



**KENNEBEC VALLEY  
COMMUNITY ACTION PROGRAM  
AND AFFILIATE**

**Consolidated Financial Statements  
Year Ended September 30, 2018**

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## Independent Auditors' Report

To the Board of Directors of  
Kennebec Valley Community Action Program and Affiliate

We have audited the accompanying consolidated financial statements of Kennebec Valley Community Action Program and Affiliate (a Maine nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statement of activities, functional expenses, and cash flows for the year 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 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.

### ***Auditors' 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 misstatements 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.

Board of Directors  
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### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennebec Valley Community Action Program as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules on pages 16-19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of Kennebec Valley Community Action Program and Affiliate'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 and Affiliate's internal control over financial reporting and compliance.

*One River, CPAs*

Oakland, Maine  
June 28, 2019

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidated Statement of Financial Position**  
**September 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,386,825	90,916	159,716	1,637,457
Accounts and grants receivable	2,306,244	-	-	2,306,244
Current portion of loans receivable, net	-	-	1,422	1,422
Prepaid expenses	162,940	-	-	162,940
Total current assets	3,856,009	90,916	161,138	4,108,063
Property and equipment:				
Land	184,191	-	-	184,191
Buildings and improvements	2,578,629	-	-	2,578,629
Equipment and fixtures	724,006	-	-	724,006
Vehicles	2,096,553	-	-	2,096,553
Total property and equipment	5,583,379	-	-	5,583,379
Less: Accumulated depreciation	(2,981,426)	-	-	(2,981,426)
Net property and equipment	2,601,953	-	-	2,601,953
Other assets:				
Work in progress	1,423,148	-	-	1,423,148
Investments	-	-	38,248	38,248
Loans receivable, net of current portion	113,781	-	36,691	150,472
Total other assets	1,536,929	-	74,939	1,611,868
<b>Total assets</b>	<b>\$ 7,994,891</b>	<b>90,916</b>	<b>236,077</b>	<b>8,321,884</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Current portion of long-term debt	218,198	-	-	218,198
Current portion of obligation under capital lease	13	-	-	13
Line of credit	110,400	-	-	110,400
Accounts payable	842,382	-	-	842,382
Accrued expenses	1,558,622	-	-	1,558,622
Reserves	161,810	-	-	161,810
Deferred revenue	1,622,069	-	-	1,622,069
Total current liabilities	4,513,494	-	-	4,513,494
Non-current liabilities:				
Long-term debt, net of current portion	1,069,460	-	-	1,069,460
Total non-current liabilities	1,069,460	-	-	1,069,460
Total liabilities	5,582,954	-	-	5,582,954
Net assets	2,411,937	90,916	236,077	2,738,930
<b>Total liabilities and net assets</b>	<b>\$ 7,994,891</b>	<b>90,916</b>	<b>236,077</b>	<b>8,321,884</b>

*See auditors' report and accompanying notes to financial statements.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidated Statement of Activities**  
**Year ended September 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Grants and contracts	\$ 14,891,233	-	-	14,891,233
Program revenue	10,240,614	-	-	10,240,614
Other revenue	3,345,997	-	-	3,345,997
In-kind	837,793	-	-	837,793
Net assets released from restrictions	23,731	(23,731)	-	-
<b>Total revenues, gains, and other support</b>	<b>29,339,368</b>	<b>(23,731)</b>	<b>-</b>	<b>29,315,637</b>
Expenses:				
Program services:				
Community services	11,571,016	-	-	11,571,016
Energy services	3,882,107	-	-	3,882,107
Child & family services	8,747,797	-	-	8,747,797
Agency services	2,414,002	-	-	2,414,002
Cony Village	142,933	-	-	142,933
<b>Total program expenses</b>	<b>26,757,855</b>	<b>-</b>	<b>-</b>	<b>26,757,855</b>
Supporting services:				
Management & general	1,973,415	-	-	1,973,415
Fundraising	12,692	-	-	12,692
<b>Total supporting services</b>	<b>1,986,107</b>	<b>-</b>	<b>-</b>	<b>1,986,107</b>
<b>Total expenses</b>	<b>28,743,962</b>	<b>-</b>	<b>-</b>	<b>28,743,962</b>
Change in net assets	595,406	(23,731)	-	571,675
Net assets, beginning of year	1,816,531	114,647	236,077	2,167,255
<b>Net assets, end of year</b>	<b>\$ 2,411,937</b>	<b>90,916</b>	<b>236,077</b>	<b>2,738,930</b>

