



**KENNEBEC VALLEY
COMMUNITY ACTION PROGRAM
AND AFFILIATE**

**Consolidated Financial Statements
Years Ended 2019 and 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 statements of financial position as of September 30, 2019 and 2018 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennebec Valley Community Action Program and Affiliate as of September 30, 2019 and 2018, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules on pages 17-20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020, 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 and Affiliate's internal control over financial reporting and compliance.

One River, CPAs

Oakland, Maine
April 20, 2020

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Consolidated Statement of Financial Position
September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,180,419	186,704	1,367,123	1,457,154	180,303	1,637,457
Accounts and grants receivable	2,282,225	-	2,282,225	2,306,244	-	2,306,244
Current portion of loans receivable, net	-	1,983	1,983	-	1,422	1,422
Prepaid expenses	185,516	-	185,516	162,940	-	162,940
Total current assets	3,648,160	188,687	3,836,847	3,926,338	181,725	4,108,063
Property and equipment:						
Land	183,601	-	183,601	184,191	-	184,191
Buildings and improvements	2,578,629	-	2,578,629	2,578,629	-	2,578,629
Equipment and fixtures	886,549	-	886,549	724,006	-	724,006
Vehicles	2,399,735	-	2,399,735	2,096,553	-	2,096,553
Total property and equipment	6,048,514	-	6,048,514	5,583,379	-	5,583,379
Less: Accumulated depreciation	(3,297,318)	-	(3,297,318)	(2,981,426)	-	(2,981,426)
Net property and equipment	2,751,196	-	2,751,196	2,601,953	-	2,601,953
Other assets:						
Work in progress	1,570,337	108,577	1,678,914	1,314,571	108,577	1,423,148
Investments	39,784	-	39,784	38,248	-	38,248
Loans receivable, net of current portion	98,781	29,729	128,510	113,781	36,691	150,472
Total other assets	1,708,902	138,306	1,847,208	1,466,600	145,268	1,611,868
Total assets	\$ 8,108,258	326,993	8,435,251	7,994,891	326,993	8,321,884
LIABILITIES AND NET ASSETS						
Current liabilities:						
Current portion of long-term debt	140,225	-	140,225	218,198	-	218,198
Current portion of obligation under capital lease	-	-	-	13	-	13
Line of credit	130,000	-	130,000	110,400	-	110,400
Accounts payable	931,513	-	931,513	842,382	-	842,382
Accrued expenses	1,729,405	-	1,729,405	1,558,622	-	1,558,622
Reserves	231,197	-	231,197	161,810	-	161,810
Deferred revenue	1,169,393	-	1,169,393	1,622,069	-	1,622,069
Total current liabilities	4,331,733	-	4,331,733	4,513,494	-	4,513,494
Non-current liabilities:						
Long-term debt, net of current portion	1,053,311	-	1,053,311	1,069,460	-	1,069,460
Total non-current liabilities	1,053,311	-	1,053,311	1,069,460	-	1,069,460
Total liabilities	5,385,044	-	5,385,044	5,582,954	-	5,582,954
Net assets	2,723,214	326,993	3,050,207	2,411,937	326,993	2,738,930
Total liabilities and net assets	\$ 8,108,258	326,993	8,435,251	7,994,891	326,993	8,321,884

See auditors' report and accompanying notes to financial statements.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Consolidated Statement of Activities
Years ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:						
Grants and contracts	\$ 15,695,732	-	15,695,732	14,891,233	-	14,891,233
Program revenue	11,953,192	-	11,953,192	10,240,614	-	10,240,614
Other revenue	446,776	-	446,776	3,345,997	-	3,345,997
In-kind	885,153	-	885,153	837,793	-	837,793
Net assets released from restrictions	-	-	-	23,731	(23,731)	-
Total revenues, gains, and other support	28,980,853	-	28,980,853	29,339,368	(23,731)	29,315,637
Expenses:						
Program services:						
Community services	11,943,391	-	11,943,391	11,571,016	-	11,571,016
Energy services	4,791,872	-	4,791,872	3,882,107	-	3,882,107
Child & family services	9,387,312	-	9,387,312	8,747,797	-	8,747,797
Agency services	249,573	-	249,573	2,399,387	-	2,399,387
Cony Village	262,375	-	262,375	142,933	-	142,933
Total program expenses	26,634,523	-	26,634,523	26,743,240	-	26,743,240
Supporting services:						
Management & general	2,018,627	-	2,018,627	1,988,030	-	1,988,030
Fundraising	16,426	-	16,426	12,692	-	12,692
Total supporting services	2,035,053	-	2,035,053	2,000,722	-	2,000,722
Total expenses	28,669,576	-	28,669,576	28,743,962	-	28,743,962
Change in net assets	311,277	-	311,277	595,406	(23,731)	571,675
Net assets, beginning of year	2,411,937	326,993	2,738,930	1,816,531	350,724	2,167,255
Net assets, end of year	\$ 2,723,214	326,993	3,050,207	2,411,937	326,993	2,738,930

