

**CONNECTIONS CSP, INC.**

**SINGLE AUDIT PACKAGE**

**JUNE 30, 2010**

**CONNECTIONS CSP, INC.**

**SINGLE AUDIT PACKAGE**

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**CONNECTIONS CSP, INC.**

**SECTION I**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

CONNECTIONS CSP, INC.

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## Whisman Giordano & Associates, LLC

### INDEPENDENT AUDITORS' REPORT

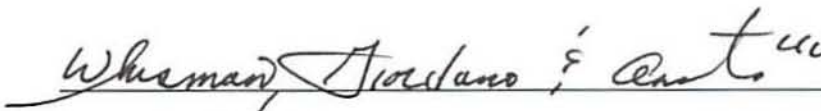
Connections CSP, Inc.  
Wilmington, Delaware

We have audited the accompanying consolidated statements of financial position of Connections CSP, Inc. as of June 30, 2010 and 2009, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the entity's management. 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Connections CSP, Inc. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2010, on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



September 22, 2010

*Certified Public Accountants & Consultants*

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**CONNECTIONS CSP, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	<b>ASSETS</b>	
	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 988,338	\$ 615,522
Investments	88,507	302,049
Accounts and grants receivable	1,669,616	1,818,730
Inventory	4,116	3,333
Prepaid expenses	225,122	241,271
Reserves	189,766	146,957
Deposits	98,985	90,970
Property and equipment	15,042,634	13,175,509
Construction in progress	4,291,376	1,446,175
Debt issue costs	279,811	292,657
Client deposits	535,212	627,320
Other assets	45,284	57,101
<b>TOTAL ASSETS</b>	<b>\$ 23,458,767</b>	<b>\$ 18,817,594</b>

<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,575,845	\$ 844,124
Accrued payroll and related costs	676,608	409,184
Deferred revenue	244,928	-
Short term debt	-	642,500
Long-term debt	12,385,577	9,893,305
Fair value of interest rate swap	162,000	31,000
Client deposits	535,212	627,320
Security deposits	34,015	35,010
<b>Total liabilities</b>	<b>15,614,185</b>	<b>12,482,443</b>
<b>NET ASSETS</b>		
Unrestricted:		
Controlling interests	6,805,650	6,382,868
Non-controlling interests	1,038,932	(47,717)
<b>Total unrestricted</b>	<b>7,844,582</b>	<b>6,335,151</b>
<b>Total net assets</b>	<b>7,844,582</b>	<b>6,335,151</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,458,767</b>	<b>\$ 18,817,594</b>

*See accompanying notes to consolidated financial statements.*

CONNECTIONS CSP, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Net patient service revenue	\$ 21,589,047	\$ -	\$ 21,589,047
Resident and administration fees	1,981,169	-	1,981,169
Employment	610,713	-	610,713
Contributions	898,198	-	898,198
Other revenue	267,714	-	267,714
Released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<b>25,346,841</b>	<b>-</b>	<b>25,346,841</b>
<b>EXPENSES</b>			
Treatment programs	9,895,485	-	9,895,485
Housing programs	14,025,546	-	14,025,546
Employment	674,351	-	674,351
Fund raising	<u>197,580</u>	<u>-</u>	<u>197,580</u>
<b>Total expenses</b>	<b><u>24,792,962</u></b>	<b><u>-</u></b>	<b><u>24,792,962</u></b>
<b>INCOME FROM OPERATIONS</b>	<b>553,879</b>	<b>-</b>	<b>553,879</b>
<b>OTHER INCOME (EXPENSE)</b>			
Gains (loss) on disposal of assets	-	-	-
Change in fair value of interest rate swap	<u>(131,000)</u>	<u>-</u>	<u>(131,000)</u>
<b>Total other income (expense)</b>	<b><u>(131,000)</u></b>	<b><u>-</u></b>	<b><u>(131,000)</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>422,879</b>	<b>-</b>	<b>422,879</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>	<b>6,335,151</b>	<b>-</b>	<b>6,335,151</b>
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,086,552</u>	<u>-</u>	<u>1,086,552</u>
<b>NET ASSETS – END OF YEAR</b>	<b><u>\$ 7,844,582</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,844,582</u></b>

See accompanying notes to consolidated financial statements.