*See auditors' report and accompanying notes to financial statements.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidated Statement of Functional Expenses**  
**Year ended September 30, 2018**

	Program Services						Supporting Services			Total
	Community services	Energy & Housing services	Child & Family services	Agency services	Cony Village, LLC	Total program	Management and general	Fundraising	Total supporting services	
Personnel	\$ 3,227,133	880,259	4,461,677	34,911	-	8,603,980	1,181,080	4,934	1,186,014	9,789,994
Payroll taxes and employee benefits	953,238	298,070	1,452,926	2,633	-	2,706,867	267,751	1,148	268,899	2,975,766
Staff development	10,200	19,659	86,023	476	-	116,358	30,840	95	30,935	147,293
Travel	77,494	29,737	109,109	500	-	216,840	34,284	57	34,341	251,181
Direct client assistance - common carrier	1,932,529	-	-	-	-	1,932,529	-	-	-	1,932,529
Direct client assistance - other	3,773,509	25,212	21,640	-	-	3,820,361	-	-	-	3,820,361
Office costs	39,543	20,661	35,401	1	-	95,606	96,876	521	97,397	193,003
Insurance	6,872	5,879	13,758	1,370	1,135	29,014	43,434	-	43,434	72,448
Telecommunications	101,115	21,676	55,419	502	-	178,712	18,387	-	18,387	197,099
Space and occupancy	60,659	48,966	114,393	17,345	195	241,558	-	-	-	241,558
Space and occupancy - in-kind	-	-	794,216	-	-	794,216	-	-	-	794,216
Contract services	199,759	1,017,932	907,800	19,731	7,219	2,152,441	161,907	-	161,907	2,314,348
Contract services - in-kind	-	-	27,423	-	-	27,423	-	-	-	27,423
Vehicle	831,464	17,842	1,303	(8)	-	850,601	-	-	-	850,601
Housing property costs	5,640	1,381,561	1,736	862	7,139	1,396,938	1,196	-	1,196	1,398,134
Material & supplies	58,308	28,752	266,170	-	-	353,230	39,399	735	40,134	393,364
Material & supplies - in-kind	-	-	16,154	-	-	16,154	-	-	-	16,154
Administration	12,218	3,261	17,219	651	653	34,002	-	19	19	34,021
Interest	19,978	9,538	246,295	3,029	24,491	303,331	479	-	479	303,810
Depreciation	131,671	39,791	34,228	749,404	-	955,094	26,290	-	26,290	981,384
Provision for bad debts/loan losses	-	-	443	74,188	-	74,631	-	-	-	74,631
Other	129,686	33,311	84,464	1,508,407	102,101	1,857,969	71,492	5,183	76,675	1,934,644
<b>Total expenses</b>	<b>\$ 11,571,016</b>	<b>3,882,107</b>	<b>8,747,797</b>	<b>2,414,002</b>	<b>142,933</b>	<b>26,757,855</b>	<b>1,973,415</b>	<b>12,692</b>	<b>1,986,107</b>	<b>28,743,962</b>

*See auditors' report and accompanying notes to financial statements.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE****Consolidated Statement of Cash Flows****Years ended September 30, 2018**

Cash flows from operating activities:		
Change in net assets	\$	571,675
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		981,384
Unrealized (gain)/loss on investment		(2,219)
Gain on disposal, net		(2,839,955)
(Increase) decrease in:		
Accounts and grants receivable		36,002
Loans receivable		77,832
Prepaid expenses		111,410
Work in progress		(89,845)
Increase (decrease) in:		
Accounts payable		224,725
Accrued expenses		559,236
Reserves		(4,239)
Deferred revenue		33,453
Net cash used in operating activities		(340,542)
Cash flows from investing activities:		
Proceeds on sale of investments		89,557
Proceeds on sale of fixed asset		143,477
Purchase of property and equipment		(768,660)
Net cash used in investing activities		(535,626)
Cash flows from financing activities:		
Proceeds from/payments on line of credit, net		54,000
Proceeds from/payments on obligations under capital leases, net		(2,143)
Proceeds from/payments on long-term debt, net		134,488
Net cash provided by financing activities		186,346
Decrease in cash and cash equivalents		(689,822)
Cash and cash equivalents, beginning of year		2,327,279
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>1,637,457</b>
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$	303,810
Cash paid during the year for taxes		-

