u>135,020</u> | <u>69,050</u> | <u>2,589,826</u> | <u>20,868,405</u> | <u>26,197,790</u> |
| EXPENSES | | | | | | |
| Salaries and benefits | 1,630,752 | - | - | 1,771,069 | 9,968,689 | 13,370,510 |
| Client assistance | 5,880 | - | - | 635 | 8,303,959 | 8,310,474 |
| Contractual services | 158,352 | - | - | 154,883 | 534,820 | 848,055 |
| Materials and supplies | 88,647 | 4,589 | - | 70,982 | 505,617 | 669,835 |
| Depreciation and amortization | 123,868 | 56,861 | 35,454 | 159,912 | 219,383 | 595,478 |
| Administrative and general | 230,289 | 26,576 | 1,704 | 248,597 | 24,355 | 531,521 |
| Repairs and maintenance | 78,706 | 14,396 | 9,503 | 78,680 | 319,158 | 500,443 |
| Contributed goods and services | - | - | - | - | 263,613 | 263,613 |
| Other expenses | 9,232 | 3,452 | 411 | 11,344 | 231,356 | 255,795 |
| Interest expense | 86,288 | 30,113 | 18,800 | 94,794 | 6,937 | 236,932 |
| Travel and transportation | 4,824 | - | - | 7,359 | 195,537 | 207,720 |
| Utilities | 59,045 | - | 67 | 48,745 | 98,772 | 206,629 |
| Insurance | 6,210 | 4,375 | 3,131 | 10,063 | 171,752 | 195,531 |
| Rent and leasing | 5,587 | - | - | 5,366 | 158,435 | 169,388 |
| Total expenses | <u>2,487,680</u> | <u>140,362</u> | <u>69,070</u> | <u>2,662,429</u> | <u>21,002,383</u> | <u>26,361,924</u> |
| Change in net assets from operating activities | 47,809 | (5,342) | (20) | (72,603) | (133,978) | (164,134) |
| NONOPERATING REVENUES | | | | | | |
| Inherent contribution from acquisition | - | - | - | - | 350,398 | 350,398 |
| Change in net assets | 47,809 | (5,342) | (20) | (72,603) | 216,420 | 186,264 |
| NET ASSETS, beginning of year | <u>725,187</u> | <u>(187,694)</u> | <u>187,096</u> | <u>(127,229)</u> | <u>4,593,884</u> | <u>5,191,244</u> |
| NET ASSETS, end of year | <u>\$ 772,996</u> | <u>\$ (193,036)</u> | <u>\$ 187,076</u> | <u>\$ (199,832)</u> | <u>\$ 4,810,304</u> | <u>\$ 5,377,508</u> |

See accompanying Independent Auditor's Report.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS INFORMATION
FOR THE YEAR ENDED MARCH 31, 2018

| | CHEFA Financed Day Care Facility-Taftville | CHEFA Financed Day Care Facility-Windham | CHEFA Financed Day Care Facility-Vernon | CHEFA Financed Day Care Facility-New London | All Other Activities | Total |
|--|--|--|---|---|-------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Change in net assets | \$ 47,809 | \$ (5,342) | \$ (20) | \$ (72,603) | \$ 216,420 | \$ 186,264 |
| Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities: | | | | | | |
| Depreciation and amortization | 123,868 | 56,861 | 35,454 | 159,912 | 219,383 | 595,478 |
| Gain on sale of equipment | - | - | - | - | 7,144 | 7,144 |
| Principal repayments on long-term debt paid on-behalf of TVCCA | (72,845) | (31,500) | (16,380) | (50,245) | - | (170,970) |
| Change in due (to) from | (70,192) | (16,037) | (15,140) | (4,270) | 105,639 | - |
| (Increase) decrease in operating assets: | | | | | | |
| Grants and contracts receivables | (3,184) | - | - | (9,922) | (1,027,259) | (1,040,365) |
| Other receivables | - | - | - | - | (583,126) | (583,126) |
| Other current assets | - | - | - | - | (18,952) | (18,952) |
| Increase (decrease) in operating liabilities: | | | | | | |
| Accounts payable and accrued expenses | (1,063) | (438) | (250) | (488) | 489,181 | 486,942 |
| Deferred grant and contract revenue | 4,587 | - | - | 3,800 | (227,268) | (218,881) |
| Net cash (used in) provided by operating activities | <u>28,980</u> | <u>3,544</u> | <u>3,664</u> | <u>26,184</u> | <u>(818,838)</u> | <u>(756,466)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchases of property, plant and equipment | (8,295) | - | - | (7,295) | (129,075) | (144,665) |
| Net cash used in investing activities | <u>(8,295)</u> | <u>-</u> | <u>-</u> | <u>(7,295)</u> | <u>(129,075)</u> | <u>(144,665)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Principal repayments on long-term debt | (12,155) | (3,500) | (3,620) | (14,755) | (18,544) | (52,574) |
| Net cash used in financing activities | <u>(12,155)</u> | <u>(3,500)</u> | <u>(3,620)</u> | <u>(14,755)</u> | <u>(18,544)</u> | <u>(52,574)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,530 | 44 | 44 | 4,134 | (966,457) | (953,705) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>46,895</u> | <u>5,018</u> | <u>5,018</u> | <u>47,927</u> | <u>4,552,342</u> | <u>4,657,200</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 55,425</u> | <u>\$ 5,062</u> | <u>\$ 5,062</u> | <u>\$ 52,061</u> | <u>\$ 3,585,885</u> | <u>\$ 3,703,495</u> |