CONNECTIONS CSP, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
<b>REVENUES</b>			
Net patient service revenue	\$ 18,331,153	\$ -	\$ 18,331,153
Resident and administration fees	1,497,829	-	1,497,829
Contributions	215,688	-	215,688
Other revenue	277,219	-	277,219
Released from restriction	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
 Total revenues	 20,336,889	 (15,000)	 20,321,889
<b>EXPENSES</b>			
Treatment programs	8,417,812	-	8,417,812
Housing programs	11,346,639	-	11,346,639
Employment	57,675	-	57,675
Fund raising	<u>138,026</u>	<u>-</u>	<u>138,026</u>
 Total expenses	 <u>19,960,152</u>	 <u>-</u>	 <u>19,960,152</u>
 INCOME FROM OPERATIONS	 376,737	 (15,000)	 361,737
<b>OTHER INCOME (EXPENSE)</b>			
Gains (loss) on disposal of assets	1,713	-	1,713
Change in fair value of interest rate swap	<u>(31,000)</u>	<u>-</u>	<u>(31,000)</u>
 Total other income (expense)	 <u>(29,287)</u>	 <u>-</u>	 <u>(29,287)</u>
 CHANGE IN NET ASSETS	 347,450	 (15,000)	 332,450
 NET ASSETS – BEGINNING OF YEAR	 <u>5,987,701</u>	 <u>15,000</u>	 <u>6,002,701</u>
 NET ASSETS – END OF YEAR	 <u>\$ 6,335,151</u>	 <u>\$ -</u>	 <u>\$ 6,335,151</u>

*See accompanying notes to consolidated financial statements.*

CONNECTIONS CSP, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Treatment Services</u>	<u>Housing Services</u>	<u>Employment Services</u>	<u>Fund Raising</u>	<u>Totals</u>
<b>EXPENSES</b>					
Salaries and wages	\$ 5,166,820	\$ 5,999,553	\$ 416,318	\$ 63,441	\$ 11,646,132
Payroll taxes	357,310	437,046	30,681	4,657	829,694
Employee benefits	634,156	1,056,652	51,407	7,286	1,749,501
Staff training	<u>53,527</u>	<u>47,161</u>	<u>1,876</u>	<u>208</u>	<u>102,772</u>
	6,211,813	7,540,412	500,282	75,592	14,328,099
Occupancy	735,437	1,837,327	38,903	12,151	2,623,818
Transportation	393,170	263,243	7,241	122	663,776
Client costs	985,463	2,157,942	3,652	-	3,147,057
Operating	559,941	800,438	79,019	101,046	1,540,444
Indirect	660,452	872,224	39,164	8,593	1,580,433
Bad debts	78,898	18,872	2,289	50	100,109
Depreciation	143,577	286,976	3,801	26	434,380
Interest	<u>126,734</u>	<u>248,112</u>	<u>-</u>	<u>-</u>	<u>374,846</u>
<b>TOTAL EXPENSES</b>	<u>\$ 9,895,485</u>	<u>\$ 14,025,546</u>	<u>\$ 674,351</u>	<u>\$ 197,580</u>	<u>\$ 24,792,962</u>

*See accompanying notes to consolidated financial statements.*

CONNECTIONS CSP, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Treatment Services</u>	<u>Housing Services</u>	<u>Employment Services</u>	<u>Fund Raising</u>	<u>Totals</u>
<b>EXPENSES</b>					
Salaries and wages	\$ 4,307,565	\$ 5,247,014	\$ 51,454	\$ 53,983	\$ 9,660,016
Payroll taxes	303,521	381,092	3,672	3,846	692,131
Employee benefits	547,110	963,108	627	10,184	1,521,029
Staff training	<u>50,466</u>	<u>54,443</u>	<u>315</u>	<u>2,025</u>	<u>107,249</u>
	5,208,662	6,645,657	56,068	70,038	11,980,425
Occupancy	391,444	1,610,402	-	8,376	2,010,222
Transportation	333,308	287,305	1,307	382	622,302
Client costs	1,011,314	752,070	-	-	1,763,384
Operating	444,680	576,934	300	59,230	1,081,144
Indirect	823,253	838,034	-	-	1,661,287
Bad debts	44,259	108,839	-	-	153,098
Depreciation	81,011	283,215	-	-	364,226
Interest	<u>79,881</u>	<u>244,183</u>	<u>-</u>	<u>-</u>	<u>324,064</u>
<b>TOTAL EXPENSES</b>	<u>\$ 8,417,812</u>	<u>\$ 11,346,639</u>	<u>\$ 57,675</u>	<u>\$ 138,026</u>	<u>\$ 19,960,152</u>

See accompanying notes to consolidated financial statements.

