

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

**CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTARY SCHEDULES OF EXPENDITURES  
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE,  
AND OTHER SUPPLEMENTARY INFORMATION**

**YEARS ENDED MARCH 31, 2019 AND 2018**

# CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position – March 31, 2019 and 2018	3
Consolidated Statement of Activities – Year Ended March 31, 2019	4
Consolidated Statement of Activities – Year Ended March 31, 2018	5
Consolidated Statements of Cash Flows – Years Ended March 31, 2019 and 2018	6
Notes to Consolidated Financial Statements	7
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule 1 - Statement of Financial Position Information – March 31, 2019	20
Schedule 2 - Statement of Activities Information – Year Ended March 31, 2019	21
Schedule 3 - Statement of Cash Flows Information – Year Ended March 31, 2019	22
<b>INTERNAL CONTROL AND COMPLIANCE REPORT</b>	
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>	23
<b>FEDERAL SINGLE AUDIT SECTION</b>	
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	25
Schedule of Expenditures of Federal Awards – Year Ended March 31, 2019	28
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Federal Findings and Questioned Costs	31
<b>STATE SINGLE AUDIT SECTION</b>	
Independent Auditor's Report on Compliance for Each Major State Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of State Financial Assistance Required by the Connecticut State Single Audit Act	33
Schedule of Expenditures of State Financial Assistance – Year Ended March 31, 2019	36
Note to Schedule of Expenditures of State Financial Assistance	37
Schedule of State Findings and Questioned Costs	38

## 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. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of March 31, 2019 and 2018, 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, 2019 and 2018, 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 were derived from and relate 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 September 24, 2019, on our consideration of Thames Valley Council for Community Action, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 Thames Valley Council for Community Action, Inc.'s internal control over financial reporting and compliance.

*Mahoney Sabol + Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
September 24, 2019

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

Consolidated Statements of Financial Position

March 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,150,683	\$ 3,585,885
Receivables:		
Grants and contracts	1,782,080	2,335,824
Other	17,004	583,126
Other current assets	173,713	198,452
Total current assets	<u>6,123,480</u>	<u>6,703,287</u>
 PROPERTY, PLANT AND EQUIPMENT, NET	 5,791,015	 5,942,680
 <b>OTHER ASSETS</b>		
Restricted cash equivalents	<u>119,839</u>	<u>117,610</u>
Total assets	<u>\$ 12,034,334</u>	<u>\$ 12,763,577</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,786,688	\$ 2,179,870
Current portion of long-term debt	257,673	241,092
Deferred grant and contract revenue	92,813	148,179
Total current liabilities	<u>2,137,174</u>	<u>2,569,141</u>
 <b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion	<u>4,561,393</u>	<u>4,816,928</u>
Total liabilities	<u>6,698,567</u>	<u>7,386,069</u>
 <b>NET ASSETS</b>		
Net assets without donor restrictions	3,773,686	3,748,786
Net assets with donor restrictions	1,562,081	1,628,722
Total net assets	<u>5,335,767</u>	<u>5,377,508</u>
Total liabilities and net assets	<u>\$ 12,034,334</u>	<u>\$ 12,763,577</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

Year Ended March 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Federal and state grants and contracts	\$ 23,466,463	\$ -	\$ 23,466,463
Local and other grants and contributions	730,079	35,788	765,867
Program and other income	1,733,651	-	1,733,651
Contributed goods and services	207,909	-	207,909
Debt service paid on-behalf of TVCCA by the State of Connecticut	370,998	-	370,998
Net assets released from restrictions	<u>102,429</u>	<u>(102,429)</u>	<u>-</u>
Total support and revenue	<u>26,611,529</u>	<u>(66,641)</u>	<u>26,544,888</u>
<b>EXPENSES</b>			
Salaries and benefits	13,236,828	-	13,236,828
Client assistance	8,385,855	-	8,385,855
Contractual services	1,064,164	-	1,064,164
Materials and supplies	717,780	-	717,780
Depreciation and amortization	585,189	-	585,189
Administrative and general	474,606	-	474,606
Repairs and maintenance	592,092	-	592,092
Contributed goods and services	207,909	-	207,909
Other expenses	313,634	-	313,634
Interest	226,774	-	226,774
Travel and transportation	225,038	-	225,038
Utilities	208,256	-	208,256
Insurance	180,524	-	180,524
Rent and leasing	167,980	-	167,980
Total expenses	<u>26,586,629</u>	<u>-</u>	<u>26,586,629</u>
Change in net assets	24,900	(66,641)	(41,741)
NET ASSETS, beginning of year	<u>3,748,786</u>	<u>1,628,722</u>	<u>5,377,508</u>
NET ASSETS, end of year	<u>\$ 3,773,686</u>	<u>\$ 1,562,081</u>	<u>\$ 5,335,767</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

Year Ended March 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
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	<u>59,414</u>	<u>(59,414)</u>	<u>-</u>
Total support and revenue	<u>26,234,814</u>	<u>(37,024)</u>	<u>26,197,790</u>
<b>EXPENSES</b>			
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	<u>169,388</u>	<u>-</u>	<u>169,388</u>
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)
<b>NONOPERATING REVENUE</b>			
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 Statements of Cash Flows

Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (41,741)	\$ 186,264
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	585,189	595,478
Gain on disposal of equipment	736	7,144
On-behalf principal repayments on long-term debt	(183,430)	(170,970)
(Increase) decrease in operating assets:		
Grant and contracts receivables	553,744	(1,040,365)
Other receivables	566,122	(583,126)
Other current assets	24,739	(18,952)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(393,182)	486,942
Deferred grant and contract revenue	(55,366)	(218,881)
Net cash provided by (used in) operating activities	<u>1,056,811</u>	<u>(756,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	<u>(434,260)</u>	<u>(144,665)</u>
Net cash used in investing activities	<u>(434,260)</u>	<u>(144,665)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long-term debt	<u>(55,524)</u>	<u>(52,574)</u>
Net cash used in financing activities	<u>(55,524)</u>	<u>(52,574)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	567,027	(953,705)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,703,495</u>	<u>4,657,200</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,270,522</u>	<u>\$ 3,703,495</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 34,247	\$ 38,697
On-behalf payments for interest	187,568	193,465

*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

Years Ended March 31, 2019 and 2018

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### NOTE 1 - 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 for the purpose of developing energy and case management software to other nonprofit organizations.

#### Principles of Consolidation

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

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

#### 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 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:

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time, the Board of Trustees may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. No amounts have been designated by the Board of Trustees as of March 31, 2019 and 2018.

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

Net Asset Categories *(Continued)*

*Net Assets With Donor Restrictions* - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Recognition of Support and Revenue

*Grants and Contracts* - TVCCA receives a substantial portion of its revenues from grants and contracts executed with federal and State agencies. Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant and contract restrictions and, therefore, revenue is recognized to the extent of grant and contract 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. Contributions that are unconditional and without restrictions are recognized as support when received or pledged, if applicable. Contributions and grants that are restricted by the contributor or grantor are reported as increases in net assets with donor restrictions. Expirations of net assets with donor restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized as support until the conditions have been substantially met.

*Contributed Assets* - Contributed assets are recognized at their estimated fair market value. Gifts of land, buildings, and equipment are reported as support without donor restrictions, 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 support with donor restrictions. 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.

*Contributed Services* - TVCCA recognizes contributed 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.

*Debt Service Paid On-behalf of TVCCA by the State of Connecticut* - As described more fully in Note 4, 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.

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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 and 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, 2019 or 2018 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.

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, 2019 and 2018.

Expenses by Function

The costs of providing various programs and activities have been summarized on a functional basis in Note 7. 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.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Years Ended March 31, 2019 and 2018

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment returns net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The implementation of ASU 2016-14 had the following effect on TVCCA's net assets as of March 31, 2017:

	As Originally Presented	Adoption of ASU 2016-14
Net Asset Class:		
Unrestricted net assets	\$ 3,525,498	\$ -
Temporarily restricted net assets	1,665,746	-
Net assets without donor restrictions	-	3,525,498
Net assets with donor restrictions	-	1,665,746
	<u>\$ 5,191,244</u>	<u>\$ 5,191,244</u>

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

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**NOTE 2 - CONCENTRATIONS**

Concentrations of Credit Risk

TVCCA's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables.

*Cash and cash equivalents* - TVCCA places its cash and cash equivalents with highly rated financial institutions, which are continually reviewed by 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.

*Receivables* - Receivables primarily consists of grants and contracts due from 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.

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 3 - PROPERTY, PLANT AND EQUIPMENT**

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

	2019	2018
Land, buildings and improvements	\$ 10,873,431	\$ 10,658,934
Vehicles	839,506	682,567
Appliances	451,404	451,404
Computer equipment	608,765	593,884
Telephone equipment	329,511	329,511
Furniture and fixtures	355,892	346,317
Office equipment	29,404	36,131
	<u>13,487,913</u>	<u>13,098,748</u>
Less: accumulated depreciation and amortization	7,696,898	7,156,068
	<u>\$ 5,791,015</u>	<u>\$ 5,942,680</u>

Depreciation and amortization expense for property, plant and equipment totaled \$585,189 and \$595,478 for the years ended March 31, 2019 and 2018, respectively.

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

**NOTE 4 - LONG-TERM DEBT**

A summary of long-term debt is as follows:

	<u>2019</u>	<u>2018</u>
CHEFA mortgage notes payable:		
Taftville Facility	\$ 1,650,000	\$ 1,735,000
Windham Facility	560,000	600,000
Vernon Facility	350,000	375,000
New London Facility	2,195,000	2,265,000
Other mortgage notes payable	<u>64,066</u>	<u>83,020</u>
	4,819,066	5,058,020
Less: current portion	<u>257,673</u>	<u>241,092</u>
	<u>\$ 4,561,393</u>	<u>\$ 4,816,928</u>

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.

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

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**NOTE 4 - LONG-TERM DEBT *(Continued)***

CHEFA Mortgage Notes Payable *(Continued)*

*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.

*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.

THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Years Ended March 31, 2019 and 2018

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**NOTE 4 - LONG-TERM DEBT (Continued)**

CHEFA Mortgage Notes Payable (Continued)

CHEFA Refinancing (Continued)

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, 2019 and 2018, TVCCA was in compliance with these covenants, with the exception of a nonfinancial covenant, for which a waiver has been obtained.

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 \$183,430 and \$187,568 for the year ended March 31, 2019, respectively, and \$170,970 and \$193,465 for the year ended March 31, 2018, respectively.

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 \$2,136 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, 2019 and 2018, TVCCA was in compliance with these covenants. The balance of this note totaled \$64,066 and \$83,020 as of March 31, 2019 and 2018, respectively.

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

Year ending March 31:	
2020	\$ 257,673
2021	279,373
2022	272,020
2023	265,000
2024	280,000
Thereafter	3,465,000
	<u>\$ 4,819,066</u>

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

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**NOTE 4 - LONG-TERM DEBT *(Continued)***

Line of Credit

As of March 31, 2019 and 2018, 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, 2019 and 2018.