*See auditors' report and accompanying notes to financial statements.*



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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

Cony Village, LLC, KVCAP's affiliate, is a nonprofit organization dedicated to affordable housing development built to green standards.

**Basis of Accounting** - The consolidated 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 year ending September 30, 2018, \$90,916 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 year ending September 30, 2018, \$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 consolidated financial statements.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2017, 2016, and 2015 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 AND AFFILIATE**  
**Notes to Consolidated Financial Statements, Continued**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**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 consolidated financial statements; Cony Village, LLC was consolidated with the Organization during the year. It also has an investment in KVCAP Real Estate Development, Inc., a for-profit entity which began in 2012.

**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 process consists of expenditures on agency projects which have not been completed during the fiscal year. These will be either capitalized (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 \$192,791 for the year ended September 30, 2018.

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, 5-40 years for building renovations, 5-10 years for equipment, and 5-15 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 \$722,116 for the year ended September 30, 2018.

Depreciation expense for agency facilities totaled \$66,477 for the year ended September 30, 2018. These amounts are recognized as part of the space and occupancy expense line on the Statement of Functional Expenses.

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 AND AFFILIATE**  
**Notes to Consolidated Financial Statements, Continued**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**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 year ended September 30, 2018 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 consolidated 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. KVCAP received \$120,532 worth of non-professional volunteer services during the year ended September 30, 2018. These amounts are not included in the amount recognized in the financial statements at September 30, 2018.

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

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

**Recent Accounting Pronouncements**

*Revenue Recognition*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standard (IFRS). The core principle of the guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for all nonpublic entities' annual periods beginning after December 15, 2018. Management is currently evaluating the impact of adoption on its financial statements.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of companies that lease. The standard is for a dual-model approach; a lessee will account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both will be reported on the statement of financial position of the company for leases with a term exceeding 12 months. Lessors will see some changes, too, largely made to align with the revised lease model. For nonpublic companies, the new leasing standard will apply for fiscal years beginning after December 15, 2019. The standard requires retroactive application to previously issued financial statements for 2019 and 2018, if presented. Management is currently evaluating the impact of adoption on its financial statements.

*Not-for-Profit Entities*

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, to amend current reporting requirements to make several improvements including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018 and 2017, if presented. Management is currently evaluating the impact of adoption on its consolidated financial statements.

**NOTE 2 - DESCRIPTION OF PROGRAMS**

**Community Services** – This department is comprised of two divisions. The Community Initiative 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, operates a regional health navigator program, and maintains a walk-in teen center. The Transportation division has two components: operating public transit services in the Augusta, Waterville, and Skowhegan areas, and providing door-to-door transportation services through a network of volunteers for medical and social service appointments.

**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 providing home energy and telephone assistance services, and operating home repair/loan programs. The department also provides a comprehensive home buyer 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.

**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. All services are provided through partnerships with area school districts, home care providers, other non-profits, and Educare Central Maine in order to reach the most children in the Organization's service area.

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

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**NOTE 2 - DESCRIPTION OF PROGRAMS, CONTINUED**

**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.

**Cony Village, LLC** - Cony Village, LLC offers efficient, low-maintenance home ownership opportunities for low and mixed-income families in the capital area.

**NOTE 3 - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The Organization maintains their cash balances consisting of checking accounts and savings accounts in financial institutions located in Maine, with the exception of a reserve account 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 Federal Deposit Insurance Corporation insures balances up to \$250,000 for all accounts. 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, 2018, the Organization's cash balances were either insured by federal depository agencies or within the bank's collateralized agreement.