CONNECTIONS CSP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 422,879	\$ 332,450
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation and amortization	434,380	301,985
Gain on disposal	-	(1,713)
<i>(Increase) decrease in operating assets:</i>		
Accounts and grants receivable	149,114	(146,773)
Inventory	(783)	(3,333)
Prepaid expenses	16,149	(83,063)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	731,721	(24,849)
Accrued payroll and related costs	267,424	53,325
Deferred revenue	244,928	-
Security deposits	(996)	(8,721)
Net cash provided by operating activities	<u>2,264,816</u>	<u>419,308</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in investments	213,542	97,958
Change in other assets	11,817	2,235
Construction in progress	(2,846,201)	(1,175,979)
Purchase of property and equipment	(2,182,694)	(712,541)
Funding of reserves	(42,819)	(4,506)
Deposits	(8,015)	9,309
Net cash (used for) investment activities	<u>(4,854,370)</u>	<u>(1,783,524)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	3,879,754	1,223,750
Repayment of long-term debt	(1,387,482)	(169,368)
Change in fair value of interest rate swap	131,000	31,000
Change in short term debt	(642,500)	(187,500)
Receipt (return) of client deposits	(92,108)	(145)
Increase in debt issuance costs	-	(9,933)
Capital contributions	1,086,552	-
Amortization of debt issuance costs	(12,846)	(12,993)
Net cash provided by financing activities	<u>2,962,370</u>	<u>874,811</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	372,816	(489,405)
<b>CASH - BEGINNING OF YEAR</b>	<u>615,522</u>	<u>1,104,927</u>
<b>CASH - END OF YEAR</b>	<u>\$ 988,338</u>	<u>\$ 615,522</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS</b>		
Interest paid including capitalized interest of \$279 and \$-0-, respectively.	<u>\$ 375,125</u>	<u>\$ 384,186</u>

See accompanying notes to consolidated financial statements.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization*

Connections Community Support Programs, Inc. (the entity or Connections) is a tax-exempt, Delaware state-wide entity that improves the lives of vulnerable and disenfranchised Delaware residents by providing a comprehensive array of affordable and accessible primary medical, mental health and substance abuse treatment, employment and housing opportunities to help them become accepted and productive members of their communities.

*Principles of Consolidation*

The consolidated financial statements include the accounts of the entity, Connections Development Corporation (CDC), Shelter Associates Limited Partnership (SA), Housing First, Inc. (HF), Marcella's House Limited Partnership (MH) and Affordable Housing Opportunities, Inc. (AHO). The entity has both an economic interest in and economic control over CDC, SA, MH and AHO. All material inter-entity transactions have been eliminated.

*Affiliates*

**Connections Development Corporation (CDC)**

On October 3, 1996, the entity formed Connections Development Corporation (CDC) primarily for the purpose of acquisition, construction, rehabilitation and operation of low and moderate income housing. CDC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and as a community housing development organization under 24 CFR, Section 92.2. CDC is the general partner in SA.

**Shelter Associates, L.P. (SA)**

Shelter Associates, L.P. (SA), a for-profit partnership, was formed August 20, 1998 as a limited partnership between CDC (general partner) and J.P. Morgan Chase (limited partner) for the purpose of using Low Income Housing Tax Credits to fund a portion of the development of the Safe Haven project at 820-822 West Street, Wilmington, Delaware. SA is regulated by the Delaware State Housing Authority (DSHA), and is subject to tax credit regulations under Section 42 of the Internal Revenue Code of 1986.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Affiliates (Continued)*

*Affordable Housing Opportunities, Inc. (AHO)*

On July 16, 1998, the entity formed Affordable Housing Opportunities, Inc. (AHO), for the purpose of purchasing, renovating and operating 617 West Street, Wilmington, Delaware under the HUD 811 program.

*Housing First, Inc.*

On December 10, 2007, the entity formed Housing First, Inc. (HF), primarily for the purpose of acquisition, construction, rehabilitation and operation of low-income housing. HF is the general partner in Marcella's House, L.P.

*Marcella's House, L.P.*

Marcella's House, L.P. is a Delaware limited partnership made up of Housing First, Inc. (the General Partner) and TD Bank (the limited Partner) for the purpose of developing a Low Income Housing Tax Credit project to be known as Marcella's and Judy's House, located at 901-903 and 801 Washington Street. The project will consist of 31 units of affordable housing for homeless adults with very low incomes. The project will have an equity partner which will make contributions to the capital of the Partnership at the time of final settlement, scheduled to occur on or before November 15, 2009.

*Basis of Accounting*

The consolidated financial statements of Connections CSP, Inc. have been reported on the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized in the period when a liability is incurred.

*Financial Statement Presentation*

The entity reports information regarding financial position and activities according to the presence or absence of outside restrictions on the use of its net assets. Therefore, net assets are presented in three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The entity has no permanently restricted net assets.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Accounting measurements that are most affected by management's estimates of future events include the realization of accounts receivable, depreciation, the value of the interest rate swap, and the recognition of deferred revenue. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period determined.

*Financial Instruments*

Financial instruments which potentially subject the entity to concentrations of credit risk consist principally of investments. The entity places its investments with credit worthy financial institutions. By policy, these investments are kept within limits designed to prevent risk caused by concentration.