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, 2019

	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	\$ 2,851,937	1,080,138	4,714,730	4,806	-	8,651,611	1,085,964	2,685	1,088,649	9,740,260
Payroll taxes and employee benefits	859,797	355,422	1,535,964	3,075	-	2,754,258	264,638	975	265,613	3,019,871
Staff development	10,183	23,151	108,435	182	-	141,951	31,259	-	31,259	173,210
Travel	56,101	39,378	168,577	25	-	264,081	35,439	-	35,439	299,520
Direct client assistance - common carrier	2,521,135	-	-	-	-	2,521,135	-	-	-	2,521,135
Direct client assistance - other	4,022,946	2,485,643	10,682	-	-	6,519,271	-	-	-	6,519,271
Office costs	15,207	10,425	102,509	7,839	601	136,581	86,464	-	86,464	223,045
Insurance	500	5,278	11,816	4,087	1,089	22,770	47,219	-	47,219	69,989
Telecommunications	135,221	29,418	63,162	76	-	227,877	16,838	-	16,838	244,715
Space and occupancy	168,663	170,904	156,588	14,077	194	510,426	422	-	422	510,848
Space and occupancy - in-kind	-	-	817,783	-	-	817,783	-	-	-	817,783
Contract services	201,395	315,104	1,125,814	3,192	157,287	1,802,792	329,076	1,764	330,840	2,133,632
Contract services - in-kind	-	-	59,088	-	-	59,088	-	-	-	59,088
Vehicle	878,134	18,661	-	-	-	896,795	211	-	211	897,006
Housing property costs	-	82,415	-	15	75,632	158,062	-	-	-	158,062
Material & supplies	39,751	55,252	328,142	2,944	-	426,089	36,669	1,431	38,100	464,189
Material & supplies - in-kind	-	-	8,282	-	-	8,282	-	-	-	8,282
Administration	15,280	5,961	24,866	25	-	46,132	-	14	14	46,146
Interest	23,095	15,727	2,502	1,261	27,572	70,157	280	-	280	70,437
Depreciation	101,120	49,734	22,198	165,492	-	338,544	37,286	-	37,286	375,830
Provision for bad debts/loan losses	1,245	100	1,970	37,680	-	40,995	-	1,218	1,218	42,213
Other	41,681	49,161	124,204	4,797	-	219,843	46,862	8,339	55,201	275,044
Total expenses	\$ 11,943,391	4,791,872	9,387,312	249,573	262,375	26,634,523	2,018,627	16,426	2,035,053	28,669,576

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	66,673	29,737	109,109	500	-	206,019	34,284	57	34,341	240,360
Direct client assistance - common carrier	1,932,529	-	-	-	-	1,932,529	-	-	-	1,932,529
Direct client assistance - other	3,862,334	1,986,626	17,292	-	-	5,866,252	-	-	-	5,866,252
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	48,066	114,393	17,345	195	240,658	-	-	-	240,658
Space and occupancy - in-kind	-	-	794,216	-	-	794,216	-	-	-	794,216
Contract services	199,759	393,465	907,800	19,731	7,219	1,527,974	161,907	-	161,907	1,689,881
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	46,037	1,736	862	7,139	61,414	1,196	-	1,196	62,610
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	51,682	32,788	88,812	1,493,792	102,101	1,769,175	86,107	5,183	91,290	1,860,465
Total expenses	\$ 11,571,016	3,882,107	8,747,797	2,399,387	142,933	26,743,240	1,988,030	12,692	2,000,722	28,743,962