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Housing and shelter services	\$ 872,697	\$ 1,077,967
Elderly services	259,056	234,437
Other community services	221,089	222,232
Children services	163,001	47,848
Employment and training services	26,349	26,349
Facilities improvement (capital campaign)	19,889	19,889
	<u>\$ 1,562,081</u>	<u>\$ 1,628,722</u>

Net assets with donor restrictions in the amount of \$102,429 and \$59,414 were released from restriction during the years ended March 31, 2019 and 2018, respectively, by satisfying purpose and time restrictions.

**NOTE 6 - NON-CASH 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 \$207,909 and \$263,613 for the years ended March 31, 2019 and 2018, respectively.

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

**NOTE 7 - EXPENSES BY FUNCTION**

The following is a summary of expenses by function for the year ended March 31, 2019 with summarized comparative totals for the year ended March 31, 2018:

	2019						2018			
	Program Services						Total Program Services	Management and general	Total	Total
EXPENSES:	Children services	Energy related services	Elderly Services	Employment and training services	Housing and shelter services	Other community services				
Salaries and benefits	\$ 6,827,161	\$ 594,172	\$ 1,313,422	\$ 1,203,901	\$ 595,177	\$ 365,345	\$ 10,899,178	\$ 2,337,650	\$ 13,236,828	13,370,510
Client assistance	70,072	6,648,015	724,552	1,891	846,135	85,870	8,376,535	9,320	8,385,855	8,310,474
Contractual services	923,877	-	-	-	63,620	-	987,497	76,667	1,064,164	848,055
Materials and supplies	312,627	53,284	157,953	47,731	39,904	9,039	620,538	97,242	717,780	669,835
Depreciation and amortization	466,119	11,038	24,399	22,364	11,056	6,787	541,763	43,426	585,189	595,478
Administrative and general	168,519	15,568	75,450	6,249	9,062	10,999	285,847	188,759	474,606	531,521
Repairs and maintenance	335,311	20,751	82,580	696	24,906	1,143	465,387	126,705	592,092	500,443
Contributed goods and services	198,291	-	9,618	-	-	-	207,909	-	207,909	263,613
Other expenses	73,110	14,509	50,182	8,528	32,503	24,524	203,356	110,278	313,634	255,795
Interest	176,356	-	-	-	-	-	176,356	50,418	226,774	236,932
Travel and transportation	71,782	2,623	89,764	15,836	19,618	1,129	200,752	24,286	225,038	207,720
Utilities	141,418	-	45,597	-	-	-	187,015	21,241	208,256	206,629
Insurance	40,250	1,935	34,008	857	685	1,392	79,127	101,397	180,524	195,531
Rent and leasing	46,707	23,153	51,162	1,998	7,705	1,937	132,662	35,318	167,980	169,388
<b>TOTAL EXPENSES</b>	<b>\$ 9,851,600</b>	<b>\$ 7,385,048</b>	<b>\$ 2,658,687</b>	<b>\$ 1,310,051</b>	<b>\$ 1,650,371</b>	<b>\$ 508,165</b>	<b>\$ 23,363,922</b>	<b>\$ 3,222,707</b>	<b>\$ 26,586,629</b>	<b>\$ 26,361,924</b>

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

**NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table reflects TVCCA's financial assets as of March 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, have state required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments.

	<u>2019</u>
Current assets, excluding non-financial assets at year end:	
Cash and cash equivalents	\$ 4,150,683
Restricted cash and cash equivalents	119,839
Contributions and grants receivable, net	1,782,080
Other receivables	<u>17,004</u>
	<u>6,069,606</u>
Adjustments:	
Less amounts not available to be used within one year:	
Restricted cash and cash equivalents	(119,839)
Net assets with program restrictions not expected to be released within one year	(1,562,081)
Add financing available under revolving line of credit within one year	<u>400,000</u>
	<u>(1,281,920)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 4,787,686</u>

TVCCA's revenues are primarily derived by Federal and State grants. TVCCA has a policy to structure grant drawdowns as its general expenditures, liabilities, and other obligations come due. In addition, TVCCA maintains a line of credit of \$400,000 with a bank that could be drawn upon as needed during the year to further manage cash flows.

**NOTE 9 - 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:	
2020	\$ 125,222
2021	124,972
2022	124,672
2023	124,672
2024	<u>31,168</u>
	<u>\$ 530,706</u>

Rent expense totaled \$131,179 and \$133,283 for the years ended March 31, 2019 and 2018, respectively.

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

**NOTE 10 - 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 5.0% 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 \$570,708 and \$523,461 for the years ended March 31, 2019 and 2018, respectively.

**NOTE 11 - 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 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 operation of the 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 during 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.

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	<u>3,295</u>
Total assets	<u>508,126</u>
Liabilities assumed:	
Accounts payable	4,256
Due to State of Connecticut	<u>153,472</u>
Total liabilities	<u>157,728</u>
Excess of assets assumed over liabilities assumed	<u>\$ 350,398</u>

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

Notes to Consolidated Financial Statements *(Continued)*

Years Ended March 31, 2019 and 2018

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**NOTE 12 - RELATED PARTY TRANSACTIONS**

TVCCA operates as a sub grantee 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 \$151,929 and \$152,478 for the years ended March 31, 2019 and 2018, respectively.

