



**KENNEBEC VALLEY  
COMMUNITY ACTION PROGRAM**

**Financial Statements**

**Years Ended September 30, 2013 and 2012**



## Independent Auditor's Report

To the Board of Directors of  
Kennebec Valley Community Action Program

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Kennebec Valley Community Action Program (a Maine nonprofit organization), which comprise the statements financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Kennebec Valley Community Action Program as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 17-19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014 on our consideration of Kennebec Valley Community Action Program'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 Kennebec Valley Community Action Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gibson Klein, LLC". The signature is fluid and cursive, with the letters "G", "K", and "L" being particularly prominent.

Augusta, Maine  
February 25, 2014

## KENNEBEC VALLEY COMMUNITY ACTION PROGRAM

## Statements of Financial Position

September 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 198,975	87,766	83,716	370,457	241,146	87,766	82,970	411,882
Designated cash and cash equivalents	1,657,337	-	-	1,657,337	1,774,221	-	-	1,774,221
Accounts and grants receivable	1,458,702	-	-	1,458,702	2,158,741	-	-	2,158,741
Current portion of loans receivable, net	-	-	970	970	-	-	940	940
Current portion of prepaid expenses	337,748	-	-	337,748	142,233	-	-	142,233
Total current assets	3,652,762	87,766	84,686	3,825,214	4,316,341	87,766	83,910	4,488,017
Property and equipment:								
Land	57,787	-	-	57,787	57,100	-	-	57,100
Buildings and improvements	3,780,485	-	-	3,780,485	3,642,274	-	-	3,642,274
Equipment and fixtures	1,038,795	-	-	1,038,795	856,134	-	-	856,134
Vehicles	1,688,969	-	-	1,688,969	745,131	-	-	745,131
Total property and equipment	6,566,036	-	-	6,566,036	5,300,639	-	-	5,300,639
Less: Accumulated depreciation	(2,388,968)	-	-	(2,388,968)	(2,223,014)	-	-	(2,223,014)
Net property and equipment	4,177,068	-	-	4,177,068	3,077,625	-	-	3,077,625
Other assets:								
Work in progress	220,679	-	-	220,679	777,773	-	-	777,773
Investments	643,760	-	108,577	752,337	636,723	-	108,577	745,300
Loans receivable, net of current portion	122,078	26,881	42,814	191,773	122,078	26,881	43,590	192,549
Prepaid expenses, net of current portion	8,598,549	-	-	8,598,549	8,737,236	-	-	8,737,236
Total other assets	9,585,066	26,881	151,391	9,763,338	10,273,810	26,881	152,167	10,452,858
<b>Total assets</b>	<b>\$ 17,414,896</b>	<b>114,647</b>	<b>236,077</b>	<b>17,765,620</b>	<b>17,667,776</b>	<b>114,647</b>	<b>236,077</b>	<b>18,018,500</b>
<b>LIABILITIES AND NET ASSETS</b>								
Current liabilities:								
Current portion of long-term debt	103,469	-	-	103,469	122,681	-	-	122,681
Current portion of obligation under capital lease	18,364	-	-	18,364	16,907	-	-	16,907
Accounts payable	567,161	-	-	567,161	591,621	-	-	591,621
Short-term notes payable/lines of credit	112,000	-	-	112,000	660,400	-	-	660,400
Accrued expenses	594,113	-	-	594,113	593,515	-	-	593,515
Reserves	81,463	-	-	81,463	259,454	-	-	259,454
Due to funding sources	117,436	-	-	117,436	102,473	-	-	102,473
Deferred revenue	544,029	-	-	544,029	318,345	-	-	318,345
Total current liabilities	2,138,035	-	-	2,138,035	2,665,396	-	-	2,665,396
Non-current liabilities:								
Obligation under capital lease, net of current portion	17,243	-	-	17,243	22,532	-	-	22,532
Long-term debt, net of current portion	12,563,702	-	-	12,563,702	12,566,559	-	-	12,566,559
Total non-current liabilities	12,580,945	-	-	12,580,945	12,589,091	-	-	12,589,091
Total liabilities	14,718,980	-	-	14,718,980	15,254,487	-	-	15,254,487
Total net assets	2,695,916	114,647	236,077	3,046,640	2,413,289	114,647	236,077	2,764,013
<b>Total liabilities and net assets</b>	<b>\$ 17,414,896</b>	<b>114,647</b>	<b>236,077</b>	<b>17,765,620</b>	<b>17,667,776</b>	<b>114,647</b>	<b>236,077</b>	<b>18,018,500</b>

See accompanying notes to financial statements.