**NOTE 4 - INVESTMENTS**

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

	<u>2018</u>
Common and preferred stock	\$ 37,248

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

	<u>2018</u>
Unrealized gains	\$ 2,219

The investment in KVCAP Real Estate Development, Inc., which KVCAP has a 100% interest, totaled \$1,000 at September 30, 2018.

**NOTE 5 - LOANS RECEIVABLE**

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 \$10,948 at September 30, 2018. 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 \$398,750, less a \$302,803 reserve for uncollectible loans at September 30, 2018.

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

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**NOTE 5 - LOANS RECEIVABLE, CONTINUED**

KVCAP served as the developer for the Gerald Senior Residence project in Fairfield, Maine. At the time of closing, there were certain obligations that were not funded due to the cash flow of the project. KVCAP signed three promissory notes with Gerald Hotel Associates LP to provide funding for these obligations. Payment is due as funding becomes available. The amount of these loan receivables totaled \$14,999 at September 30, 2018.

**NOTE 6 - LINES OF CREDIT**

At September 30, 2018, 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, 2020, and it can be renewed. There were no outstanding balances on this line of credit at September 30, 2018

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, 2019, and it can be renewed. The outstanding balance on this line of credit at September 30, 2018 was \$110,400.

**NOTE 7 - LONG-TERM DEBT**

At September 30 2018, long-term debt consisted of the following:

\$300,000 note payable to Skowhegan Savings Bank, payable in monthly installments of \$2,156 including interest at 7.75% through October, 2018, secured by the Boulette Building in Skowhegan, Maine.	\$ 124,203
\$85,170 note payable to Kennebec Savings Bank, payable in monthly installments of \$1,568 including interest at a fixed rate of 3.99% through November 9, 2020, secured by agency vehicles.	55,889
\$94,210 note payable to Kennebec Savings Bank, payable in monthly installments of \$1,735 including interest at a fixed rate of 3.99% through November 21, 2020, secured by agency vehicles.	61,803
\$80,000 note payable to Kennebec Savings Bank, payable in monthly installments of \$1,835 including interest at a fixed rate of 6.00% through March 30, 2022, secured by agency vehicles.	70,831

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

**NOTE 7 - LONG-TERM DEBT, CONTINUED**

<p>\$300,000 note payable to Kennebec Savings Bank, payable in monthly installments of interest only for the first 12 months at a fixed rate of 4.79%. On October 6, 2018, the note will be payable in monthly installments of \$3,151 including interest at a fixed rate of 4.79%. On October 6, 2023, the note will be payable in monthly installments of \$3,167 including interest based on Wall Street Journal Prime + 0.75% and may change annually through September 6, 2028, secured by instrument on the property located at 101 Water Street, Waterville, Maine and 97 Water Street, Waterville, Maine.</p>	300,000
<p>\$60,000 note payable to Kennebec Savings Bank, payable in monthly installments of \$1,132 including interest at a fixed rate of 4.99% through September 6, 2022, secured by agency copiers.</p>	49,164
<p>\$1,000,000 note payable to Kennebec Savings Bank, payable in semi-annual Payments of principal to coincide with the receipt of real estate tax payments including interest at a fixed rate of 6.00% through March 31, 2038, secured by real estate.</p>	166,352
<p>\$954,000 note payable to Kennebec Savings Bank, with interest only installments at a fixed rate of 4.50%. The terms require principal payments in any year that the balance per the original amortization schedule falls below the current balance through July 21, 2027, secured by real estate.</p>	309,416
<p>\$165,000 note payable to Maine State Housing Authority, with no payments or interest due. Forgivable as of the date that the Affordable Homeownership Units in the development have been sold in accordance with the terms through September 6, 2022, secured by real estate.</p>	150,000
	1,287,658
Less current portion	218,198
	<b>\$ 1,069,460</b>

Maturities on long-term debt are as follows:

<u>Fiscal year</u>	
2019	\$ 218,198
2020	99,231
2021	110,358
2022	87,813
2023	88,538
<u>Thereafter</u>	<u>683,520</u>
<b><u>Total</u></b>	<b><u>\$ 1,287,658</u></b>

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

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**NOTE 9 - OPERATING LEASES**

The Organization has noncancelable operating leases for space and equipment that are scheduled to expire at various dates through November 30, 2028. The space leases can be extended beyond the initial term upon mutual agreement of the parties. Rental expenses for those leases were \$35,081 for the year ended September 30, 2018.