**NOTE 13 - 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 14 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 24, 2019, 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, 2019

	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
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,150,683	\$ 4,150,683
Grants and contracts receivables	154,669	-	-	167,425	1,459,986	1,782,080
Other receivables	-	-	-	-	17,004	17,004
Other current assets	-	-	-	-	173,713	173,713
Total current assets	154,669	-	-	167,425	5,801,386	6,123,480
PROPERTY, PLANT AND EQUIPMENT, NET	1,657,106	642,131	374,562	1,914,306	1,202,910	5,791,015
<b>OTHER ASSETS</b>						
Restricted cash equivalents	56,475	5,157	5,157	53,050	-	119,839
Due (to) from	440,215	(309,946)	170,305	(332,087)	31,513	-
Total other assets	496,690	(304,789)	175,462	(279,037)	31,513	119,839
Total assets	\$ 2,308,465	\$ 337,342	\$ 550,024	\$ 1,802,694	\$ 7,035,809	\$ 12,034,334
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 20,244	\$ 6,919	\$ 4,325	\$ 23,053	\$ 1,732,147	\$ 1,786,688
Current portion of long-term debt	90,000	45,000	30,000	70,000	22,673	257,673
Deferred grant and contract revenue	1,469	-	-	1,477	89,867	92,813
Total current liabilities	111,713	51,919	34,325	94,530	1,844,687	2,137,174
<b>LONG-TERM LIABILITIES</b>						
Long-term debt, less current portion	1,560,000	515,000	320,000	2,125,000	41,393	4,561,393
Total liabilities	1,671,713	566,919	354,325	2,219,530	1,886,080	6,698,567
<b>NET ASSETS</b>						
Net assets without donor restrictions	636,752	(229,577)	195,699	(416,836)	3,587,648	3,773,686
Net assets with donor restrictions	-	-	-	-	1,562,081	1,562,081
Total net assets	636,752	(229,577)	195,699	(416,836)	5,149,729	5,335,767
Total liabilities and net assets	\$ 2,308,465	\$ 337,342	\$ 550,024	\$ 1,802,694	\$ 7,035,809	\$ 12,034,334

See accompanying Independent Auditor's Report.

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

Statement of Activities Information

Year Ended March 31, 2019

	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
<b>SUPPORT AND REVENUE</b>						
Federal and state grants and contracts	\$ 1,901,339	\$ 6,868	\$ 7,769	\$ 1,978,753	\$ 19,571,734	\$ 23,466,463
Local and other grants and contributions	-	-	-	-	765,867	765,867
Program and other income	452,476	53,915	30,000	389,910	807,350	1,733,651
Contributed goods and services	-	-	-	-	207,909	207,909
Debt service paid on-behalf of TVCCA by the State of Connecticut	144,063	61,808	35,156	126,197	3,774	370,998
Total support and revenue	<u>2,497,878</u>	<u>122,591</u>	<u>72,925</u>	<u>2,494,860</u>	<u>21,356,634</u>	<u>26,544,888</u>
<b>EXPENSES</b>						
Salaries and benefits	1,628,774	1,225	-	1,823,049	9,783,780	13,236,828
Client assistance	23,618	-	-	26,539	8,335,698	8,385,855
Contractual services	9,186	-	-	44,526	1,010,452	1,064,164
Materials and supplies	77,469	-	-	83,096	557,215	717,780
Repairs and maintenance	291,843	41,095	5,990	83,177	169,987	592,092
Depreciation and amortization	119,207	56,861	35,454	127,772	245,895	585,189
Administrative and general	310,192	26,092	1,885	339,212	(202,775)	474,606
Other expenses	11,247	629	381	11,638	289,739	313,634
Interest expense	82,039	28,176	17,613	92,731	6,215	226,774
Travel and transportation	4,046	-	-	9,723	211,269	225,038
Utilities	59,570	-	(301)	54,607	94,380	208,256
Contributed goods and services	-	-	-	-	207,909	207,909
Insurance	11,727	5,054	3,280	10,261	150,202	180,524
Rent and leasing	5,204	-	-	5,533	157,243	167,980
Total expenses	<u>2,634,122</u>	<u>159,132</u>	<u>64,302</u>	<u>2,711,864</u>	<u>21,017,209</u>	<u>26,586,629</u>
Change in net assets	(136,244)	(36,541)	8,623	(217,004)	339,425	(41,741)
NET ASSETS, beginning 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>
NET ASSETS, end of year	<u>\$ 636,752</u>	<u>\$ (229,577)</u>	<u>\$ 195,699</u>	<u>\$ (416,836)</u>	<u>\$ 5,149,729</u>	<u>\$ 5,335,767</u>

See accompanying Independent Auditor's Report.