**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Statements of Activities**  
**Years Ended September 30, 2013 and 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Grants and contracts	\$ 9,233,808	-	-	9,233,808	11,623,253	-	-	11,623,253
Program revenue	6,091,297	-	-	6,091,297	6,964,210	-	-	6,964,210
Other revenue	1,760,073	-	-	1,760,073	614,343	-	-	614,343
In-kind	449,602	-	-	449,602	567,415	-	-	567,415
Total revenues, gains and other support	17,534,780	-	-	17,534,780	19,769,221	-	-	19,769,221
Expenses:								
Program services:								
Community services	7,201,055	-	-	7,201,055	7,165,518	-	-	7,165,518
Energy & housing services	2,825,144	-	-	2,825,144	4,951,420	-	-	4,951,420
Child & family services	5,516,159	-	-	5,516,159	5,889,604	-	-	5,889,604
Agency services	228,989	-	-	228,989	87,118	-	-	87,118
Total program expenses	15,771,347	-	-	15,771,347	18,093,660	-	-	18,093,660
Supporting services:								
Management & general	1,480,806	-	-	1,480,806	1,576,971	-	-	1,576,971
Total expenses	17,252,153	-	-	17,252,153	19,670,631	-	-	19,670,631
Change in net assets	282,627	-	-	282,627	98,590	-	-	98,590
Net assets, beginning of year	2,413,289	114,647	236,077	2,764,013	2,314,699	114,647	236,077	2,665,423
Net assets, end of year	\$ 2,695,916	114,647	236,077	3,046,640	2,413,289	114,647	236,077	2,764,013

*See accompanying notes to financial statements.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2013**

	Program Services					Supporting Services	Total
	Community services	Energy & Housing services	Child & Family services	Agency services	Total program	Management and general	
Personnel	\$ 2,295,084	787,088	3,089,684	-	6,171,856	1,016,755	7,188,611
Payroll taxes and employee benefits	628,983	235,481	859,493	47	1,724,004	217,560	1,941,564
Staff development	15,735	6,994	61,483	-	84,212	12,134	96,346
Travel	58,265	12,794	43,825	100	114,984	22,243	137,227
Office costs	42,560	41,700	37,638	1,403	123,301	52,698	175,999
Insurance	798	6,677	16,986	1,636	26,097	19,133	45,230
Telecommunications	71,724	25,425	37,504	-	134,653	15,262	149,915
Space and occupancy	200,204	215,222	132,769	8,880	557,075	-	557,075
Space and occupancy - in-kind	-	-	440,845	-	440,845	-	440,845
Contract services	85,295	896,271	251,306	75,612	1,308,484	17,317	1,325,801
Contract services - in-kind	-	-	7,035	-	7,035	-	7,035
Vehicle	604,903	17,575	-	-	622,478	-	622,478
Housing property costs	-	10,528	-	29,960	40,488	-	40,488
Material & supplies	22,301	505,050	212,240	42,763	782,354	11,740	794,094
Material & supplies - in-kind	-	-	1,722	-	1,722	-	1,722
Direct client assistance	2,564,950	-	10,598	-	2,575,548	-	2,575,548
Administration	(9,788)	(3,365)	(13,209)	-	(26,362)	-	(26,362)
Interest	14,384	12,499	259,485	11,419	297,787	595	298,382
Depreciation	74,006	27,158	26,772	55,208	183,144	11,834	194,978
Provision for loan losses	-	-	-	-	-	-	-
Common carrier	476,951	-	-	-	476,951	-	476,951
Other	54,700	28,047	39,983	1,961	124,691	83,535	208,226
Total before general and administrative	7,201,055	2,825,144	5,516,159	228,989	15,771,347	1,480,806	17,252,153
General and administrative	549,821	189,008	741,977	-	1,480,806	(1,480,806)	-
<b>Total expenses</b>	<b>\$ 7,750,876</b>	<b>3,014,152</b>	<b>6,258,136</b>	<b>228,989</b>	<b>17,252,153</b>	<b>-</b>	<b>17,252,153</b>

*See accompanying notes to financial statements.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2012**

	Program Services					Supporting Services	Total
	Community services	Energy & Housing services	Child & Family services	Agency services	Total program	Management and general	
Personnel	\$ 2,156,471	1,228,997	3,283,063	26,551	6,695,082	993,974	7,689,056
Payroll taxes and employee benefits	605,985	366,619	968,572	5,879	1,947,055	217,994	2,165,049
Staff development	8,921	8,783	48,232	-	65,936	11,152	77,088
Travel	59,894	11,724	50,340	(8)	121,950	22,987	144,937
Office costs	50,940	63,305	37,460	2,264	153,969	66,440	220,409
Insurance	742	9,965	10,618	1,913	23,238	17,896	41,134
Telecommunications	87,481	33,454	45,426	3,177	169,538	21,022	190,560
Space and occupancy	140,231	210,927	236,753	9,520	597,431	1,360	598,791
Space and occupancy - in-kind	-	-	558,725	-	558,725	-	558,725
Contract services	86,217	1,425,616	115,525	2,181	1,629,539	62,711	1,692,250
Contract services - in-kind	-	-	2,900	-	2,900	-	2,900
Vehicle	647,614	40,633	-	666	688,913	-	688,913
Housing property costs	-	33,085	-	3	33,088	-	33,088
Material & supplies	46,123	1,251,649	205,290	1,664	1,504,726	73,328	1,578,054
Material & supplies - in-kind	-	-	5,790	-	5,790	-	5,790
Direct client assistance	3,012,764	598	9,847	-	3,023,209	-	3,023,209
Administration	(178)	(101)	(271)	(1)	(551)	-	(551)
Interest	9,333	24,058	241,976	6,647	282,014	536	282,550
Depreciation	18,156	35,157	29,022	25,012	107,347	11,362	118,709
Provision for loan losses	-	180,169	-	450	180,619	-	180,619
Common carrier	183,991	-	-	-	183,991	-	183,991
Other	50,833	26,782	40,336	1,200	119,151	76,209	195,360
Total before general and administrative	7,165,518	4,951,420	5,889,604	87,118	18,093,660	1,576,971	19,670,631
General and administrative	508,600	289,849	774,307	4,215	1,576,971	(1,576,971)	-
<b>Total expenses</b>	<b>\$ 7,674,118</b>	<b>5,241,269</b>	<b>6,663,911</b>	<b>91,333</b>	<b>19,670,631</b>	<b>-</b>	<b>19,670,631</b>