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 311,277	571,675
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	375,830	981,384
Gain on investment	(1,536)	(2,219)
Gain on disposal, net	-	(2,839,955)
(Increase) decrease in:		
Accounts and grants receivable	24,019	36,002
Loans receivable	21,401	77,832
Prepaid expenses	(22,576)	111,410
Work in progress	(255,766)	(89,845)
Increase (decrease) in:		
Accounts payable	89,131	224,725
Accrued expenses	170,783	559,236
Reserves	69,387	(4,239)
Deferred revenue	(452,676)	33,453
Net cash provided by (used in) operating activities	329,274	(340,541)
Cash flows from investing activities:		
Proceeds on sale of investments	-	89,557
Proceeds on sale of fixed asset	590	143,477
Purchase of property and equipment	(525,663)	(768,660)
Net cash used in investing activities	(525,073)	(535,626)
Cash flows from financing activities:		
Proceeds from/payments on line of credit, net	19,600	54,000
Proceeds from/payments on obligations under capital leases, net	(13)	(2,143)
Proceeds from/payments on long-term debt, net	(94,122)	134,488
Net cash provided by (used in) financing activities	(74,535)	186,345
Decrease in cash and cash equivalents	(270,334)	(689,822)
Cash and cash equivalents, beginning of year	1,637,457	2,327,279
Cash and cash equivalents, end of year	\$ 1,367,123	1,637,457
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$ 70,437	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 Consolidated Financial Statements**

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.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of KVCAP and its affiliated supporting organization, Cony Village, LLC. All significant interorganizational transactions and balances have been eliminated in consolidation.

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 two classes of net assets as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - 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, or must be maintained permanently by the Organization. For the years ending September 30, 2019 and 2018, \$326,993 of the Organization's net assets have donor restrictions.

Functional Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses. Such allocations are determined by management on an equitable basis. Accordingly, certain costs have been allocated amongst: Community Services, Energy & Housing Services, Child & Family Services, Agency Services, Cony Village, and the administrative and fundraising functions that support the aforementioned Programs.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Travel	Time and effort
Direct Client Assistance	Cost/use
Legal & Accounting	Cost/use
Contract Services	Cost/use
Office Costs & Supplies	Cost/use
Space and Occupancy	Cost/use/square footage
Depreciation	Cost/use/square footage
Insurance	Cost/use/square footage
Other	Time and effort

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2018, 2017, and 2016 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.

Investments - The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the consolidated 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 consolidation method of accounting in its consolidated financial statements. 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 \$162,917 and \$192,791 for the years September 30, 2019 and 2018, 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, 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 \$212,913 and \$788,593 for the years ended September 30, 2019 and 2018, respectively.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The cost of the Educare Central Maine owned facility, which is used by the Organization in connection with its Child and Family Services program, is not reflected in the statements of financial position because asset titles remain with the Educare Central Maine. The Organization has reported contribution revenue and program expense amounting to \$817,783 and \$794,216 in the accompanying consolidated statement of activities for the free use of the facility during the years ended September 30, 2019 and 2018, respectively.

Contributions - Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are received without donor restrictions are reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are classified to net assets without donor restriction.

NeighborWorks America provided no additional capital grants for the years ended September 30, 2019 and 2018 for capital projects. Any such amounts previously contributed are held with restriction, although proceeds on the capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restrictions 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 \$407,965 and \$120,532 worth of non-professional volunteer services during the years ended September 30, 2019 and 2018, respectively. These amounts are not included in the amount recognized in the consolidated financial statements September 30, 2019 and 2018, because they don't meet the criteria for recognition.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recently Adopted Accounting Pronouncements

Not-for-Profit Entities

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Kennebec Valley Community Action Program and Affiliate has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 consolidated financial statements

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, 2020. 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 consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

NOTE 2 - DESCRIPTION OF PROGRAMS

Community Services – This department is comprised of two divisions. The Social Services division offers programming to first-time parents, provides support services to pregnant and parenting teens, and participates in a program to prevent child abuse and neglect. 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. Community Initiatives, which includes the operation of employment education and resource navigator programs and maintaining a walk-in teen center, was combined with Energy & Housing Services in fiscal year 2018 as part of their Community Building and Engagement work.