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

## Statement of Cash Flows Information

Year Ended March 31, 2019

	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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Change in net assets	\$ (136,244)	\$ (36,541)	\$ 8,623	\$ (217,004)	\$ 339,425	\$ (41,741)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:						
Depreciation and amortization	291,843	41,095	5,990	83,177	163,084	585,189
Gain on disposal of equipment	8,993	-	-	9,041	(17,298)	736
On-behalf principal repayments on long-term debt	(72,845)	(36,000)	(20,475)	(54,110)	-	(183,430)
Change in due (to) from	136,227	36,041	10,795	296,557	(479,620)	-
Decrease (increase) in operating assets:						
Grants and contracts receivables	(33,680)	-	-	(76,374)	663,798	553,744
Other receivables	-	-	-	-	566,122	566,122
Other current assets	-	-	-	-	24,739	24,739
Increase (decrease) in operating liabilities:						
Accounts payable and accrued expenses	(1,062)	(500)	(313)	(525)	(390,782)	(393,182)
Deferred grant and contract revenue	(12,159)	-	-	(12,218)	(30,989)	(55,366)
Net cash provided by operating activities	<u>181,073</u>	<u>4,095</u>	<u>4,620</u>	<u>28,544</u>	<u>838,479</u>	<u>1,056,811</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of property, plant and equipment	<u>(167,868)</u>	<u>-</u>	<u>-</u>	<u>(11,665)</u>	<u>(254,727)</u>	<u>(434,260)</u>
Net cash used in investing activities	<u>(167,868)</u>	<u>-</u>	<u>-</u>	<u>(11,665)</u>	<u>(254,727)</u>	<u>(434,260)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Principal repayments on long-term debt	<u>(12,155)</u>	<u>(4,000)</u>	<u>(4,525)</u>	<u>(15,890)</u>	<u>(18,954)</u>	<u>(55,524)</u>
Net cash used in financing activities	<u>(12,155)</u>	<u>(4,000)</u>	<u>(4,525)</u>	<u>(15,890)</u>	<u>(18,954)</u>	<u>(55,524)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,050	95	95	989	564,798	567,027
CASH AND CASH EQUIVALENTS, beginning 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>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 56,475</u>	<u>\$ 5,157</u>	<u>\$ 5,157</u>	<u>\$ 53,050</u>	<u>\$ 4,150,683</u>	<u>\$ 4,270,522</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, 2019, 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 September 24, 2019.

**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 the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **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  
September 24, 2019

FEDERAL SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS 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, 2019. 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, 2019.

## **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, described in the accompanying schedule of federal findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

### **TVCCA's Response to Findings**

TVCCA's response to the finding identified in our audit is described in the accompanying schedule of federal findings and questioned costs. TVCCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of TVCCA, as of and for the year ended March 31, 2019 and have issued our report thereon dated September 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahoney Sabol + Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
September 24, 2019

**THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MARCH 31, 2019**

Grantor; Program Title	Direct/Pass-through Grantor	Grant Number	Federal CFDA Number	Grant Period Ending	Passed Through to Subrecipients	Grant Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Low-Income Home Energy Assistance	State of CT Department of Social Services	14DSS4301ZK - A1-5	93.568	9/18	\$ -	\$ 1,668,443
Low-Income Home Energy Assistance - New Haven Administration	State of CT Department of Social Services	14DSS4301ZK - A5	93.568	9/18	-	6,219
Low-Income Home Energy Assistance	State of CT Department of Social Services	18DSS4301ZK	93.568	9/21	-	5,735,674
Low-Income Home Energy Assistance - New Haven Administration	State of CT Department of Social Services	18DSS4301ZK	93.568	9/21	-	20,320
						7,430,656
Head Start	Direct	01CH212102/3	93.600	3/19	-	3,970,282
Head Start	Direct - Local In-Kind Contributions	-	93.600	3/19	-	198,291
Head Start	Direct - Program Income	01CH212102/3	93.600	3/19	-	73,128
						4,241,701
Social Services Block Grant	State of CT Department of Social Services	16DSS1501ZK	93.667	9/19	5,000	122,207
Social Services Block Grant	State of CT Department of Social Services	18DSS5001ZK	93.667	9/21	-	104,152
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	-	33,060
Social Services Block Grant - Connecticut Rapid Re-Housing Program	State of CT Department of Housing	16DOH0901CX	93.667	6/20	-	16,595
Social Services Block Grant - Safeguarding	CT Association for Community Action	104C-SBG-66/14DSS5011ZK	93.667	9/18	-	73,001
Social Services Block Grant - Case Management Program	CT Association for Community Action	-	93.667	6/19	-	78,928
						427,943
<b>Aging Cluster:</b>						
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	9/18	-	77,995
Special Programs for the Aging - Title III, Part C - Nutrition Services - Congregate Housing	Senior Resources Agency on Aging	-	93.045	9/18 & 9/19	-	9,311
Special Programs for the Aging - Title III, Part C - Nutrition Services - Congregate Housing	Direct - Program Income	-	93.045	9/18 & 9/19	-	1,775
Special Programs for the Aging - Title III, Part C - Nutrition Services	Direct - Program Income	-	93.045	3/19	-	239,342
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	-	349,972
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	9/19	-	449,890
Nutrition Services Incentive Program - Elderly Nutrition	Senior Resources Agency on Aging	N-18-1/4/5-ED/C/CO/H-W/SE/NE	93.053	9/18	-	117,248
Nutrition Services Incentive Program - Elderly Nutrition	Senior Resources Agency on Aging	N-19-1/4/5-ED/C/CO/H-W/SE/NE	93.053	9/19	-	79,041
						1,324,574
Community Services Block Grant	State of CT Department of Social Services	16DSS1501ZK	93.569	9/19	-	449,129
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	CT - Office of Health and Strategy	18OHS0015	93.624	11/18	-	3,857
Affordable Care Act (ACA) Health Profession Opportunity Grants	Eastern CT Workforce Investment Board	18-19-100	93.093	9/19	-	41,089
						13,918,949
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Supportive Housing Program - Homeless Collaborative Network	Direct	CT0094L1E051710	14.235	1/19	36,000	533,560
Supportive Housing Program - Homeless Collaborative Network	Direct	CT0094L1E051811	14.235	1/20	-	161,780
Supportive Housing Program	Direct - Program Income	CT0094L1E051710	14.235	1/19	-	47,527
Supportive Housing Program	Direct - Program Income	CT0094L1E051811	14.235	1/20	-	12,354
						755,221
Emergency Solutions Grant Program	State of CT Department of Housing	15DOH0401CX -A3	14.231	6/19	-	299,133
<b>CDBG - Entitlement Grants Cluster:</b>						
Community Development Block Grants/Entitlement Grants - Homeless Prevention Service	City of Norwich	-	14.218	8/18	-	6,000
Community Development Block Grants/Entitlement Grants - New London Senior Nutrition/Meals-On-Wheels	City of New London	221-6511-465.33-17	14.218	6/18	-	5,210
Community Development Block Grants/Entitlement Grants - New London Senior Nutrition/Meals-On-Wheels	City of New London	221-6511-465.33-17	14.218	6/19	-	13,479
Community Development Block Grants/Entitlement Grants - The Retired and Senior Volunteer Program (RSVP)	City of New London	221.6511-465.33-16	14.218	6/18	-	400
Community Development Block Grants/Entitlement Grants - The Retired and Senior Volunteer Program (RSVP)	City of New London	221.6511-465.33-16	14.218	6/19	-	1,012
						26,101
Congregate Housing Services Program	Senior Resources Agency on Aging	-	14.170	9/18 & 9/19	-	3,491
						1,083,946
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
						1,083,946