*See accompanying notes to financial statements.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**

**Statements of Cash Flows**

**Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Change in net assets	\$ 282,627	98,590
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:		
Depreciation	165,954	146,211
Unrealized gain on investments	(7,037)	(1,274)
Forgiveness of debt	(9,520)	(9,520)
Noncash contributions	(885,775)	-
(Increase) decrease in:		
Accounts and grants receivable	700,039	(439,740)
Loans receivable	746	22,153
Prepaid expenses	(56,828)	147,791
Work in progress	557,094	(226,161)
Increase (decrease) in:		
Accounts payable	(24,460)	(165,336)
Accrued expenses	598	(106,220)
Reserves	(177,991)	(24,722)
Due to funding sources	14,963	18,836
Deferred revenue	225,684	(343,304)
Net cash provided by (used in) operating activities	786,094	(882,696)
Cash flows from investing activities:		
Gross proceeds from sale of property	-	167,718
Investment in subsidiary	-	(2,530)
Purchase of property and equipment, net of retirements	(379,622)	(112,408)
Net cash provided by (used in) investing activities	(379,622)	52,780
Cash flows from financing activities:		
Payments on obligation under capital lease	(3,832)	(34,621)
Repayment of long-term debt, net	(12,549)	(40,397)
Proceeds from (repayment of) short-term debt/lines of credit, net	(548,400)	401,200
Net cash provided by (used in) financing activities	(564,781)	326,182
Decrease in cash and cash equivalents	(158,309)	(503,734)
Cash and cash equivalents, beginning of year	2,186,103	2,689,837
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,027,794</b>	<b>2,186,103</b>
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$ 159,101	143,863
Cash paid during the year for taxes	-	-
Noncash contribution of vehicles	885,775	-

*See accompanying notes to financial statements.*



**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Nature of Activities** - Kennebec Valley Community Action Program (KVCAP) is a nonprofit agency organized to provide a focal point for anti-poverty and other social service efforts throughout the communities of the Kennebec Valley area. The accounting practices of the Organization are designed primarily to demonstrate stewardship of the funds entrusted to it, compliance with prescribed grant conditions and other special requirements, including the furnishing of certain amounts of cash or non-cash contributions to programs from nonfederal sources.

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

**Basis of Presentation** - The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. For the years ending September 30, 2013 and 2012, \$114,647 of the Organization's net assets was temporarily restricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. For the years ending September 30, 2013 and 2012, \$236,077 of the Organization's net assets was permanently restricted. The permanently restricted net assets represent funds provided by NeighborWorks America for making loans and for capital projects. All resources granted to this fund must be maintained permanently. The Organization is permitted to transfer or expend only the income (or other economic benefits) derived from capital assets in excess of the Capital Fund Agreement (corpus).

**Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Tax Status** - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization believes it has no uncertain tax positions with the Internal Revenue Service that require disclosure in the financial statements. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Organization considers all checking and escrow accounts, and short-term debt securities purchased with a maturity of three months or less, to be cash equivalents.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**Investments** - The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. The Organization also has an investment in Cony Village, LLC, a housing project in Augusta, Maine, which is accounted for under the equity method of accounting in its financial statements. It also has an investment in KVCAP Real Estate Development, Inc., a for-profit entity which began in 2012. The effect on the financial statements for 2013 and 2012 is immaterial, but it may require consolidation into the financial statements of KVCAP in future periods.

**Accounts and Grants Receivable** - Accounts and grants receivable consists primarily of revenue from various government grants and contracts. No allowance for uncollectible accounts has been established as all accounts receivable are believed to be collectible.

**Work in Process** - Work in progress consists of expenditures on agency projects which have not been completed during the fiscal year. These will be either capitalized (custom software design and building renovations) or sold (affordable housing development projects) at completion.