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.

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. 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, 2019 and 2018, the Organization's cash balances were either insured by federal depository agencies or within the bank's collateralized agreement.

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

NOTE 4 - INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
ETFs	\$ 38,784	37,248

Investment return for KVCAP on the above ETFs are summarized as follows:

	<u>2019</u>	<u>2018</u>
Unrealized gains	\$ 3,257	2,219

The investment in KVCAP Real Estate Development, Inc., which KVCAP has a 100% interest, totaled \$1,000 at September 30, 2019 and 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 \$9,196 and \$10,948 at September 30, 2019 and 2018, 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 \$364,916, less a \$273,619 reserve for uncollectible loans at September 30, 2019; and \$398,750, less a \$302,803 reserve for uncollectible loans at September 30, 2018.

KVCAP's affiliate holds a forgivable promissory note for affordable housing from another non-profit organization. This note is forgivable after a term of 30 years. The loan receivable totaled \$30,000 at September 30, 2019 and 2018.

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 \$0 and \$14,999 at September 30, 2019 and 2018, respectively.

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

NOTE 6 - LINES OF CREDIT

At September 30, 2019 and 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 August 1, 2020, and it can be renewed. There were no outstanding balances on this line of credit at September 30, 2019 and 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 December 31, 2020, and it can be renewed. The outstanding balance on this line of credit at September 30, 2019 and 2018 was \$130,000 and \$110,400, respectively.

NOTE 7 - LONG-TERM DEBT

At September 30, 2019 and 2018, long-term debt consisted of the following:

	<u>2019</u>	<u>2018</u>
\$300,000 note payable to Skowhegan Savings Bank, payable in monthly installments of \$2,156 including interest at 7.75% through October 15, 2023, secured by the Boulette Building in Skowhegan, Maine.	\$ 88,208	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, with a final balloon payment due on the maturity date equal to unpaid principal and accrued and unpaid interest, secured by agency vehicles.	38,995	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, with a final balloon payment due on the maturity date equal to unpaid principal and accrued and unpaid interest, secured by agency vehicles	43,133	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	51,791	70,831
\$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 +.75% any may change annually through September 6, 2028. The note is secured by instrument on the property located at 101 Water Street, Waterville, Maine and 97 Water Street, Waterville, Maine.	276,000	300,000

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

NOTE 7 - LONG-TERM DEBT, CONTINUED

\$105,115 note payable to Kennebec Savings Bank, payable in monthly installments of \$1,961 including interest at a fixed rate of 5.7% through March 14, 2024, secured by agency vehicles	93,180	-
\$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.	37,775	49,164
\$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.	161,439	166,352
\$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 June 21, 2027, secured by real estate.	253,015	309,416
\$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 January 1, 2024, secured by real estate.	150,000	150,000
	1,193,536	1,287,658
Less current portion	140,225	218,198
Long-term debt	\$ 1,053,311	1,069,460

Maturities on long-term debt are as follows:

<u>Fiscal year</u>	
2020	\$ 140,225
2021	154,450
2022	104,037
2023	74,071
2024	198,716
<u>Thereafter</u>	<u>522,037</u>
<u>Total</u>	<u>\$ 1,193,536</u>

NOTE 8 - 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 \$45,414 and \$35,081 for the years ended September 30, 2019 and 2018, respectively.

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

NOTE 8 - OPERATING LEASES, CONTINUED

Future minimum lease payments under operating leases that have remaining terms in excess of one year beyond September 30, 2019, are:

<u>Fiscal year</u>		
2020	\$	45,008
2021		40,764
2022		35,486
2023		17,466
2024		10,967
<u>Thereafter</u>		<u>36,667</u>
<u>Total</u>	\$	<u>186,358</u>

NOTE 9 - 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 \$0 and \$13 as of September 30, 2019 and 2018, respectively.

NOTE 10 - 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 \$274,782 and \$271,159 years ended September 30, 2019 and 2018, respectively.