(Continued)

**THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
 YEAR ENDED MARCH 31, 2019

Grantor; Program Title	Direct/Pass-through Grantor	Grant Number	Federal CFDA Number	Grant Period Ending	Passed Through to Subrecipients	Grant Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Special Supplemental Nutrition Program for Women, Infants, and Children	State of CT Department of Public Health	Vouchers	10.557	3/19	\$ -	\$ 2,433,715
Special Supplemental Nutrition Program for Women, Infants, and Children	State of CT Department of Public Health	2017-0054	10.557	9/22	-	<u>699,081</u>
						<u>3,132,796</u>
Child and Adult Care Food Program (CACFP)	State of CT Department of Education	058-AOC 12060-20518-82079				
		2017-170006-SDE00003	10.558	3/19	-	205,014
Child and Adult Care Food Program (CACFP)	State of CT Department of Education	058-000 12060-20518-82079				
		2016-170006-SDE00003	10.558	3/19	-	<u>131,440</u>
						<u>336,454</u>
WIC Grants To States (WGS)	State of CT Department of Public Health	-	10.578	9/18	-	<u>2,000</u>
<b>SNAP Cluster:</b>						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CT Association for Community Action	-	10.561	9/18	-	17,174
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CT Association for Community Action	-	10.561	9/19	-	<u>9,497</u>
<b>Total SNAP Cluster</b>						<u>26,671</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>3,497,921</u>
<b>U.S. DEPARTMENT OF LABOR</b>						
Employment Service/Wagner-Peyser Funded Activities - Disability Employment Initiative (DEI)	EWIB	17-18-100	17.207	6/18	-	10,004
Employment Service/Wagner-Peyser Funded Activities - Disability Employment Initiative (DEI)	EWIB	18-19-100	17.207	6/19	-	<u>41,479</u>
						<u>51,483</u>
<b>WIOA Cluster:</b>						
WIA/WIOA Adult Program	EWIB/EASTCONN	17-18-106	17.258	6/18	-	39,577
WIA/WIOA Adult Program	EWIB/EASTCONN	18-19-106	17.258	6/19	-	118,030
WIA/WIOA Youth Activities	EWIB/EASTCONN	17-18-106	17.259	6/18	-	10,794
WIA/WIOA Youth Activities	EWIB/EASTCONN	18-19-106	17.259	6/19	-	32,190
WIA/WIOA Youth Activities - Out of School Youth	EWIB/EASTCONN	18-19-106	17.259	6/19	-	37,278
WIA/WIOA Youth Activities - Out of School Youth	EWIB/EASTCONN	17-18-106	17.259	6/18	-	20,761
WIA/WIOA Dislocated Worker Formula Grants	EWIB/EASTCONN	17-18-106	17.278	6/18	-	39,577
WIA/WIOA Dislocated Worker Formula Grants	EWIB/EASTCONN	18-19-106	17.278	6/19	-	<u>118,030</u>
<b>Total WIOA Cluster</b>						<u>416,237</u>
WIA Dislocated Worker Formula Grants and National Emergency Grants	EWIB	WIA 15-16	17.277	6/16	-	
Workforce Investment Act (WIA) National Emergency Grants	EWIB	17-18-100	17.277	6/18	-	<u>12,249</u>
Workforce Innovation Fund	EWIB	17-18-100	17.283	6/18	-	19,469
Workforce Innovation Fund	EWIB	18-19-100	17.283	6/19	-	<u>23,799</u>
						<u>43,268</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>						<u>523,237</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
Retired Senior Volunteer Program	Direct	16SRACT002	94.002	3/19	-	120,508
Retired Senior Volunteer Program	Direct	17SRACT003	94.002	6/20	-	79,000
Retired Senior Volunteer Program	Direct - Local In-Kind Contributions	-	94.002	3/19	-	<u>9,618</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						<u>209,126</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Preschool Development Grants	Town of Griswold	158-000 12060-22705-2017-83004-17000	84.419	6/18	-	13,295
Preschool Development Grants	Town of Griswold	158-000 12060-22705-2018-83004-17000	84.419	6/19	-	41,462
Preschool Development Grants	Town of Groton	159-000 12060-22705-2017-83004-17000	84.419	6/18	-	19,351
Preschool Development Grants	Town of Groton	159-000 12060-22705-2018-83004-17000	84.419	6/19	-	<u>57,879</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						<u>131,987</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<u>\$ 41,000</u>	<u>\$ 19,365,166</u>

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, 2019

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**NOTE 1 - 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.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

**COST ALLOCATION PRINCIPLES**

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

**NOTE 2 - 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, 2019. The total value of vouchers redeemed as reported by the State of Connecticut totaled \$2,433,715 for the year ended March 31, 2019.