See accompanying Independent Auditor's Report.

**INTERNAL CONTROL
AND COMPLIANCE REPORT**

**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 Trustees of
Thames Valley Council for Community Action, Inc.
Jewett City, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Thames Valley Council for Community Action, Inc. and Subsidiaries ("TVCCA"), which comprise the consolidated statement of financial position as of March 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered TVCCA'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of TVCCA's internal control. Accordingly, we do not express an opinion on the effectiveness of TVCCA'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 TVCCA's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TVCCA's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 *Governmental 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 TVCCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TVCCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
August 28, 2018

FEDERAL SINGLE AUDIT SECTION

**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 Trustees of
Thames Valley Council for Community Action, Inc.
Jewett City, Connecticut

Report on Compliance for Each Major Federal Program

We have audited Thames Valley Council for Community Action, Inc. and Subsidiaries’ (“TVCCA”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TVCCA’s major federal programs for the year ended March 31, 2018. TVCCA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of federal findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of TVCCA’s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TVCCA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TVCCA’s compliance.

Opinion on Each Major Federal Program

In our opinion, Thames Valley Council for Community Action, Inc. and Subsidiaries 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 March 31, 2018.

Report on Internal Control Over Compliance

Management of TVCCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TVCCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TVCCA's internal control over compliance.

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

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

Purpose of This Report

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.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
August 28, 2018