The entity maintains its cash balances in several financial institutions located in the Wilmington, Delaware metropolitan area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Although, cash balances may exceed FDIC insured limits from time to time, management believes the risk of loss to be nominal.

The entity uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The entity documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The entity's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate to a fixed rate.

*Cash and Cash Equivalents*

The entity considers all highly liquid investments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. All other highly liquid instruments, which are to be used for long-term purposes are classified as investments.

*Short-Term Investments*

Short-term investments consist of certificates of deposit held at financial institutions and are carried at cost.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Accounts and Grants Receivable*

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of individual receivables from grants and contracts, Medicare, donors and others. The allowance for uncollectible accounts at June 30, 2010 and 2009 amounted to \$99,819 and \$72,797, respectively.

*Property and Equipment and Depreciation*

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred; costs or renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities.

Depreciation is computed using the straight-line method based upon the estimated useful life of the related assets. The useful lives for purposes of computing depreciation on property and equipment ranges from 5 to 40 years.

*Debt Issue Costs*

Debt issuance costs are amortized on a straight-line basis over the life of the related debt.

*Client Deposits*

The entity maintains operating and security deposit funds for various clients who are unable to manage their own finances. These funds are segregated from the entity's operating accounts. Transactions involving receipt and disbursement of these funds are not included in the statement of activities.

*Contributions*

The entity recognizes contributions (pledges) when the donor makes an unconditional promise to give to the entity. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes*

Connections CSP, Inc. is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore no provision for income taxes has been made in the financial statements. In addition, the entity has been classified as one that is not a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Although the entity is not subject to federal and state income taxes, the entity was required to adopt FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48)*", which applies to all entities including those that are tax exempt under 501(c)(3). FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. FIN 48 prescribes a comprehensive model for the financial statements recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2006, 2007 and 2008 tax years are open and subject to examination by the Internal Revenue Service. However, the entity is not currently under audit nor has the entity been contacted by this jurisdiction. Any interest and penalties related to income taxes would be in income tax expenses. There are no interest and penalties as of June 30, 2010 and 2009.

In September 2009, the Financial Accounting Standards Board (FASB) issued its new codification. FIN 48 is now referred to in Accounting Standards Codification Section 740, Income Taxes (ASC 740).

*Expense Allocation*

The costs of providing various programs and other activities have been summarized by function in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain management and general expenses are allocated among the programs based on the budgeted expenditure amounts.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - MARCELLA'S HOUSE, L.P.

In December 2009, Marcella's House, L.P. (MH) entered into a tax credit assistance loan program with the Delaware State Housing Authority (DSHA) whereby MH would be able to develop a thirty-one apartment unit housing project known as Marcella's House and Judy's House. In connection with the development MH will receive an allocation from DSHA of low-income housing tax credits in the amount of \$384,175 annually for ten years. Additionally, DSHA has made an award to MH as the borrower, in the amount of \$2,633,619. In this respect MH entered into a mortgage note whereby the \$2,633,619 used for construction will be converted to permanent financing upon completion (conversion date) of the project. Upon conversion the note will be due and payable thirty years from the conversion date. As part of the program, the Richard Affordable Housing Corporation has agreed to purchase the tax credits from MH and MH will contribute \$2,278,086 toward construction costs. Further, DSHA requires a \$925,205 equity contribution at the time of the contribution period loan closing. Further, in addition to the equity contributions, MH is required to fund (i) the tax credit monitoring fee of \$15,500, (ii) the tax credit allocation fee of \$38,418, (iii) a transaction reserve in the amount of \$200,000 and (iv) an operating reserve in the amount of \$180,000.

As described further in Note E, MH has drawn down \$1,849,675 toward the project.

NOTE C - REVENUE - CONTRACTING AGENCIES

The entity participates as a provider of health care services to Medicaid patients. During 2010 and 2009 \$6,770,945 and \$6,183,916, respectively, of total unrestricted revenue was derived under state third-party Medicaid reimbursement programs. Reimbursement for covered services is based on prospective payment rates which are adjusted annually.

During 2010 and 2009, the entity received \$10,316,445 and \$9,552,197, respectively, in revenue from contracts with the Delaware Division of Substance Abuse and Mental Health.

Under the provisions of contracts with the State of Delaware, the entity is entitled to the use of certain property and equipment owned by the State including certain program sites and furnishings. The entity is obligated to adequately maintain such property. Failure to comply with the provisions of the contract may subject the entity to forfeit its right to use such property.