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

Schedule of Federal Findings and Questioned Costs

For the year ended March 31, 2019

**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 reported

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 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 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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

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, 2019

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding Number 2019-001: *Significant Deficiency in Internal Control Over Compliance – Allocation of Shared Program Costs***

**Criteria:** In accordance with the Uniform Guidance and the State of Connecticut Office of Policy & Management Cost Standards (“OPM Cost Standards”), if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects or activities based on the proportional benefit received. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

**Condition:** During our audit, we noted that TVCCA’s *Cost Allocation Plan* (CAP) does not currently provide sufficient guidance on how to estimate and allocate the costs of employees that directly benefit multiple programs or activities, when the proportional benefit received cannot be determined due to the interrelationship of the work involved. Specifically, we noted that certain Early Childhood programs that are braided by TVCCA, are currently funded by two or more funding sources. Amounts charged to each funding source for the costs of employees that work directly on these programs are based on approved budgets rather than on time and effort reporting or another reasonable basis such as number of children served.

**Cause:** TVCCA does not currently utilize an employee time tracking system that would allow employees to record actual hours worked by program. In addition, TVCCA’s *Cost Allocation Plan* does not currently provide sufficient guidance on how to estimate and allocate the costs of employees that directly benefit multiple programs or activities when the proportional benefit received cannot be determined due to the interrelationship of the work involved.

**Effect:** Additional documentation and analysis was required in order to determine that certain selected employees tested were ultimately charged to multiple programs or multiple funding sources based on the proportional benefit received. In addition, based on TVCCA’s current *Cost Allocation Plan* and its procedures for allocating costs of employees that directly benefit multiple programs or activities, there is a risk that shared costs may not be charged based the proportional benefit received in the future.

**Questioned Costs:** No questioned costs were identified.

**Context:** No questioned costs were identified.

**Recommendation:** We recommend that TVCCA update its *Cost Allocation Plan* and procedures to address the allocation of costs of employees that directly benefit multiple programs or activities when the proportional benefit received cannot be determined due to the interrelationship of the work. We recommend that TVCCA consider allocating the cost of employees for its Early Childhood programs based on the number of children served or slots funded by each funding source. In addition, we also recommend that TVCCA consider requesting the ability to blend funds from its funding sources to achieve its program objectives. By blending the programs, TVCCA would not be required to allocate costs to individual funding sources based on the proportional benefit received.

**Views of Responsible Officials:** TVCCA is currently in the process of reviewing the above finding and recommendation in order to take the necessary steps to address this finding.

STATE SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE 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, 2019. 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, 2019.

## **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, described in the accompanying schedule of state findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

### **TVCCA's Response to Findings**

TVCCA's response to the finding identified in our audit is described in the accompanying schedule of state findings and questioned costs. TVCCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

**Report on Schedule of Expenditures of State Financial Assistance Required by State Single Audit Act**

We have audited the consolidated financial statements of TVCCA, as of and for the year ended March 31, 2019 and have issued our report thereon dated September 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the consolidated financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the consolidated financial statements. The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Certified Public Accountants  
Glastonbury, Connecticut  
September 24, 2019