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2018

| Grantor; Program Title | Pass-through Grantor | Grant Number | Federal CFDA Number | Grant Period Ending | Passed Through to Subrecipients | Grant Expenditures |
|--|---|---------------------------------|---------------------|---------------------|---------------------------------|--------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| Low-Income Home Energy Assistance | State of CT Department of Social Services | 14DSS4301ZK - A1-5 | 93.568 | 9/18 | | \$ 7,290,804 |
| Low-Income Home Energy Assistance - New Haven (Admin Only) | State of CT Department of Social Services | 14DSS4301ZK - A5 | 93.568 | 9/18 | | <u>27,839</u> |
| | | | | | | <u>7,318,643</u> |
| Head Start | Direct | 01CH212102/3 | 93.600 | 3/19 | | 3,830,658 |
| Head Start | Direct - Local In-Kind Contributions | - | 93.600 | 3/18 | | 231,182 |
| Head Start | Direct - Program Income | 01CH212102/3 | 93.600 | 3/18 | | <u>77,609</u> |
| | | | | | | <u>4,139,449</u> |
| Child Daycare - Social Services Block Grant | Connecticut Office of Early Childhood | 14OEC0089AA A1 | 93.667 | 6/18 | \$ 146,999 | 657,883 |
| Child Daycare - Intercept -Social Services Block Grant | Connecticut Office of Early Childhood | 14OEC0089AA A1 | 93.667 | 6/18 | | 17,595 |
| Child Daycare - Social Services Block Grant | Direct - Program Income | - | 93.667 | 6/18 | | 498,466 |
| Social Services Block Grant | State of CT Department of Social Services | 16DSS1501ZK | 93.667 | 9/19 | | 158,665 |
| Social Services Block Grant - Elderly Nutrition | Senior Resources Agency on Aging | N-18-1/4/5-ED/C/CO/H-W/SE/NE | 93.667 | 9/18 | | 34,031 |
| Social Services Block Grant - Elderly Nutrition | Senior Resources Agency on Aging | N-17-1/4/5-ED/C/CO/H-W/SE/NE | 93.667 | 9/17 | | 49,544 |
| Connecticut Rapid Re-Housing Program - Social Services Block Grant | State of CT Department of Housing | 16DOH0901CX | 93.667 | 6/20 | | 59,349 |
| Social Services Block Grant (Safeguarding) | CT Association for Community Action | 104C-SBG-66/14DSS5011ZK | 93.667 | 9/18 | | <u>152,478</u> |
| | | | | | | <u>1,628,010</u> |
| Aging Cluster: | | | | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - Elderly Nutrition | Senior Resources Agency on Aging | N-17-1/4/5-ED/C/CO/H-W/SE/NE | 93.044 | 9/17 | | 17,700 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services (Congregate Housing) | Senior Resources Agency on Aging | ME-11-1 | 93.045 | 9/17 & 9/18 | | 9,935 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services (Congregate Housing) | Direct - Program Income | - | 93.045 | 9/17 & 9/18 | | 2,653 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services (Congregate Housing) | Direct - Program Income | - | 93.045 | 3/18 | | 234,300 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services - Elderly Nutrition | Senior Resources Agency on Aging | N-18-1/4/5-ED/C/CO/H-W/SE/NE | 93.045 | 9/18 | | 422,448 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services - Elderly Nutrition | Senior Resources Agency on Aging | N-17-1/4/5-ED/C/CO/H-W/SE/NE | 93.045 | 9/17 | | 287,166 |
| Nutrition Services Incentive Program - Elderly Nutrition | Senior Resources Agency on Aging | N-18/17-1/4/5-ED/C/CO/H-W/SE/NE | 93.053 | 9/18 | | 29,798 |
| Nutrition Services Incentive Program - Elderly Nutrition | Senior Resources Agency on Aging | N-17-1/4/5-ED/C/CO/H-W/SE/NE | 93.053 | 9/17 | | <u>151,918</u> |
| | | | | | | <u>1,155,918</u> |
| Community Services Block Grant | State of CT Department of Social Services | 16DSS1501ZK | 93.569 | 9/19 | | <u>519,170</u> |
| Medicaid Cluster: | | | | | | |
| Medical Assistance Program | Connecticut Community Care, Inc. | - | 93.778 | 6/17 & 6/18 | | <u>123,613</u> |
| Partnership to Improve Community Health (Mothers and Children) | National WIC Association | - | 93.331 | 5/17 | | <u>32,630</u> |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | CT Department of Mental Health & Addiction Services/City of Norwich | - | 93.243 | 8/18 | | <u>4,000</u> |
| | | | | | | <u>14,921,433</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | |
| Supportive Housing Program - Homeless Collaborative Network | Direct | CT0094L1E051609 | 14.235 | 1/18 | 59,960 | 585,871 |
| Supportive Housing Program - Homeless Collaborative Network | Direct | CT0094L1E051710 | 14.235 | 1/19 | | 115,377 |
| Supportive Housing Program | Direct - Program Income | CT0094L1E051609 | 14.235 | 1/18 | | 47,641 |
| Supportive Housing Program | Direct - Program Income | CT0094L1E051710 | 14.235 | 1/19 | | <u>9,260</u> |
| | | | | | | <u>758,149</u> |
| Housing Voucher Cluster: | | | | | | |
| Section 8 Housing Administration & Rental Assistance Program | John D'Amelia and Associates | 17DOH0501B0 | 14.871 | 6/18 | | <u>362,461</u> |
| Emergency Solutions Grant Program | State of CT Department of Housing | 15DOH0401CX -A2 | 14.231 | 6/18 | 12,909 | 306,834 |
| Community Development Block Grant - New London Senior Nutrition - MOW | City Of New London | 221-6511-465.33-17 | 14.231 | 6/17 | | 5,394 |
| Community Development Block Grant - New London Senior Nutrition - MOW | City Of New London | 221-6511-465.33-17 | 14.231 | 6/18 | | 16,203 |
| Community Development Block Grant - The Retired and Senior Volunteer Program | City Of New London | 221.6511-465.33-16 | 14.231 | 6/17 | | 1,061 |
| Community Development Block Grant - The Retired and Senior Volunteer Program | City Of New London | 221.6511-465.33-16 | 14.231 | 6/18 | | <u>627</u> |
| | | | | | | <u>330,119</u> |
| Congregate Housing | Senior Resources Agency on Aging | ME-11-1 | 14.170 | 9/17 & 9/18 | | <u>3,595</u> |
| | | | | | | <u>1,454,324</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | |

(Continued)

The accompanying notes are an integral part of this schedule.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED MARCH 31, 2018

| Grantor; Program Title | Pass-through Grantor | Grant Number | Federal CFDA Number | Grant Period Ending | Passed Through to Subrecipients | Grant Expenditures |
|---|--|--|---------------------|---------------------|---------------------------------|--------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| Women, Infants, Children | State of CT Department of Public Health | Vouchers | 10.557 | 3/17 | | \$ 2,575,072 |
| Women, Infants, Children | State of CT Department of Public Health | 2017-0054 | 10.557 | 9/22 | | 183,756 |
| Women, Infants, Children | State of CT Department of Public Health | 2013-0054 | 10.557 | 12/17 | | 513,391 |
| | | | | | | 3,272,219 |
| Child and Adult Care Food Program | Connecticut Office of Early Childhood | 058-AOC 12060-20518-82079-2017-170006-SDE00003 | 10.558 | 3/18 | | 194,184 |
| Child and Adult Care Food Program | Connecticut Office of Early Childhood | 058-000 12060-20518-82079-2016-170006-SDE00003 | 10.558 | 3/18 | | 136,393 |
| | | | | | | 330,577 |
| SNAP Cluster: | | | | | | |
| State Administrative Match Grants for the Supplemental Nutrition Program (FSP/SNAP Unemployment Training) | Eastern CT Workforce Investment Board | 14144CT407E2518 | 10.561 | 9/16 | | 21,415 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| | | | | | | 3,624,211 |
| U.S. DEPARTMENT OF LABOR | | | | | | |
| Disability Employment Initiative (DEI) | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-17-18-100 | 17.207 | 6/18 | | 44,399 |
| WIOA Cluster: | | | | | | |
| WIOA Adult | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-16-17-100 | 17.258 | 6/17 | | 105,360 |
| WIOA Adult | Eastern CT Workforce Investment Board/Eastconn | WIOA/JFES/NEG/WIF-17-18-100 | 17.258 | 6/18 | \$ 62,765 | 134,163 |
| WIOA Youth | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-16-17-100 | 17.259 | 6/17 | | 101,088 |
| WIOA Youth | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-17-18-100 | 17.259 | 6/18 | | 945 |
| WIA/WIOA Youth Activities (Employment Services - Youth) | Eastconn | WIOA/JFES/NEG/WIF-16-17-100 | 17.259 | 6/17 | | 34,555 |
| WIOA Youth | Eastern CT Workforce Investment Board/Eastconn | WIOA/JFES/NEG/WIF-17-18-100 | 17.259 | 6/18 | | 35,869 |
| WIOA Dislocated Worker | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-16-17-100 | 17.278 | 6/17 | | 106,362 |
| WIOA Dislocated Worker | Eastern CT Workforce Investment Board/Eastconn | WIOA/JFES/NEG/WIF-17-18-100 | 17.278 | 6/18 | 62,765 | 134,164 |
| Total WIOA Cluster | | | | | | 652,506 |
| Senior Community Service Employment - Title V | State of CT Department of Aging | 145DA0301ZK/104C-SCS-18 | 17.235 | 9/17 | | 55,422 |
| Senior Community Service Employment - Title V | Direct - Local In-Kind Contributions | - | 17.235 | 9/17 | | 19,055 |
| | | | | | | 74,477 |
| Job-Driven National Emergency Grant (JD NEG) | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-16-17-103 | 17.277 | 6/17 | | 11,012 |
| Job-Sector National Emergency Grant (JS NEG) | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-16-17-100 | 17.277 | 6/17 | | 8,342 |
| Job-Sector National Emergency Grant (JS NEG) | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-17-18-100 | 17.277 | 6/18 | | 31,864 |
| | | | | | | 51,218 |
| Workforce Initiative Fund | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-16-17-102 | 17.283 | 6/17 | | 18,179 |
| Workforce Innovation Fund | Eastern CT Workforce Investment Board | WIOA/JFES/NEG/WIF-17-18-100 | 17.283 | 6/18 | | 77,894 |
| | | | | | | 96,073 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | | | |
| | | | | | | 918,673 |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | | | | |
| Retired Senior Volunteer Program | Direct | 165RACT002 | 94.002 | 3/19 | | 13,376 |
| Retired Senior Volunteer Program | Direct | 175RACT003 | 94.002 | 6/18 | | 111,074 |
| Retired Senior Volunteer Program | Direct - Local In-Kind Contributions | - | 94.002 | 3/18 | | 38,328 |
| TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | | | | |
| | | | | | | 162,778 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| Preschool Development Grant | Town of Griswold | 058-000 12060-22705-2017-83004-170003 | 84.419 | 6/18 | | 152,684 |
| Preschool Development Grant | Town of Groton | 058-000 12060-22705-2017-83004-170003 | 84.419 | 6/18 | | 207,897 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | | |
| | | | | | | 360,581 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | | | |
| | | | | | | \$ 21,442,000 |