The entity and its affiliates are the recipient or sub-recipient of ten grants under the Department of Housing and Urban Development's (HUD) Supportive Housing Program. During 2010 and 2009, the entity expended \$1,244,741 and \$1,527,877, respectively, in these programs. The grants are used for rental subsidies, supportive services and program operations.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - FAIR VALUE MEASUREMENT

Effective July 1, 2009, the entity adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, ASC 820 establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

*Level 1* - Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in active exchange market, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the-counter markets.

*Level 2* - Observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

*Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and include participant loans.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The table below presents the financial instruments carried at fair value as of June 30, 2010 by the ASC 820 valuation hierarchy defined above.

	Active Markets for Identical Assets <u>Fair Value</u>	Significant Other Observable Inputs (Level 1)	Significant Unobservable Inputs (Level 2)	<u>(Level 3)</u>
Mutual Funds	\$ <u>88,507</u>	\$ <u>88,507</u>	\$ <u>-</u>	\$ <u>-</u>

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - PROPERTY AND EQUIPMENT

Carrying amounts and accumulated depreciation of property and equipment are as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 2,465,989	\$ 2,377,282
Buildings	15,015,563	12,874,734
Office equipment	111,866	83,907
Furniture and fixtures	70,856	30,803
Vehicles	<u>37,053</u>	<u>33,363</u>
	17,701,327	15,400,089
Less: Accumulated depreciation	<u>2,658,693</u>	<u>2,224,580</u>
	<u>\$ 15,042,634</u>	<u>\$ 13,175,509</u>

NOTE F - DEBT

*Long-term debt*

	<u>2010</u>	<u>2009</u>
Bond payable, to the Delaware Economic Development Authority (DEDA) Variable Rate Demand Revenue Bonds (Connections CSP Project) Series 2006, tax-exempt as a <i>qualified bond</i> as defined in Sec. 141(e) of IRC and a <i>qualified 501(c)(3) bond</i> as defined in Section 145 of the IRC, dated July 15, 2006, principle payable in annual installments of \$150,000 on August 1 of each year through 2015 with the remaining balance of \$5,410,000 due on August 1, 2016. In connection with this bond, the entity entered into an interest rate swap agreement which provides for a fixed rate of interest of 4.09% or 67% of LIBOR, secured by substantially all assets. This loan is expected to be refinanced before December 31, 2010.	\$ 6,345,000	\$ 6,790,000

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

*Long-term debt*

	<u>2010</u>	<u>2009</u>
Loan payable, the Reinvestment Fund, Inc., payable upon settlement of tax credit project to be known as "Marcella's House, L.P.," interest payable monthly at an annual rate of 3 percent, collateralized by a security interest in all personal property, Marcella's House, L.P., and a second mortgage on real property located on Washington Street, Wilmington, Delaware.	-	160,690
Loan payable, the Reinvestment Fund, Inc., payable upon settlement of tax credit project known as "Marcella's House, L.P.," interest payable monthly at an annual rate of LIBOR plus 3%, collateralized by a first priority lien on real property located on Washington Street, Wilmington, Delaware.	-	756,000
Loan payable, Wilmington Savings Fund Society, payable in monthly installments of \$2,052 including interest of 6.75% with a balloon payment of \$230,570 due in November 2013, collateralized by property located in Bear, Delaware. This loan is expected to be refinanced before December 31, 2010.	257,683	264,216
Mortgage payable to Department of Housing and Urban Development (HUD), no repayment terms and 0% interest as long as the housing remains eligible to very low income households for 40 years, secured by property located on West Street, Wilmington, Delaware.	437,200	437,200

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

*Long-term debt*

	<u>2010</u>	<u>2009</u>
Mortgage payable to the Delaware State Housing Authority, requiring monthly principal payments of \$3,171 without interest, maturing November 4, 2039 collateralized by Claymont Street Apartments in Wilmington, Delaware.	1,144,194	1,190,150
Loan payable, First State Community Loan Fund, payable in monthly installments of \$879 including interest of 6.5% with a balloon payment of \$77,973.66 due on November 15, 2014, collateralized by property located in New Castle, Delaware. This loan is expected to be refinanced before December 31, 2010.	97,972	-
Loan payable, First State Community Loan Fund, payable in monthly installments of \$2,311 including interest at 6.5% with a balloon payment of \$115,753 due on March 15, 2015, collateralized by property located on 9 <sup>th</sup> Street, Wilmington, Delaware. This loan is expected to be refinanced before December 31, 2010.	247,480	-
Mortgage payable to the New Castle Presbytery, requiring monthly principal payments of \$5,013 with interest starting at 4% and increase half a percent per year until maturity, and a balloon payment of \$696,482 due on July 31, 2014. This loan is expected to be refinanced before December 31, 2010.	1,034,642	-
Loan payable, Wilmington Savings Fund Society, payable in monthly installments of \$126,386 due in October 2014, collateralized by property located on 23 <sup>rd</sup> Street, Wilmington Delaware. This loan is expected to be refinanced before December 31, 2010.	209,667	-