**Property and Equipment** - Property and equipment acquisitions with a unit cost of \$5,000 or more are recorded in unrestricted net assets. Assets acquired with grant funds have been reported to funding sources as being acquired with specific award funds and charged as expenditures to the source. These assets are separately identified so as to preclude charging subsequent awards for depreciation on those items. Depreciation is recorded on these assets ratably over estimated useful lives, which range from 20-40 years for buildings, 5-40 years for building renovations, 5-10 years for equipment and 5-15 years for vehicles. Depreciation expense for grant-funded assets is presented only within "Agency services" and is not allocated as an expense among grant-funded program activities. Depreciation expense on funded assets totaled \$53,327 and \$19,653 for the years ended September 30, 2013 and 2012, respectively.

Other assets have been purchased with unrestricted funds and are being utilized in the various program activities. These are referred to as "unfunded assets". These assets are being depreciated ratably over their estimated useful lives, which range from 40 years for buildings, 10-40 years for building renovations, 5-10 years for equipment and 5 years for vehicles. The related expense is charged directly to the program utilizing the asset or to the appropriate shared cost pool, which in turn is allocated among programs. Depreciation expense for unfunded assets totaled \$112,627 and \$126,558 for the years ended September 30, 2013 and 2012, respectively.

Leased property and equipment under capital leases is being depreciated over the lives of the various leases, as described in the Capital Leases note.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**Restricted and Unrestricted Revenue and Support** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is unrestricted by the donor is reported as an increase in unrestricted net assets. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are classified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

NeighborWorks America provided no capital grants for the years ended September 30, 2013 and 2012 for capital projects. Any such amounts are permanently restricted although proceeds on the capital projects, or interest earned, over and above the corpus may be transferred to unrestricted net assets for furthering the Organization's mission. However, should the Organization become defunct, all remaining interest earnings, capital projects proceeds, and the capital projects portfolios representing the use of these funds will revert to NeighborWorks America.

**In-kind Contributions and Expenses** - Consulting services, space and supplies used for program purposes are presented in the financial statements at estimated market value and recorded when received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its Child and Family Services programs. K.V.C.A.P. received \$169,713 and \$205,839 worth of non-professional volunteer services during the years ended September 30, 2013 and 2012, respectively. These amounts are not included in the amount recognized in the financial statements at September 30, 2013 and 2012.

**Noncash Contributions** - In December 2012, the State of Maine Department of Transportation transferred title on 26 vehicles to the Organization that were previously leased. Included in this transaction were 5 vehicles gifted to the Organization from the Go Maine program in October 2012. The fair market value of the vehicles was \$885,775, which is included in "Other revenue" in the 2013 statement of activities. Depreciation is being taken on these donated vehicles over their estimated remaining useful lives, which range from 5 years for small passenger type vehicles (i.e. Caravans) to 15 years for larger multi-passenger buses.

**Deferred Revenue** - The Organization records unexpended grant awards that were received prior to year end as deferred revenue until related services are performed, at which time they are recognized as revenue.

**Use of Estimates** - The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**DESCRIPTION OF PROGRAMS**

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**Community Services** – This department is comprised of two divisions. The Health and Social Services division offers programming to first-time parents, provides support services to pregnant and parenting teens, operates an employment education program, participates in a program to prevent child abuse and neglect, and maintains a walk-in teen center. The Transportation division has two components: operating public transit services in the Augusta and Waterville area, and providing door-to-door transportation services through a network of volunteers for medical and social service appointments.

**Child & Family Services** - The Child & Family Services department operates Head Start and Early Head Start programs throughout northern Kennebec and all of Somerset Counties, provides high-quality childcare services to families with children ages 6 weeks to 5 years old, and offers comprehensive Head Start and child care services.

**Energy & Housing Services** - The Energy & Housing Services department provides home weatherization and other energy saving services in Kennebec, Somerset, Lincoln, and Sagadahoc Counties; as well as provides home energy and telephone assistance services, operates home repair/loan programs, and coordinates the distribution of food commodities through a network of 48 food pantries and soup kitchens in Kennebec and Somerset Counties. The department also provides a comprehensive homebuyer education course, individual pre- and post-purchase counseling services, foreclosure prevention counseling, credit counseling, and develops homeownership opportunities through new construction and purchase/rehab activities.

**Agency Services** – The Agency Services department offers programs designed to increase the operations and efficiency of the Organization in regards to providing all other program services.

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**CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

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The Organization maintains their cash balances consisting of checking accounts and savings accounts in financial institutions located in Maine, with the exception of two reserve accounts established at the close of a New Market Tax Credit transaction for Educare Central Maine programming and operations and held at the investor bank's facility in Minnesota. The balances in non-interest bearing accounts were fully insured by the Federal Deposit Insurance Corporation, regardless of the amount on deposit, through December 31, 2012, and up to \$250,000 for deposits in all types of accounts as of January 1, 2013. In addition, one bank has entered into an agreement with the Organization, which provides a collateralized perfected interest in certain securities held by the bank for the checking account balances. As of September 30, 2013 and 2012, the Organization's cash balances were either insured by federal depository agencies or within the bank's collateralized agreement.