The accompanying notes are an integral part of this schedule.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Schedule of Expenditures of Federal Awards

For the year ended March 31, 2018

NOTE A - ACCOUNTING BASIS

CONSOLIDATED FINANCIAL STATEMENTS

The accounting policies of Thames Valley Council for Community Action, Inc. and Subsidiaries ("TVCCA") conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the consolidated financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

COST ALLOCATION PRINCIPLES

TVCCA has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE B - OTHER FEDERAL ASSISTANCE

TVCCA did not receive other federal assistance in the form of insurance, loans, or loan guarantees.

In connection with the Women, Infants, and Children program, TVCCA determines program eligibility and issues vouchers for food benefits to eligible participants. The vouchers are redeemed by the participants at certain vendors approved by the State of Connecticut. TVCCA does not make payments to the participants or to the vendors redeeming the vouchers. Although the value of the vouchers is considered federal assistance and is included in the accompanying schedule of expenditures of federal awards under CFDA number 10.557, no revenue or expense has been recognized in TVCCA's consolidated financial statements for the year ended March 31, 2018. The total value of vouchers redeemed as reported by the State of Connecticut totaled \$2,575,072 for the year ended March 31, 2018.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
 Schedule of Federal Findings and Questioned Costs
 For the year ended March 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

○ Material weakness(es) identified? ___ Yes ✓ No

○ Significant deficiency(ies) identified? ___ Yes ✓ None

Noncompliance material to financial statements noted? ___ Yes ✓ No

FEDERAL AWARDS

Internal control over major programs:

○ Material weakness(es) identified? ___ Yes ✓ No

○ Significant deficiency(ies) identified? ___ Yes ✓ None

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516? ___ Yes ✓ No

Identification of major programs:

| CFDA Number | Name of Federal Program |
|-------------|-----------------------------------|
| 93.568 | Low-Income Home Energy Assistance |
| 14.235 | Supportive Housing Program |

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

Auditee qualified as low-risk auditee? ✓ Yes ___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings were reported.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
Schedule of Federal Findings and Questioned Costs *(Continued)*
For the year ended March 31, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 2017-001 Significant Deficiency in Internal Control over Federal Award Program is considered to have been resolved.

STATE SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT**

To the Board of Trustees of
Thames Valley Council for Community Action, Inc.
Jewett City, Connecticut

Report on Compliance for Each Major State Program

We have audited Thames Valley Council for Community Action, Inc. and Subsidiaries’ (“TVCCA”) compliance with the types of compliance requirements described in the State of Connecticut Office of Policy and Management’s *Compliance Supplement* that could have a direct and material effect on each of TVCCA’s major state programs for the year ended March 31, 2018. TVCCA’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of state findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of TVCCA’s major state programs based on our audit of the types of compliance requirements referred to above. 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the Connecticut State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about TVCCA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of TVCCA’s compliance.

Opinion on Each Major State Program

In our opinion, Thames Valley Council for Community Action, Inc. and Subsidiaries 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 state programs for the year ended March 31, 2018.

Report on Internal Control Over Compliance

Management of TVCCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TVCCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TVCCA's 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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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.