Future minimum lease payments under operating leases that have remaining terms in excess of one year beyond September 30, 2018, are:

<u>Fiscal year</u>		
2019	\$	42,488
2020		40,112
2021		40,762
2022		41,438
2023		17,466
<u>Thereafter</u>		<u>46,166</u>
<b><u>Total</u></b>	<b>\$</b>	<b><u>228,432</u></b>

**NOTE 10 - CAPITAL LEASES**

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. Future obligations under this lease totaled \$13 as of September 30, 2018.

**NOTE 11 - RETIREMENT PLAN**

The Organization sponsors a defined contribution plan covering all eligible employees. If an employee does not contribute to the plan, the Organization contributes 2% of the employee's compensation to the Plan. If an employee contributes at least 1% of their compensation, the Organization will match 3% of the employee's compensation. Contributions are determined as a percentage of each employee's salary and amounted to \$271,159 year ended September 30, 2018.

**NOTE 12 - RESTRICTIONS ON NET ASSETS**

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

		<u>2018</u>
MSHA housing preservation revolving loan fund	\$	<u>90,916</u>

Permanently restricted net assets consist of the following:

		<u>2018</u>
NeighborWorks America Loan/Capital Funds	\$	<u>236,077</u>



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

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**NOTE 13 - CONCENTRATION IN REVENUE**

Of the revenues received by the Organization in fiscal year 2018, approximately 73% 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.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES/ SUBSEQUENT EVENTS**

The Organization receives grants and fees from federal and state grantor agencies, which are subject to audit by the granting agency. If instances of non-compliance are found, those audits could result in adjustments to settlements and requests for funds to be returned. As of this date it is not possible to determine liabilities, if any, that may arise from future audits and as such Management has not recorded any provisions in the consolidated financial statements.

The Organization maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Company maintains a reserve for incurred, but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Company will adjust its self-insured medical benefits reserve as the Company's loss experience changes due to medical inflation, changes in the number of plan participants and employee base.

In October 2017, notification was received from the Maine Human Rights Commission indicating that a complaint had been filed against the organization alleging 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 former employee. Counsel has been engaged to address this matter, and a motion to dismiss the claim was filed on December 2017. The former employee's legal counsel has been unresponsive. The Organization's management, in consultation with its legal counsel, views this as a nuisance claim with a low probability of significant loss. Therefore, no provision has been made for any potential liability related to this matter. In the event of an unfavorable outcome, the Organization carries sufficient insurance coverage to cover any potential loss.

Subsequent events were evaluated through the date of this report, which is the date the consolidated financial statements were available to be issued, and no events occurred other than those disclosed elsewhere in the notes to the consolidated financial statements.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidating Statement of Financial Position**  
**September 30, 2018**