NOTE 11 – NET ASSETS

Net assets with donor restrictions were as follows for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
MSHA housing preservation revolving loan fund	\$ 90,916	90,916
NeighborWorks America Loan/Capital Funds	236,077	236,077
<u>Total</u>	\$ 326,993	<u>326,993</u>

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

NOTE 11 – NET ASSETS, CONTINUED

Net assets without donor restrictions for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 2,425,748	2,274,207
Board designated:		
Agency Reserves	4,809	6,150
Educare Building Reserve	292,657	131,580
<u>Total</u>	<u>\$ 2,723,214</u>	<u>2,411,937</u>

Net assets released from net assets with donor restrictions were as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of Restrictions:		
MSHA housing preservation revolving loan fund	\$ -	23,731
<u>Total</u>	<u>\$ -</u>	<u>23,731</u>

NOTE 12 - AVAILIBILITY AND LIQUIDITY

As of September 30, 2019, the Organization has a working capital (deficit) of (\$494,886). The Organization has a goal to structure its financial assets so as to have enough liquid assets available to cover general expenses, liabilities, and other obligations for 60 days. In the event of an unanticipated liquidity need, the Organization can draw upon funds available under its line of credit (as discussed in Note 6).

Financial assets available for general expenditure within one year at September 30, 2019, consist of the following:

Financial assets at year-end:		
Cash and cash equivalents	\$	1,367,123
Accounts and grants receivable		2,282,225
Total financial assets		3,649,348
Less net assets not available for general expenditure in the next year:		
Net assets with donor restrictions		(326,993)
Board designated		(297,466)
Financial assets available for general expenditure within one year	\$	<u>3,024,889</u>

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

NOTE 13 - CONCENTRATION IN REVENUE

Of the revenues received by the Organization in fiscal years 2019 and 2018, approximately 83% and 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.

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 and below.

In November 2019, KVCAP's Board of Directors signed an Agreement and Plan of Merger with Western Maine Community Action (WMCA). Both Organizations see this union as a way to strengthen their abilities to serve their communities and carry out their missions. The Merger will be effective on or before June 30, 2020.

On March 11, 2020, the World Health Organization declared a pandemic related to a novel strain of coronavirus disease ("COVID-19"). The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's business. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material effect on the Organization's business, results of operations, financial condition and cash flows.

In connection with this disaster, in April 2020 the Organization closed on a U.S. Small Business Administration (SBA) Payment Protection Program Loan with a local financial institution for \$2,066,921. These loans are issued under the United States' Coronavirus Aid, Relief, and Economic Security (CARES) Act, and are forgivable provided compliance with their terms.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Consolidating Statement of Financial Position
Year Ended September 30, 2019
(with comparative totals for 2018)

Schedule 1

	2019				2018 Total
	KVCAP	Cony Village, LLC	Eliminations	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,126,548	240,575	-	1,367,123	1,637,457
Accounts and grants receivable	2,434,417	-	(152,192)	2,282,225	2,306,244
Current portion of loans receivable, net	1,983	-	-	1,983	1,422
Current portion of prepaid expenses	185,516	-	-	185,516	162,940
Total current assets	3,748,464	240,575	(152,192)	3,836,847	4,108,063
Property and equipment:					
Land	57,100	126,501	-	183,601	184,191
Buildings and improvements	2,578,629	-	-	2,578,629	2,578,629
Equipment and fixtures	886,549	-	-	886,549	724,006
Vehicles	2,399,735	-	-	2,399,735	2,096,553
Total property and equipment	5,922,013	126,501	-	6,048,514	5,583,379
Less: Accumulated depreciation	(3,297,318)	-	-	(3,297,318)	(2,981,426)
Net property and equipment	2,624,695	126,501	-	2,751,196	2,601,953
Other assets:					
Work in progress	773,308	905,606	-	1,678,914	1,423,148
Investments	494,454	-	(454,670)	39,784	38,248
Loans receivable, net of current portion	98,510	30,000	-	128,510	150,472
Total other assets	1,366,272	935,606	(454,670)	1,847,208	1,611,868
Total assets	\$ 7,739,431	1,302,682	(606,862)	8,435,251	8,321,884
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current portion of long-term debt	134,958	5,267	-	140,225	218,198
Current portion of obligation under capital lease	-	-	-	-	13
Line of credit	-	130,000	-	130,000	110,400
Accounts payable	930,147	153,558	(152,192)	931,513	842,382
Accrued expenses	1,729,405	-	-	1,729,405	1,558,622
Reserves	231,197	-	-	231,197	161,810
Deferred revenue	1,169,393	-	-	1,169,393	1,622,069
Total current liabilities	4,195,100	288,825	(152,192)	4,331,733	4,513,494
Non-current liabilities:					
Long-term debt, net of current portion	494,124	559,187	-	1,053,311	1,069,460
Total non-current liabilities	494,124	559,187	-	1,053,311	1,069,460
Total liabilities	4,689,224	848,012	(152,192)	5,385,044	5,582,954
Net assets:					
Without Donor Restrictions	2,723,214	454,670	(454,670)	2,723,214	2,411,937
With Donor Restrictions	326,993	-	-	326,993	326,993
Total net assets	3,050,207	454,670	(454,670)	3,050,207	2,738,930
Total liabilities and net assets	\$ 7,739,431	1,302,682	(606,862)	8,435,251	8,321,884