Purpose of this Report

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Glastonbury, Connecticut
August 28, 2018

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED MARCH 31, 2018

| Grantor; Pass-through Grantor; Grantee; Program Title | Grant Number | State Grant Program Core - CT Number | Grant Period Ending | Passed Through to Subrecipients | Grant Expenditures |
|---|--|--------------------------------------|---------------------|---------------------------------|---------------------|
| NONEXEMPT PROGRAMS | | | | | |
| DEPARTMENT OF SOCIAL SERVICES | | | | | |
| Direct: | | | | | |
| Hispanic Programs (HHD) | 14DSS1301ZK | 11000-DSS60000-16118 | 6/18 | | \$ 20,921 |
| CSBG/Human Services Infrastructure | 16DSS1501ZK | 11000-DSS60000-16174 | 9/19 | | 250,194 |
| Passed through Connecticut Community Care, Inc.: | | | | | |
| Connecticut Home Care Program | - | 11000-DSS60000-16114 | 6/17 & 6/18 | | 92,710 |
| Medicaid | - | 11000-DSS60000-16020 | 6/17 & 6/18 | | 64,616 |
| | | | | | <u>157,326</u> |
| Total Department of Social Services | | | | | <u>428,441</u> |
| DEPARTMENT OF LABOR | | | | | |
| Passed through Eastern Connecticut Workforce Investment Board: | | | | | |
| Jobs First Employment Services | WIOA/JFES/NEG/WIF-16-17-101 | 11000-DOL40000-12212 | 6/17 | \$ 70,778 | 301,810 |
| Jobs First Employment Services | WIOA/JFES/NEG/WIF-17-18-100 | 11000-DOL40000-12212 | 6/18 | 70,778 | 586,549 |
| Total Department of Labor | | | | | <u>888,359</u> |
| DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES | | | | | |
| Direct: | | | | | |
| Housing Supports and Services | 17MHA2101 | 11000-MHA53000-12035 | 6/17 | | 33,686 |
| Housing Supports and Services | 18MHA2101 | 11000-MHA53000-12035 | 6/19 | | 105,489 |
| Total Department of Mental Health and Addiction Services | | | | | <u>139,175</u> |
| DEPARTMENT OF HOUSING | | | | | |
| Direct: | | | | | |
| Emergency Shelter Services (ESS) | 15DOH0401CX | 11000-DOH46920-16149-1200901 | 6/18 | | 13,133 |
| Shelter Diversion/Rapid Rehousing Program | 16DOH0901CX | 11000-DOH46920-16149-1200904 | 6/20 | | 66,767 |
| Total Department of Housing | | | | | <u>79,900</u> |
| OFFICE OF POLICY AND MANAGEMENT | | | | | |
| Direct: | | | | | |
| Nonprofit Grant Program | 17OPM8004CG | 12052-OPM20830-43574 | 9/18 | | 114,693 |
| DEPARTMENT ON AGING | | | | | |
| Passed through Senior Resources Agency on Aging: | | | | | |
| Areas Agencies on Aging - Elderly Nutrition & Discretionary | N-18-1/4/5-ED/C/CO/H-W/SE/NE | 11000-SDA62500-16260-10105 | 9/18 | | 164,325 |
| Areas Agencies on Aging - Elderly Nutrition & Discretionary | N-17-1/4/5-ED/C/CO/H-W/SE/NE | 11000-SDA62500-16260-10105 | 9/17 | | 85,837 |
| Areas Agencies on Aging - Federal Title III Match | N-17-1/4/5-ED/C/CO/H-W/SE/NE | 11000-SDA62500-16260-10604 | 9/17 | | 3,379 |
| Total Department on Aging | | | | | <u>253,541</u> |
| OFFICE OF EARLY CHILDHOOD | | | | | |
| Direct: | | | | | |
| Child Daycare | 14OEC0089AA A1 | 11000-OEC64840-16274-83012 | 6/18 | 465,497 | 2,051,503 |
| Child Daycare - Intercept | 14OEC0089AA A1 | 11000-OEC64840-16274-83012 | 6/18 | | 60,603 |
| | | | | | <u>2,112,106</u> |
| Head Start Services Grant Program & Head Start Link | 803-100 11000-16101-83004-2017-170104 | 11000-OEC64840-16101 | 6/17 | | 35,348 |
| Head Start Services Grant Program & Head Start Link | 803-100 11000-16101-2018-83004-170104-SDE00219 | 11000-OEC64840-16101 | 6/18 | | 102,445 |
| Head Start Services Grant Program & Head Start Link | 803-100 11000-16101-83004-2017-170104-SDE00219 | 11000-OEC64840-16101 | 6/17 | | 36,031 |
| Head Start Services Grant Program & Head Start Link | 803-100 11000-16101-2018-83004-170104-SDE00219 | 11000-OEC64840-16101 | 6/18 | | 105,134 |
| Head Start Services Grant Program & Head Start Link | 803 100 11000-16101-2018-83004-170105 | 11000-OEC64840-16101 | 6/18 | | 41,747 |
| Head Start Services Grant Program & Head Start Link | 803 100 11000-16101-2017-83004-170105 | 11000-OEC64840-16101 | 6/17 | | 31,546 |
| Head Start Services Grant Program & Head Start Link | 803-100 11000-16101-83004-2017-170106 | 11000-OEC64840-16101 | 6/17 | | 14,104 |
| Head Start Services Grant Program & Head Start Link | 803-100 11000-16101-2018-83004-170106 | 11000-OEC64840-16101 | 6/18 | | 31,602 |
| | | | | | <u>397,956</u> |
| Community Plans for Early Childhood | 803-100 11000-12495-83004-2017 | 11000-OEC64840-12495 | 6/17 | | 4,057 |
| Passed through Norwich Public Schools: | | | | | |
| Norwich School Readiness | - | 11000-OEC64840-16274-83014 | 6/17 | | 126,182 |
| Norwich School Readiness | - | 11000-OEC64840-16274-83014 | 6/18 | | 361,005 |
| | | | | | <u>487,187</u> |
| Passed through Children First New London: | | | | | |
| New London School Readiness | - | 11000-OEC64840-16274-83014 | 6/18 | | 368,352 |
| New London School Readiness | - | 11000-OEC64840-16274-83014 | 6/17 | | 157,656 |
| | | | | | <u>526,008</u> |
| Passed through Griswold Board of Education: | | | | | |
| Griswold School Readiness Quality Enhancement | - | 11000-OEC64840-17097 | 6/18 | | 107,087 |
| Total Office of Early Childhood | | | | | <u>3,634,401</u> |
| TOTAL STATE FINANCIAL ASSISTANCE | | | | | <u>\$ 5,538,510</u> |