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**INVESTMENTS**

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Marketable investments are stated at fair value and consist of the following:

<u>Market</u>	<u>2013</u>	<u>2012</u>
Common and preferred stock	\$ 16,671	9,634



**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**INVESTMENTS, CONTINUED**

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Investment return for KVCAP on the above stocks and bonds is summarized as follows:

	<u>2013</u>	<u>2012</u>
Unrealized gains	\$ 7,037	1,274

The investment in Cony Village, LLC, which KVCAP has a 50% interest, totaled \$734,666 as of September 30, 2013 and 2012.

The investment in KVCAP Real Estate Development, Inc., which KVCAP has a 100% interest, totaled \$1,000 as of September 30, 2013 and 2012.

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**LOANS RECEIVABLE**

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KVCAP receives funds under housing programs where funds are loaned to qualified low-income individuals. Repayments of loans are returned to the revolving fund to allow for additional loans. The loans receivable totaled \$16,619 and \$17,365 at September 30, 2013 and 2012, respectively. No allowance is considered necessary as management feels all amounts will be collected.

KVCAP also receives grant funds from the Maine State Housing Authority, Federal Home Loan Bank, and other funding sources to lend to qualified low-income individuals. These loans are not required to be repaid unless certain provisions of the agreements are not met or followed over a pre-determined amount of time. The time constraints range from 5-20 years depending on the note and the funding source. The amount of these loans receivable totaled \$412,148, less a \$236,024 reserve for uncollectible loans at September 30, 2013 and 2012.

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**LINES OF CREDIT**

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At September 30, 2013 and 2012, the Organization had the following lines of credit available for use:

Working capital line of credit agreement with a bank in the amount of \$500,000. Advances are payable on demand including interest at the base borrowing rate, as the Highest Prime rate as quoted in the Wall Street Journal and are unsecured. The line of credit agreement expires April 1, 2014. Balances at September 30, 2013 and 2012 were \$0 and \$400,000 respectively.

Housing guidance line(s) of credit with a bank in the amount of \$500,000. The guidance line permits advances to be used exclusively for the purchase of real estate of which the bank will hold the first mortgage. Advances to purchase real estate will not exceed 80% of the appraised value. The line of credit expires July 31, 2014, and can be renewed. The following is the detail of open lines of credit at September 30, 2013 and 2012:

Housing line of credit for 58 Village Circle, in Augusta, Maine in the amount of \$149,200. The balance at September 30, 2013 and 2012 was \$0 and \$149,200, respectively.

Housing line of credit for 32 Village Circle, in Augusta, Maine in the amount of \$111,200. The balance at September 30, 2013 and 2012 was \$0 and \$111,200, respectively.



**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**LINES OF CREDIT, CONTINUED**

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Housing line of credit for 30 Village Circle, in Augusta, Maine in the amount of \$112,000. The balance at September 30, 2013 and 2012 was \$112,000 and \$0, respectively.

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**LONG-TERM DEBT**

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At September 30, long-term debt consisted of the following:

	<u>2013</u>	<u>2012</u>
\$64,400 note payable to Kennebec Federal Savings, payable in monthly installments of \$539 including interest at 8.0% through July 2014, secured by 7 Libby Court, Waterville, Maine.     \$	-	6,870
\$40,000 note payable to Skowhegan Savings Bank, payable in monthly installments of \$329 including interest at 7.75% through August 2016, secured by the Skowhegan Child Development Center, Skowhegan, Maine.	9,212	12,317
\$300,000 note payable to Skowhegan Savings Bank, payable in monthly installments of \$2,156 including interest at 7.75% through October 2016, secured by the Boulette Building in Skowhegan, Maine.	211,944	221,013
\$97,900 interest-free forgivable note to the Maine State Housing Authority due May 2017, secured by Augusta T-house. Repayment is deferred until the earlier of a default, sale, transfer, or \$48,950 is to be forgiven at the end of 10 years and the remaining shall be forgiven at 1/10 for years ten through twenty.	19,580	24,475
\$92,500 interest-free forgivable note to the Maine State Housing Authority due May 2017, secured by the Augusta T-house. Repayment is deferred until the earlier of a default, sale, transfer, or \$46,250 is to be forgiven at the end of 10 years and the remaining shall be forgiven at 1/10 for years ten through twenty.	18,500	23,125
\$104,000 note payable to Skowhegan Savings Bank, payable in monthly installments of \$2,443 with 6% interest through February 1, 2014, secured by fleet.	-	37,472
\$250,000 note payable to Genesis Fund, payable in monthly installments of \$4,833 with 6% interest through September 8, 2015, secured by a mortgage deed on property located at 101 Water Street, Waterville.	109,051	158,872