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

*Long-term debt*

	<u>2010</u>	<u>2009</u>
Loan payable, Wilmington Savings Fund Society, interest only at the prime lending rate with a floor of 4%, principal due in December 2011, with no penalty for early liquidation of this debt.	357,579	-
TCAP Mortgage, Delaware State Housing Authority. See Note B for detail of program and loan requirements.	1,849,675	-
Leases payable, various leasing companies, monthly payments ranging from \$449 per month to \$750 per month at various interest rates, secured by equipment.	<u>404,485</u>	<u>295,049</u>
	<u>\$ 12,385,577</u>	<u>\$ 9,893,305</u>

Maturities of long-term debt are as follows:

2011	\$ 577,434
2012	163,917
2013	81,342
2014	59,467
2015	59,467
Thereafter	<u>11,443,950</u>
	<u>\$ 12,385,577</u>

*Line of Credit*

The entity has available a \$1,500,000 revolving line-of-credit with WSFS Bank. Borrowings against the line are due on demand, require interest at the prime lending rate plus 1.0 % and are collateralized by all assets of the entity. At June 30, 2010 and 2009, borrowings outstanding against the line amounted to \$-0- and \$642,500, respectively.

CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

*Interest Rate Swap*

The entity uses an interest rate swap to manage its interest rate exposure. At June 30, 2009 the entity had entered into an interest rate swap agreement which expires in 2016. The fair value of such agreements fluctuates based on changes in the LIBOR rate. The carrying value of these interest rate swap agreements has been adjusted at June 30, 2010 to reflect a liability of \$162,000. Accordingly, the entity recorded a loss on such agreements for the year ended June 30, 2010 amounting to \$131,000.

Management does not anticipate that the swap agreements will be settled within the next fiscal year.

NOTE G - CHANGES IN CONSOLIDATED UNRESTRICTED NET ASSETS

The schedule of changes in consolidated unrestricted net assets below reflects the changes in consolidated unrestricted net assets attributable to the controlling financial interest of Connections CSP, Inc. (Connections) and the non-controlling interests. The entities to which Connections has a controlling financial interest are Shelter Associates, L.P. and Marcella's House, L.P. Connections is deemed to have the controlling interest in these organizations because, as the general partner, it has the direct ability to determine the direction of management and policies. These policies are required to comply with applicable federal guidelines for low-income housing tax credit projects.

A. Shelter Associates, L.P.

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non- controlling Interest</u>
Balance, unrestricted net assets, July 1, 2009	\$ 630,428	\$ 678,145	\$ (47,717)
Net loss for the year	<u>(41,599)</u>	<u>(41,599)</u>	<u>-</u>
Balance, unrestricted net assets, June 30, 2010	\$ <u>588,829</u>	\$ <u>636,546</u>	\$ <u>(47,717)</u>



CONNECTIONS CSP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - SUBSEQUENT EVENT

On September 7, 2010, the entity entered into an agreement whereby New Castle County (NCC) would contribute to the entity's four houses contingent upon the entity's continued use as affordable housing for a period of thirty years. As of September 22, 2010 an appraisal of the four houses and legal documentation has not been completed. The entity will record this transaction when final agreements are effected.

Additionally, the entity has begun the process of refinancing a significant portion of its outstanding debt. This refinancing is expected to be completed by December 31, 2010. As part of the refinancing project the entity will acquire certain real estate in Wilmington, Delaware. The total amount of refinancing is expected to be approximately \$9,850,000.

Management has reviewed and evaluated other events occurring through September 22, 2010 and has determined that such events do not warrant adjustment to or disclosure in the June 30, 2010 consolidated financial statements.

**ADDITIONAL INFORMATION**



## Whisman Giordano & Associates, LLC

### INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Connections CSP, Inc.  
Wilmington, Delaware

Our audit of the basic consolidated financial statements of Connections CSP, Inc. as of and for the year ended June 30, 2010 was performed on those statements taken as a whole. The supplemental consolidating statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
September 22, 2010

*Certified Public Accountants & Consultants*

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CONNECTIONS CSP, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