The accompanying note is an integral part of this schedule.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Note to Schedule of Expenditures of State Financial Assistance

For the year ended March 31, 2018

Various departments and agencies of the State of Connecticut have provided financial assistance to Thames Valley Council for Community Action, Inc. and Subsidiaries ("TVCCA") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs as outlined in the schedule of expenditures of state financial assistance.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of TVCCA conform to generally accepted accounting principles as applicable to not-for-profit organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the consolidated financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES
 Schedule of State Findings and Questioned Costs
 For the year ended March 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

| | | | | |
|---|-----|------------|-----|--------------------------|
| Type of auditor’s report issued: | | Unmodified | | |
| Internal control over financial reporting: | | | | |
| ○ Material weakness(es) identified? | ___ | Yes | ___ | ✓ No None reported |
| ○ Significant deficiency(ies) identified? | ___ | Yes | ___ | ✓ reported |
| Noncompliance material to financial statements noted? | ___ | Yes | ___ | ✓ No |

STATE FINANCIAL ASSISTANCE

| | | | | |
|---|-----|-----|-----|--------------------------|
| Internal control over major programs: | | | | |
| ○ Material weakness(es) identified? | ___ | Yes | ___ | ✓ No None reported |
| ○ Significant deficiency(ies) identified? | ___ | Yes | ___ | ✓ reported |

| | | | | |
|---|--|------------|--|--|
| Type of auditor’s report issued on compliance for major programs: | | Unmodified | | |
|---|--|------------|--|--|

| | | | | |
|---|-----|-----|-----|------|
| Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | ___ | Yes | ___ | ✓ No |
|---|-----|-----|-----|------|

The following schedule reflects the major programs included in the audit:

| State Grantor/Program | State Grant Program Core - CT Number | Expenditures |
|-----------------------------------|--|--------------|
| Office of Early Childhood: | | |
| Child Day Care | 11000-OEC64840-16274-83012 | \$ 2,112,106 |
| School Readiness | 11000-OEC64840-16274-83014 | 1,013,195 |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B Programs: | \$ <u>200,000</u> |
|--|-------------------|

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Schedule of State Findings and Questioned Costs

For the year ended March 31, 2018

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED BY GENERALLY ACCEPTED
GOVERNMENT AUDITING STANDARDS**

No matters were reported.

SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS

No prior year audit findings were reported.