See auditors' report.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Consolidating Statement of Activities
Year ended September 30, 2019
(with comparative totals for 2018)

Schedule 2

	2019				2018 Total
	KVCAP	Cony Village, LLC	Eliminations	Total	
Revenues, gains, and other support:					
Grants and contracts	\$ 15,658,128	37,604	-	15,695,732	14,891,233
Program revenue	12,105,383	-	(152,191)	11,953,192	10,240,614
Other revenue	222,004	188,757	36,015	446,776	3,345,997
In-kind	885,153	-	-	885,153	837,793
Total revenues, gains, and other support	28,870,668	226,361	(116,176)	28,980,853	29,315,637
Expenses:					
Program services:					
Community services	11,943,391	-	-	11,943,391	11,571,016
Energy services	4,944,063	-	(152,191)	4,791,872	3,882,107
Child & family services	9,387,312	-	-	9,387,312	8,747,797
Agency services	249,573	-	-	249,573	2,399,387
Cony Village	-	262,375	-	262,375	142,933
Total program expenses	26,524,339	262,375	(152,191)	26,634,523	26,743,240
Supporting services:					
Management & general	2,018,627	-	-	2,018,627	1,988,030
Fundraising	16,426	-	-	16,426	12,692
Total supporting services	2,035,053	-	-	2,035,053	2,000,722
Total expenses	28,559,392	262,375	(152,191)	28,669,576	28,743,962
Change in net assets	311,276	(36,014)	36,015	311,277	571,675
Net assets, beginning of year	2,738,930	490,685	(490,685)	2,738,930	2,167,255
Net assets, end of year	\$ 3,050,206	454,671	(454,670)	3,050,207	2,738,930

See auditors' report.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Consolidating Statement of Functional Expenses
Year ended September 30, 2019
(with comparative totals for 2018)