	CCSP	CSA	Eliminations	Total CCSP	SA	AHO	MH	Eliminations	Consolidated
<b>ASSETS</b>									
Cash and cash equivalents	\$ 850,555	\$ 87,123	\$ -	\$ 937,678	\$ 7,787	\$ 40,772	\$ 2,101	\$ -	\$ 988,338
Investments	88,507	-	-	88,507	-	-	-	-	88,507
Accounts and grants receivable	1,669,616	-	-	1,669,616	-	-	-	-	1,669,616
Inventory	4,116	-	-	4,116	-	-	-	-	4,116
Prepaid expenses	225,122	-	-	225,122	-	-	-	-	225,122
Reserve	-	70,131	-	70,131	89,124	30,511	-	-	189,766
Deposits	98,985	-	-	98,985	-	-	-	-	98,985
Property and equipment	12,586,621	1,202,669	-	13,789,290	562,440	690,904	-	-	15,042,634
Construction in progress	677,848	-	-	677,848	-	-	3,613,528	-	4,291,376
Debt issue costs	279,811	-	-	279,811	-	-	-	-	279,811
Related party receivables	249,869	-	(141,588)	108,281	-	-	-	(108,281)	-
Client deposits	535,212	-	-	535,212	-	-	-	-	535,212
Other assets	45,284	-	-	45,284	-	-	-	-	45,284
Investment in subsidiary - SA	588,829	-	-	588,829	-	-	-	(588,829)	-
Investment in subsidiary - MH	120,021	-	-	120,021	-	-	-	(120,021)	-
<b>Total assets</b>	<b>\$18,020,396</b>	<b>\$ 1,359,923</b>	<b>\$ (141,588)</b>	<b>\$19,238,731</b>	<b>\$ 659,351</b>	<b>\$ 762,187</b>	<b>\$ 3,615,629</b>	<b>\$ (817,131)</b>	<b>\$23,458,767</b>
<b>LIABILITIES</b>									
Accounts payable	\$ 1,344,759	\$ 27,631	\$ -	\$ 1,372,390	\$ 711	\$ 3,039	\$ 199,705	\$ -	\$ 1,575,845
Accrued payroll/related costs	676,608	-	-	676,608	-	-	-	-	676,608
Security deposits	2,685	23,619	-	26,304	7,711	-	-	-	34,015
Deferred revenue	244,928	-	-	244,928	-	-	-	-	244,928
Short term debt	-	-	-	-	-	-	-	-	-
Long term debt	8,596,929	1,144,194	-	9,741,123	-	437,200	2,207,254	-	12,385,577
Fair value of interest rate swap	162,000	-	-	162,000	-	-	-	-	162,000
Related party payable	-	141,588	(141,588)	-	62,100	44,181	2,000	(108,281)	-
Client deposits	535,212	-	-	535,212	-	-	-	-	535,212
<b>Total liabilities</b>	<b>11,563,121</b>	<b>1,337,032</b>	<b>(141,588)</b>	<b>12,758,565</b>	<b>70,522</b>	<b>484,420</b>	<b>2,408,959</b>	<b>(108,281)</b>	<b>15,614,185</b>
<b>NET ASSETS</b>									
Unrestricted	6,457,275	22,891	-	6,480,166	588,829	277,767	1,206,670	(708,850)	7,844,582
Temporarily restricted	-	-	-	-	-	-	-	-	-
<b>Total net assets</b>	<b>6,457,275</b>	<b>22,891</b>	<b>-</b>	<b>6,480,166</b>	<b>588,829</b>	<b>277,767</b>	<b>1,206,670</b>	<b>(708,850)</b>	<b>7,844,582</b>
<b>Total liabilities and net assets</b>	<b>\$18,020,396</b>	<b>\$ 1,359,923</b>	<b>\$ (141,588)</b>	<b>\$19,238,731</b>	<b>\$ 659,351</b>	<b>\$ 762,187</b>	<b>\$ 3,615,629</b>	<b>\$ (817,131)</b>	<b>\$23,458,767</b>