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

**LONG-TERM DEBT, CONTINUED**

<p>\$9,505,755 note payable to CCM Community Development XXIV LLC.          Secured by a leasehold mortgage on the Educare Central Maine Center, 56 Drummond Avenue, Waterville, Maine. Repayment of principal is deferred and unallowable for first seven years with quarterly interest-only payments at .961% through January 1, 2019. On April 1, 2019, quarterly interest and principal payments of \$84,666 will commence through October 1, 2051, secured by leasehold mortgage on Educare Central Maine Center, 56 Drummond Ave., Waterville.</p>			9,505,755	9,505,755
<p>\$2,649,245 note payable to CCM Community Development XXIV LLC.          Secured by a leasehold mortgage on the Educare Central Maine Center, 56 Drummond Avenue, Waterville, Maine. Repayment of principal is deferred and unallowable for first seven years with quarterly interest only payments at .961% through January 1, 2019. On April 1, 2019, quarterly interest and principal payments of \$23,596 will commence through October 1, 2051, secured by leasehold mortgage on Educare Central Maine Center, 56 Drummond Ave., Waterville.</p>			2,649,245	2,649,245
<p>\$54,240 note payable to Kennebec Savings Bank, payable in monthly installments of \$1,237 with 4.5% interest through May 21, 2016, secured by agency copiers.</p>			37,241	50,096
<p>\$108,000 note payable to Skowhegan Savings Bank, payable in monthly installments of \$1,159 including interest at a fixed rate of 5.25% through July 17, 2018. On July 17, 2018, interest will be based on the 5 year FHLB rate + 3.5% through July 28, 2023, secured by property located at 58 Village Circle, Augusta.</p>			106,643	-
			12,667,171	12,689,240
Less current portion			103,469	122,681
<b>Long-term debt</b>			<b>\$ 12,563,702</b>	<b>12,566,559</b>

Maturities on long-term debt are as follows:

<u>Fiscal year</u>	
2014	\$ 103,469
2015	110,660
2016	208,807
2017	19,478
2018	10,494
Thereafter	12,214,263
<b>Total</b>	<b>\$ 12,667,171</b>

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**CHANGE IN NET ASSETS**

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For the year ended September 30, 2013, the change in net assets of \$282,627 was arrived at as follows:

Excess revenue over expenses (before depreciation and agency reserves)	\$ 449,923
Less: Annual depreciation	(165,954)
Net surplus from operations	283,969
Less: Expenses on agency reserves	(1,342)
<b>Total change in net assets</b>	<b>\$ 282,627</b>

The total change in net assets of \$282,627 includes the noncash contribution to the agency of vehicles, offset by noncash expenses related to the New Market Tax Credit transaction for the long-term lease of the Educare Central Maine facility.

For the year ended September 30, 2012, the change in net assets of \$98,590 was arrived at as follows:

Excess revenue over expenses (before depreciation and agency reserves)	\$ 246,143
Less: Annual depreciation	(146,211)
Net surplus from operations	99,932
Less: Expenses on agency reserves	(1,342)
<b>Total change in net assets</b>	<b>\$ 98,590</b>

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**OPERATING LEASES**

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The Organization also leases two postage machines, one in its Skowhegan office and one in its Augusta office. Both leases expire December 2013. Future minimum payments are \$462 due in the subsequent fiscal year. Lease expense for the years ended September 30, 2013 and 2012 was \$1,848.

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**CAPITAL LEASES**

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The Organization entered into a capital lease for equipment (postage machine) during the year ended September 30, 2013. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**CAPITAL LEASES, CONTINUED**

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The following is a schedule by years of future minimum payments required under the lease together with its present value as of September 30, 2013:

Year ended September 30:	
2014	\$ 2,880
2015	2,880
2016	2,880
2017	2,880
2018	2,160
Total minimum lease payments	13,680
Less amount representing interest	(633)
<b><u>Present value of minimum lease payments</u></b>	<b><u>\$ 13,047</u></b>

Amortization of the assets held under the capital leases is included with depreciation expense.

The Organization entered into a capital lease for equipment (postage machine) during the year ended September 30, 2008. The economic substance of the lease was that the Organization was financing the acquisition of the asset through the lease, and, accordingly, it was recorded in the Organization's assets and liabilities. Future minimum payments and its present value of the lease at September 30, 2012 was \$153 due in the subsequent fiscal year. Amortization of the asset held under the capital lease is included with depreciation expense. This lease expired prior to September 30, 2013.

The Organization entered into a capital lease for equipment (telephone system upgrade) during the year ended September 30, 2010. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and, accordingly, they are recorded in the Organization's assets and liabilities.

The following is a schedule by years of future minimum payments required under the lease together with its present value as of September 30, 2013:

Year ended September 30:	
2014	\$ 16,796
2015	5,599
Total minimum lease payments	22,395
Less amount representing interest	(1,915)
<b><u>Present value of minimum lease payments</u></b>	<b><u>\$ 22,560</u></b>

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**CAPITAL LEASES, CONTINUED**

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The following is a schedule by years of future minimum payments required under the lease together with its present value as of September 30, 2012:

Year ended September 30:		
2013	\$	16,796
2014		16,796
2015		7,579
Total minimum lease payments		41,171
Less amount representing interest		(3,922)
<b>Present value of minimum lease payments</b>	<b>\$</b>	<b>37,249</b>

Amortization of the assets held under the capital leases is included with depreciation expense.