Schedule 1

		KVCAP	Cony Village, LLC	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	1,628,294	9,163	-	1,637,457
Accounts and grants receivable		2,306,244	-	-	2,306,244
Current portion of loans receivable, net		1,422	-	-	1,422
Current portion of prepaid expenses		162,940	-	-	162,940
Total current assets		4,098,900	9,163	-	4,108,063
Property and equipment:					
Land		57,100	127,091	-	184,191
Buildings and improvements		2,578,629	-	-	2,578,629
Equipment and fixtures		724,006	-	-	724,006
Vehicles		2,096,553	-	-	2,096,553
Total property and equipment		5,456,288	127,091	-	5,583,379
Less: Accumulated depreciation		(2,981,426)	-	-	(2,981,426)
Net property and equipment		2,474,862	127,091	-	2,601,953
Other assets:					
Work in progress		464,271	958,877	-	1,423,148
Investments		528,933	-	(490,685)	38,248
Loans receivable, net of current portion		120,472	30,000	-	150,472
Total other assets		1,113,676	988,877	(490,685)	1,611,868
<b>Total assets</b>	<b>\$</b>	<b>7,687,438</b>	<b>1,125,131</b>	<b>(490,685)</b>	<b>8,321,884</b>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current portion of long-term debt		214,181	4,017	-	218,198
Current portion of obligation under capital lease		13	-	-	13
Line of credit		110,400	-	-	110,400
Accounts payable		833,704	8,678	-	842,382
Accrued expenses		1,558,622	-	-	1,558,622
Reserves		161,810	-	-	161,810
Deferred revenue		1,622,069	-	-	1,622,069
Total current liabilities		4,500,799	12,695	-	4,513,494
Non-current liabilities:					
Long-term debt, net of current portion		447,709	621,751	-	1,069,460
Total non-current liabilities		447,709	621,751	-	1,069,460
Total liabilities		4,948,508	634,446	-	5,582,954
Net assets:					
Unrestricted		2,411,937	490,685	(490,685)	2,411,937
Temporarily restricted		90,916	-	-	90,916
Permanently restricted		236,077	-	-	236,077
Total net assets		2,738,930	490,685	(490,685)	2,738,930
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>7,687,438</b>	<b>1,125,131</b>	<b>(490,685)</b>	<b>8,321,884</b>

*See auditors' report.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidating Statement of Activities**  
**Year ended September 30, 2018**

Schedule 2

	KVCAP	Cony Village, LLC	Eliminations	Total
Revenues, gains, and other support:				
Grants and contracts	\$ 14,860,195	31,038	-	14,891,233
Program revenue	10,240,614	-	-	10,240,614
Other revenue	3,234,102	60,300	51,595	3,345,997
In-kind	837,793	-	-	837,793
Contribution from related entity	-	10,000	(10,000)	-
Total revenues, gains, and other support	29,172,704	101,338	41,595	29,315,637
Expenses:				
Program services:				
Community services	11,571,016	-	-	11,571,016
Energy services	3,882,107	-	-	3,882,107
Child & family services	8,747,797	-	-	8,747,797
Agency services	2,414,002	-	-	2,414,002
Cony Village	-	142,933	-	142,933
Total program expenses	26,614,922	142,933	-	26,757,855
Supporting services:				
Management & general	1,973,415	-	-	1,973,415
Fundraising	12,692	-	-	12,692
Total supporting services	1,986,107	-	-	1,986,107
Total expenses	28,601,029	142,933	-	28,743,962
Change in net assets	571,675	(41,595)	41,595	571,675
Net assets, beginning of year	2,167,255	532,280	(532,280)	2,167,255
<b>Net assets, end of year</b>	<b>\$ 2,738,930</b>	<b>490,685</b>	<b>(490,685)</b>	<b>2,738,930</b>

*See auditors' report.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidating Statement of Functional Expenses**  
**Year ended September 30, 2018**