**THAMES VALLEY COUNCIL FOR COMMUNITY ACTION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED MARCH 31, 2019**

Grantor; Pass-through Grantor; Grantee; Program Title	Grant Number	State Grant Program Core - CT Number	Grant Period Ending	Passed Through to Subrecipients	Grant Expenditures
<b>NONEXEMPT PROGRAMS</b>					
<b>DEPARTMENT OF SOCIAL SERVICES</b>					
<b>Direct:</b>					
Hispanic Programs (HHD)	16DSS1501ZK	11000-DSS60000-16118	9/19	\$ -	\$ 44,362
Human Services Infrastructure (HSI)	16DSS1501ZK	11000-DSS60000-16174	9/19	-	282,947
<b>Passed through United Community and Family Services, Inc.:</b>					
Medicaid Outreach	18DSS1202AV/104-2AV-MED-01	11000-DSS60000-10020	12/19	-	14,412
<b>Total Department of Social Services</b>					<u>341,721</u>
<b>DEPARTMENT OF LABOR</b>					
<b>Passed through Eastern Connecticut Workforce Investment Board:</b>					
Manufacturing Pipeline Initiative	18-19-100	11000-DOL-40000-12597	6/19	-	37,161
Jobs First Employment Services	18-19-100	11000-DOL40000-12212	6/19	-	516,225
Jobs First Employment Services	17-18-100	11000-DOL40000-12212	6/18	-	197,298
<b>Total Department of Labor</b>					<u>750,684</u>
<b>DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES</b>					
<b>Direct:</b>					
Housing Supports and Services	18MHA2101	11000-MHA53000-12035	6/19	-	138,231
<b>DEPARTMENT OF HOUSING</b>					
<b>Direct:</b>					
Shelter Diversion/Rapid Rehousing	16DOH0901CX	11000-DOH46920-16149-1200904	6/20	-	178,323
<b>OFFICE OF POLICY AND MANAGEMENT</b>					
<b>Direct:</b>					
Nonprofit Grant Program (NGP)	17OPM8004CG	12052-OPM20830-43574	9/18	-	67,986
<b>DEPARTMENT OF REHABILITATION SERVICES</b>					
<b>Passed through Senior Resources Agency on Aging:</b>					
Areas Agencies on Aging - Elderly Nutrition & Discretionary	N-18-1/4/5-ED/C/CO/H-W/SE/NE	11000-SDR63901-90696-10105	9/18	-	109,218
Areas Agencies on Aging - Elderly Nutrition & Discretionary	N-19-1/4/5-ED/C/CO/H-W/SE/NE	11000-SDR63901-90696-10105	9/19	-	278,932
Areas Agencies on Aging - Federal Title III Match	N-18-1/4/5-ED/C/CO/H-W/SE/NE	11000-SDR63901-90696-10604	9/18	-	24,070
<b>Total Department of Rehabilitation Services</b>					<u>412,220</u>
<b>OFFICE OF EARLY CHILDHOOD</b>					
<b>Direct:</b>					
Child Daycare	14OEC0089AA A1	11000-OEC64840-16274-83012	6/18	193,606	649,840
Child Daycare	14OEC0089AA A1	11000-OEC64841-16274-83012	6/20	629,435	2,539,068
Child Daycare - Intercept	14OEC0089AA A1	11000-OEC64840-16274-83012	6/20	-	75,940
					<u>3,264,848</u>
Head Start Services Grant Program & Head Start Link	803-100 11000-16101-83004-2019-170104-SDE00219	11000-OEC64840-16101	6/19	-	103,001
Head Start Services Grant Program & Head Start Link	803-100 11000-16101-2018-83004-170104-SDE00219	11000-OEC64840-16101	6/18	-	35,234
Head Start Services Grant Program & Head Start Link	803-100 11000-16101-83004-2019-170104-SDE00219	11000-OEC64840-16101	6/19	-	105,703
Head Start Services Grant Program & Head Start Link	803-100 11000-16101-2018-83004-170104-SDE00219	11000-OEC64840-16101	6/18	-	39,183
Head Start Services Grant Program & Head Start Link	803-100 11000-OEC64840-16101-2018-83004-170105	11000-OEC64840-16101	6/18	-	17,468
Head Start Services Grant Program & Head Start Link	803-100 11000-OEC64840-16101-2018-83004-170106	11000-OEC64840-16101	6/18	-	9,937
Head Start Services Grant Program & Head Start Link	803-100 11000-OEC64840-16101-2019-83004-170105	11000-OEC64840-16101	6/19	-	40,024
Head Start Services Grant Program & Head Start Link	803-100 11000-OEC64840-16101-2019-83004-170106	11000-OEC64840-16101	6/19	-	32,480
					<u>383,030</u>
<b>Passed through Norwich Public Schools:</b>					
School Readiness in Priority School Districts - Norwich	-	11000-OEC64840-16274-83014	6/18	-	103,547
School Readiness in Priority School Districts - Norwich	-	11000-OEC64840-16274-83014	6/19	-	341,855
					<u>445,402</u>
<b>Passed through LEARN Regional Education Services:</b>					
School Readiness in Priority School Districts - New London	-	11000-OEC64840-16274-83014	6/18	-	145,517
School Readiness in Priority School Districts - New London	-	11000-OEC64840-16274-83014	6/19	-	380,754
					<u>526,271</u>
<b>Passed through Griswold Board of Education:</b>					
School Readiness Quality Enhancement	-	11000-OEC64840-17097	6/18	-	26,772
School Readiness in Competitive Grant Municipalities	058-000 11000-16274-2019-83013-170003	11000-OEC64840-16274-83013	8/19	-	98,907
					<u>125,679</u>
<b>Passed through Town of Groton:</b>					
Preschool Development Grant - Quality Enhancement	059-000 11000-16158-2019-82079-170035-SDE00005	11000-OEC64845-16158-82079	6/18	-	12,067
Preschool Development Grant - Quality Enhancement	059-000 11000-16158-2019-82079-170035-SDE00005	11000-OEC64845-16158-82079	6/19	-	21,118
					<u>33,185</u>
<b>Passed through Town of Griswold:</b>					
Preschool Development Grant - Quality Enhancement	058-000 11000-16158-2019-82079-170035-SDE00005	11000-OEC64845-16158-82079	6/18	-	7,583
Preschool Development Grant - Quality Enhancement	058-000 11000-16158-2019-82079-170035-SDE00005	11000-OEC64845-16158-82079	6/19	-	30,330
					<u>37,913</u>
<b>Total Office of Early Childhood</b>					<u>4,994,651</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<b>\$ 823,041</b>	<b>\$ 6,705,493</b>

*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, 2019

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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 1 - 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.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. 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.

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.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. In accordance with Section 4-236-22 of the regulations to the Connecticut State Single Audit Act, these financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

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

Schedule of State Findings and Questioned Costs

For the year ended March 31, 2019

**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

Significant deficiency(ies) identified? \_\_\_\_\_ Yes \_\_\_\_\_  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_  No

**STATE FINANCIAL ASSISTANCE**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_  No

Significant deficiency(ies) identified? \_\_\_\_\_  Yes \_\_\_\_\_ None reported

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

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

<u>State Grantor/Program</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
<b>Office of Early Childhood:</b>		
Child Day Care	11000-OEC64840-16274-83012	\$ 3,264,848
Head Start Services Grant Program & Head Start Link	11000-OEC64840-16101	383,030

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 200,000

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No findings were reported.

**SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

Refer to Finding 2019-001, *Significant Deficiency in Internal Control Over Compliance – Allocation of Shared Program Costs*, reported in the accompanying schedule of federal findings and questioned costs.