In 2011, KVCAP also entered into a capital lease arrangement for real estate including a building, land, furniture and fixtures. The lease term is sixty-five years and a single, lump-sum rental payment was made totaling \$9,025,984. In addition to the lump-sum payment, other costs related to the lease and related financing totaled \$1,277,226. At a discount rate of 3.25% for the lease term, the present value and capitalized fair value of the building and land is \$1,288,601. The balance of the costs, \$8,875,922 at September 30, 2012, and \$8,737,236 at September 30, 2013, is presented as prepaid interest. Both the leased building and the prepaid interest are being amortized over the lease term.

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**RESTRICTIONS ON NET ASSETS**

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Temporarily restricted net assets consist of the following revolving loan funds:

		<u>2013</u>	<u>2012</u>
MSHA housing preservation revolving loan fund	\$	<u>114,647</u>	<u>114,647</u>

Permanently restricted net assets consist of the following:

		<u>2013</u>	<u>2012</u>
NeighborWorks America Loan/Capital Funds	\$	<u>236,077</u>	<u>236,077</u>



**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Financial Statements, Continued**

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**CONCENTRATION OF REVENUE**

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Of the revenues received by the Organization in fiscal year 2013 and 2012, approximately 82% and 83%, respectively, were from state and federal funded grants, contracts and fee agreements. Changes in reimbursement methods or reductions in available funds could adversely affect operations if alternative funding sources are not readily available.

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**COMMITMENTS AND CONTINGENCIES/SUBSEQUENT EVENTS**

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Financial assistance from federal and state governmental entities in the form of grants and fees is subject to adjustment by the grantor. Such adjustments could result in claims against the Organization. No provision has been made for any liabilities that may arise from such grantor adjustments since the amounts, if any cannot be determined at this date.

In December 2011, the Organization received notification from the Maine Human Rights Commission indicating that a complaint had been filed against the Organization alleging illegal discrimination under the Maine Human Rights Act due to a physical disability on the basis of public accommodation and/or employment discrimination. The complaint was filed by a volunteer driver for the Transportation program that is no longer being used to provide services to clients and who was at no time an employee of the Organization. Counsel has been engaged to address this matter and a motion to dismiss the employment discrimination claim was filed in January 2012. In August 2013, the Organization was notified by the Maine Human Rights Commission that there were reasonable grounds to believe that unlawful discrimination did occur and was offered assistance in reaching a settlement. The Organization declined to settle and expects to be served on this matter in the near future and pursue it vigorously in court due to the precedence being set and the ramifications to the volunteer network of providing transportation services. Further action on this matter is pending, and any effect on the financial statements of the Organization is unknown at this time.

In November 2012, notification was received that a complaint had been filed against the Organization, Maine State Housing Authority, and a contractor of the Organization. The complaint was filed by a client of the agency's weatherization program for work that was completed in 2010 alleging that the work damaged their home and requesting a replacement mobile home in settlement. This matter was settled in November 2013 at no cost to the Organization.

In December 2013, notification was received that a complaint had been filed against the Organization by a client of the energy services program. The complaint alleges that work completed by the program between 2007 and 2011 damaged the home and requesting a replacement home in settlement. Further action on this matter is pending, and any effect on the financial statements of the Organization is unknown at this time.

In January 2014, notification was received that another complaint has been filed against the Organization. The complaint was filed by a consumer of the Organization's transit bus service alleging discrimination by the Organization in providing bus service. Further action on this matter is pending, and any effect on the financial statement of the Organization is unknown at this time.

Subsequent events were evaluated through February 25, 2014, which is the date the financial statements were available to be issued, and no events occurred other than those disclosed elsewhere in the notes to the financial statements.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**

**Schedule of Financial Position**

**Educare and Non-Educare Portion**

**September 30, 2013**

	<b>KVCAP Educare</b>	<b>KVCAP Non-Educare</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 66,115	304,342	370,457
Designated cash and cash equivalents	1,657,337	-	1,657,337
Accounts and grants receivable	396,136	1,062,566	1,458,702
Due (to)/from KVCAP Non Educare Programs	(284,963)	284,963	-
Current portion of loans receivable, net	-	970	970
Current portion of prepaid expenses	138,686	199,062	337,748
Total current assets	1,973,311	1,851,903	3,825,214
Property and equipment:			
Land	-	57,787	57,787
Buildings and improvements	1,288,601	2,491,884	3,780,485
Equipment and fixtures	-	1,038,795	1,038,795
Vehicles	-	1,688,969	1,688,969
Total property and equipment	1,288,601	5,277,435	6,566,036
Less: Accumulated depreciation	(37,997)	(2,350,971)	(2,388,968)
Net property and equipment	1,250,604	2,926,464	4,177,068
Other assets:			
Work in progress	-	220,679	220,679
Investments	-	752,337	752,337
Loans receivable, net of current portion	-	191,773	191,773
Prepaid expenses, net of current portion	8,610,107	(11,558)	8,598,549
Total other assets	8,610,107	1,153,231	9,763,338
<b>Total assets</b>	<b>\$ 11,834,022</b>	<b>5,931,598</b>	<b>17,765,620</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Current portion of long-term debt	-	103,469	103,469
Current portion of obligation under capital lease	-	18,364	18,364
Accounts payable	-	567,161	567,161
Short-term notes payable/lines of credit	-	112,000	112,000
Accrued expenses	-	594,113	594,113
Reserves	12,322	69,141	81,463
Due to funding sources	-	117,436	117,436
Deferred revenue	5,000	539,029	544,029
Total current liabilities	17,322	2,120,713	2,138,035
Non-current liabilities:			
Obligation under capital lease, net of current portion	-	17,243	17,243
Long-term debt, net of current portion	12,155,000	408,702	12,563,702
Total non-current liabilities	12,155,000	425,945	12,580,945
Total liabilities	12,172,322	2,546,658	14,718,980
Net assets	(338,300)	3,384,940	3,046,640
<b>Total liabilities and net assets</b>	<b>\$ 11,834,022</b>	<b>5,931,598</b>	<b>17,765,620</b>