Schedule 3

	Program Services						Supporting Services				Total
	KVCAP Community services	KVCAP Energy & Housing services	KVCAP Child & Family services	KVCAP Agency services	Cony Village, LLC	Total Program	Management and general	Fundraising	Total supporting services	Eliminations	
Personnel	\$ 3,227,133	880,259	4,461,677	34,911	-	8,603,980	1,181,080	4,934	1,186,014	-	9,789,994
Payroll taxes and employee benefits	953,238	298,070	1,452,926	2,633	-	2,706,867	267,751	1,148	268,899	-	2,975,766
Staff development	10,200	19,659	86,023	476	-	116,358	30,840	95	30,935	-	147,293
Travel	77,494	29,737	109,109	500	-	216,840	34,284	57	34,341	-	251,181
Direct client assistance - common carrier	1,932,529	-	-	-	-	1,932,529	-	-	-	-	1,932,529
Direct client assistance - other	3,773,509	25,212	21,640	-	-	3,820,361	-	-	-	-	3,820,361
Office costs	39,543	20,661	35,401	1	-	95,606	96,876	521	97,397	-	193,003
Insurance	6,872	5,879	13,758	1,370	1,135	29,014	43,434	-	43,434	-	72,448
Telecommunications	101,115	21,676	55,419	502	-	178,712	18,387	-	18,387	-	197,099
Space and occupancy	60,659	48,966	114,393	17,345	195	241,558	-	-	-	-	241,558
Space and occupancy - in-kind	-	-	794,216	-	-	794,216	-	-	-	-	794,216
Contract services	199,759	1,017,932	907,800	19,731	7,219	2,152,441	161,907	-	161,907	-	2,314,348
Contract services - in-kind	-	-	27,423	-	-	27,423	-	-	-	-	27,423
Vehicle	831,464	17,842	1,303	(8)	-	850,601	-	-	-	-	850,601
Housing property costs	5,640	1,381,561	1,736	862	7,139	1,396,938	1,196	-	1,196	-	1,398,134
Material & supplies	58,308	28,752	266,170	-	-	353,230	39,399	735	40,134	-	393,364
Material & supplies - in-kind	-	-	16,154	-	-	16,154	-	-	-	-	16,154
Administration	12,218	3,261	17,219	651	653	34,002	-	19	19	-	34,021
Interest	19,978	9,538	246,295	3,029	24,491	303,331	479	-	479	-	303,810
Depreciation	131,671	39,791	34,228	749,404	-	955,094	26,290	-	26,290	-	981,384
Provision for bad debts/loan losses	-	-	443	74,188	-	74,631	-	-	-	-	74,631
Other	129,686	33,311	84,464	1,508,407	102,101	1,857,969	71,492	5,183	76,675	-	1,934,644
<b>Total expenses</b>	<b>\$ 11,571,016</b>	<b>3,882,107</b>	<b>8,747,797</b>	<b>2,414,002</b>	<b>142,933</b>	<b>26,757,855</b>	<b>1,973,415</b>	<b>12,692</b>	<b>1,986,107</b>	<b>-</b>	<b>28,743,962</b>

*See auditors' report.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE**  
**Consolidating Statement of Cash Flows**  
**Years ended September 30, 2018**

Schedule 4

	Cony			Total
	KVCAP	Village, LLC	Eliminations	
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 571,675	(51,595)	51,595	571,675
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	981,384	-	-	981,384
Unrealized gain on investment	(2,219)	-	-	(2,219)
Gain on disposal, net	(2,839,955)	-	-	(2,839,955)
Change in investment in affiliate	51,595	-	(51,595)	-
(Increase) decrease in:				
Accounts and grants receivable	36,002	-	-	36,002
Loans receivable	77,832	-	-	77,832
Prepaid expenses	111,429	(19)	-	111,410
Work in progress	(190,779)	100,934	-	(89,845)
Increase (decrease) in:				
Accounts payable	216,047	8,678	-	224,725
Accrued expenses	559,236	-	-	559,236
Reserves	(4,239)	-	-	(4,239)
Deferred revenue	33,453	-	-	33,453
Net cash provided by (used in) operating activities	(398,540)	57,998	-	(340,542)
<b>Cash flows from investing activities:</b>				
Contribution (to) from affiliate	(10,000)	10,000	-	-
Proceeds on sale of investments	89,557	-	-	89,557
Proceeds on sale of fixed asset	142,309	1,168	-	143,477
Purchase of property and equipment	(768,660)	-	-	(768,660)
Net cash provided by (used in) investing activities	(546,794)	11,168	-	(535,626)
<b>Cash flows from financing activities:</b>				
Proceeds from/payments on line of credit, net	110,400	(56,400)	-	54,000
Payments on obligations under capital leases	(2,143)	-	-	(2,143)
Proceeds from/payments on long-term debt, net	138,893	(4,405)	-	134,488
Net cash provided by (used in) financing activities	247,151	(60,805)	-	186,346
Increase (decrease) in cash and cash equivalents	(698,183)	8,361	-	(689,822)
Cash and cash equivalents, beginning of year	2,326,477	802	-	2,327,279
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,628,294</b>	<b>9,163</b>	<b>-</b>	<b>1,637,457</b>
<b>Supplemental cash flow disclosures:</b>				
Cash paid during the year for interest	\$ 279,319	24,491	-	303,810
Cash paid during the year for taxes	-	-	-	-

*See auditors' report.*