Schedule 3

	Program Services						Supporting Services					2018 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	Total	
Personnel	\$ 2,851,937	1,080,138	4,714,730	4,806	-	8,651,611	1,085,964	2,685	1,088,649	-	9,740,260	9,789,994
Payroll taxes and employee benefits	859,797	355,422	1,535,964	3,075	-	2,754,258	264,638	975	265,613	-	3,019,871	2,975,766
Staff development	10,183	23,151	108,435	182	-	141,951	31,259	-	31,259	-	173,210	147,293
Travel	56,101	39,378	168,577	25	-	264,081	35,439	-	35,439	-	299,520	240,360
Direct client assistance - common carrier	2,521,135	-	-	-	-	2,521,135	-	-	-	-	2,521,135	1,932,529
Direct client assistance - other	4,022,946	2,485,643	10,682	-	-	6,519,271	-	-	-	-	6,519,271	5,866,252
Office costs	15,207	10,425	102,509	7,839	601	136,581	86,464	-	86,464	-	223,045	193,003
Insurance	500	5,278	11,816	4,087	1,089	22,770	47,219	-	47,219	-	69,989	72,448
Telecommunications	135,221	29,418	63,162	76	-	227,877	16,838	-	16,838	-	244,715	197,099
Space and occupancy	168,663	170,904	156,588	14,077	194	510,426	422	-	422	-	510,848	240,658
Space and occupancy - in-kind	-	-	817,783	-	-	817,783	-	-	-	-	817,783	794,216
Contract services	201,395	463,133	1,125,814	3,192	157,287	1,950,821	329,076	1,764	330,840	(148,029)	2,133,632	1,689,881
Contract services - in-kind	-	-	59,088	-	-	59,088	-	-	-	-	59,088	27,423
Vehicle	878,134	18,661	-	-	-	896,795	211	-	211	-	897,006	850,601
Housing property costs	-	82,415	-	15	75,632	158,062	-	-	-	-	158,062	62,610
Material & supplies	39,751	55,252	328,142	2,944	-	426,089	36,669	1,431	38,100	-	464,189	393,364
Material & supplies - in-kind	-	-	8,282	-	-	8,282	-	-	-	-	8,282	16,154
Administration	15,280	5,961	24,866	25	-	46,132	-	14	14	-	46,146	34,021
Interest	23,095	19,288	2,502	1,261	27,572	73,718	280	-	280	(3,561)	70,437	303,810
Depreciation	101,120	49,734	22,198	165,492	-	338,544	37,286	-	37,286	-	375,830	981,384
Provision for bad debts/loan losses	1,245	100	1,970	37,680	-	40,995	-	1,218	1,218	-	42,213	74,631
Other	41,681	49,762	124,204	4,797	-	220,444	46,862	8,339	55,201	(601)	275,044	1,860,465
Total expenses	\$ 11,943,391	4,944,063	9,387,312	249,573	262,375	26,786,714	2,018,627	16,426	2,035,053	(152,191)	28,669,576	28,743,962

See auditors' report.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Consolidating Statement of Cash Flows
Year ended September 30, 2019
(with comparative totals for 2018)

Schedule 4

	2019				2018 Total
	KVCAP	Cony Village, LLC	Eliminations	Total	
Cash flows from operating activities:					
Change in net assets	\$ 311,277	(36,015)	36,015	311,277	571,675
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	375,830	-	-	375,830	981,384
Gain on investment	(1,536)	-	-	(1,536)	(2,219)
Gain on disposal, net	-	-	-	-	(2,839,955)
Change in investment in affiliate	36,015	-	(36,015)	-	-
(Increase) decrease in:					
Accounts and grants receivable	(128,173)	-	152,192	24,019	36,002
Loans receivable	21,401	-	-	21,401	77,832
Prepaid expenses	(22,576)	-	-	(22,576)	111,410
Work in progress	(309,037)	53,271	-	(255,766)	(89,845)
Increase (decrease) in:					
Accounts payable	96,443	144,880	(152,192)	89,131	224,725
Accrued expenses	170,783	-	-	170,783	559,236
Reserves	69,387	-	-	69,387	(4,239)
Deferred revenue	(452,676)	-	-	(452,676)	33,453
Net cash provided by (used in) operating activities	167,138	162,136	-	329,274	(340,541)
Cash flows from investing activities:					
Proceeds on sale of investments	-	-	-	-	89,557
Proceeds on sale of fixed asset	-	590	-	590	143,477
Purchase of property and equipment	(525,663)	-	-	(525,663)	(768,660)
Net cash provided by (used in) investing activities	(525,663)	590	-	(525,073)	(535,626)
Cash flows from financing activities:					
Proceeds from/payments on line of credit, net	(110,400)	130,000	-	19,600	54,000
Payments on obligations under capital leases	(13)	-	-	(13)	(2,143)
Proceeds from/payments on long-term debt, net	(32,808)	(61,314)	-	(94,122)	134,488
Net cash provided by (used in) financing activities	(143,221)	68,686	-	(74,535)	186,345
Increase (decrease) in cash and cash equivalents	(501,746)	231,412	-	(270,334)	(689,822)
Cash and cash equivalents, beginning of year	1,628,294	9,163	-	1,637,457	2,327,279
Cash and cash equivalents, end of year	\$ 1,126,548	240,575	-	1,367,123	1,637,457
Supplemental cash flow disclosures:					
Cash paid during the year for interest	\$ 42,865	27,572	-	70,437	303,810
Cash paid during the year for taxes	-	-	-	-	-

See auditors' report.