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**

**Schedule of Activities**

**Educare and Non-Educare Portion**

**Year ended September 30, 2013**

	<b>KVCAP Educare</b>	<b>KVCAP Non-Educare</b>	<b>Total</b>
Revenues:			
Grants and contracts	\$ 2,315,606	6,918,202	9,233,808
Program revenue	841,266	5,250,031	6,091,297
Other revenue	188,549	1,571,524	1,760,073
Inkind	-	449,602	449,602
<b>Total revenue</b>	<b>3,345,421</b>	<b>14,189,359</b>	<b>17,534,780</b>
Expenses:			
Personnel	1,879,387	5,309,224	7,188,611
Payroll taxes and employee benefits	546,925	1,394,639	1,941,564
Staff development	35,098	61,248	96,346
Travel	18,406	118,821	137,227
Office costs	16,013	159,986	175,999
Insurance	10,703	34,527	45,230
Telecommunications	23,067	126,848	149,915
Space and occupancy	98,491	458,584	557,075
Space and occupancy - inkind	-	440,845	440,845
Contract services	178,646	1,147,155	1,325,801
Contract services - inkind	-	7,035	7,035
Vehicle	-	622,478	622,478
Housing property costs	-	40,488	40,488
Material & supplies	141,018	653,076	794,094
Material & supplies - inkind	-	1,722	1,722
Direct client assistance	556	2,574,992	2,575,548
Administration	(8,032)	(18,330)	(26,362)
Interest	255,714	42,668	298,382
Depreciation	21,482	173,496	194,978
Provision for loan losses	-	-	-
Common carrier	-	476,951	476,951
Other	13,455	194,771	208,226
<b>Total before general and administrative</b>	<b>3,230,929</b>	<b>14,021,224</b>	<b>17,252,153</b>
<b>General and administrative</b>	<b>451,196</b>	<b>(451,196)</b>	<b>-</b>
<b>Total expenses</b>	<b>3,682,125</b>	<b>13,570,028</b>	<b>17,252,153</b>

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**

**Schedule of Cash Flows**

**Educare and Non-Educare Portion**

**Year ended September 30, 2013**

	<b>KVCAP Educare</b>	<b>KVCAP Non-Educare</b>	<b>Total</b>
Cash flows from operating activities:			
Change in net assets	\$ (336,703)	619,330	282,627
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:			
Depreciation	18,172	147,782	165,954
Unrealized (gain)/loss on investment	-	(7,037)	(7,037)
Forgiveness of debt	-	(9,520)	(9,520)
Noncash contributions	-	(885,775)	(885,775)
(Increase) decrease in:			
Accounts and grants receivable	(211,162)	911,201	700,039
Due (to)/from KVCAP Non-Educare	300,053	(300,053)	-
Loans receivable	-	746	746
Prepaid expenses	127,129	(183,957)	(56,828)
Work in progress	-	557,094	557,094
Increase (decrease) in:			
Accounts payable	-	(24,460)	(24,460)
Accrued expenses	-	598	598
Reserves	1,675	(179,666)	(177,991)
Due to funding sources	-	14,963	14,963
Deferred revenue	5,000	220,684	225,684
Net cash provided by (used in) operating activities	(95,836)	881,930	786,094
Cash flows from investing activities:			
Purchase of property and equipment, net of retirements	-	(379,622)	(379,622)
Net cash provided by investing activities	-	(379,622)	(379,622)
Cash flows from financing activities:			
Payments on obligations under capital leases, net	-	(3,832)	(3,832)
Proceeds from (repayment of) long-term debt, net	-	(12,549)	(12,549)
Proceeds from (repayment of) short-term debt, lines of credit, net	-	(548,400)	(548,400)
Net cash provided by financing activities	-	147,118	(564,781)
Increase (decrease) in cash and cash equivalents	(95,836)	(62,473)	(158,309)
Cash and cash equivalents, beginning of year	1,819,288	366,815	2,186,103
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,723,452</b>	<b>304,342</b>	<b>2,027,794</b>
Supplemental cash flow disclosures:			
Cash paid during the year for interest	\$ 116,810	42,291	159,101
Cash paid during the year for taxes	-	-	-
Noncash contributions of vehicles	-	885,775	885,775