CONNECTIONS CSP, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	CCSP Unrestricted	CCSP (TRNA)	CCSP (Total)	SA	AHO	MH	Eliminations	Consolidated
<b>REVENUES</b>								
Net patient service revenue	\$ 21,589,047	\$ -	\$ 21,589,047	\$ -	\$ -	\$ -	\$ -	\$ 21,589,047
Residence and administrative fees	1,882,172	-	1,882,172	51,624	47,373	-	-	1,981,169
Employment	610,713	-	610,713	-	-	-	-	610,713
Contributions	898,198	-	898,198	-	-	-	-	898,198
Other revenue	266,755	-	266,755	683	171	105	-	267,714
Equity of earnings in subsidiary-SA	(41,599)	-	(41,599)	-	-	-	41,599	-
Released from restriction	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>25,205,286</b>	<b>-</b>	<b>25,205,286</b>	<b>52,307</b>	<b>47,544</b>	<b>105</b>	<b>41,599</b>	<b>25,346,841</b>
<b>EXPENSES</b>								
Treatment programs	9,895,485	-	9,895,485	-	-	-	-	9,895,485
Housing programs	13,856,202	-	13,856,202	93,906	75,430	8	-	14,025,546
Employment	674,351	-	674,351	-	-	-	-	674,351
Fund raising	197,580	-	197,580	-	-	-	-	197,580
<b>TOTAL EXPENSES</b>	<b>24,623,618</b>	<b>-</b>	<b>24,623,618</b>	<b>93,906</b>	<b>75,430</b>	<b>8</b>	<b>-</b>	<b>24,792,962</b>
<b>INCOME FROM OPERATIONS</b>	<b>581,668</b>	<b>-</b>	<b>581,668</b>	<b>(41,599)</b>	<b>(27,886)</b>	<b>97</b>	<b>41,599</b>	<b>553,879</b>
<b>OTHER INCOME (EXPENSE)</b>								
Gain (loss) on disposal of asset	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap	(131,000)	-	(131,000)	-	-	-	-	(131,000)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>(131,000)</b>	<b>-</b>	<b>(131,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131,000)</b>
<b>CHANGE IN NET ASSETS</b>	<b>450,668</b>	<b>-</b>	<b>450,668</b>	<b>(41,599)</b>	<b>(27,886)</b>	<b>97</b>	<b>41,599</b>	<b>422,879</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>6,029,498</b>	<b>-</b>	<b>6,029,498</b>	<b>630,428</b>	<b>305,653</b>	<b>-</b>	<b>(630,428)</b>	<b>6,335,151</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,206,573</b>	<b>(120,021)</b>	<b>1,086,552</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 6,480,166</b>	<b>\$ -</b>	<b>\$ 6,480,166</b>	<b>\$ 588,829</b>	<b>\$ 277,767</b>	<b>\$ 1,206,670</b>	<b>\$ (708,850)</b>	<b>\$ 7,844,582</b>

CONNECTIONS CSP, INC.

COMBINING STATEMENT OF ACTIVITIES OF CONNECTIONS CSP, INC.

FOR THE YEAR ENDED JUNE 30, 2010

	<u>CCSP Unrestricted</u>	<u>CSA Unrestricted</u>	<u>Eliminations</u>	<u>Combined CCSP Unrestricted Total</u>	<u>CCSP (TRNA)</u>	<u>CSA (TRNA)</u>	<u>Eliminations</u>	<u>Combined (TRNA) Total</u>	<u>Combined CCSP Total</u>
<b>REVENUES</b>									
Net patient service revenue	\$ 21,589,047	\$ -	\$ -	\$ 21,589,047	\$ -	\$ -	\$ -	\$ -	\$ 21,589,047
Residence/administrative fees	1,680,019	202,153	-	1,882,172	-	-	-	-	1,882,172
Employment	610,713	-	-	610,713	-	-	-	-	610,713
Contributions	898,198	-	-	898,198	-	-	-	-	898,198
Other revenue	265,896	859	-	266,755	-	-	-	-	266,755
Equity of earnings in subsidiary - SA	(41,599)	-	-	(41,599)	-	-	-	-	(41,599)
Released from restriction	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>25,002,274</b>	<b>203,012</b>	<b>-</b>	<b>25,205,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,205,286</b>
<b>EXPENSES</b>									
Treatment programs	\$ 9,895,485	\$ -	\$ -	\$ 9,895,485	\$ -	\$ -	\$ -	\$ -	\$ 9,895,485
Housing programs	13,615,108	241,094	-	13,856,202	-	-	-	-	13,856,202
Employment	674,351	-	-	674,351	-	-	-	-	674,351
Fundraising	197,580	-	-	197,580	-	-	-	-	197,580
<b>TOTAL EXPENSES</b>	<b>24,382,524</b>	<b>241,094</b>	<b>-</b>	<b>24,623,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,623,618</b>
<b>INCOME FROM OPERATIONS</b>	<b>619,750</b>	<b>(38,082)</b>	<b>-</b>	<b>581,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>581,668</b>
<b>OTHER INCOME (EXPENSE)</b>									
Gain (loss) on disposal of asset	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap	(131,000)	-	-	(131,000)	-	-	-	-	(131,000)
	(131,000)	-	-	(131,000)	-	-	-	-	(131,000)
<b>CHANGE IN NET ASSETS</b>	<b>488,750</b>	<b>(38,082)</b>	<b>-</b>	<b>450,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>450,668</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>	<b>5,968,525</b>	<b>60,973</b>	<b>-</b>	<b>6,029,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,029,498</b>
<b>DISTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS – END OF YEAR</b>	<b>\$ 6,457,275</b>	<b>\$ 22,891</b>	<b>\$ -</b>	<b>\$ 6,480,166</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,480,166</b>

**CONNECTIONS CSP, INC.**

**SECTION II**

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**



## Whisman Giordano & Associates, LLC

### INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Connections CSP, Inc.  
Wilmington, Delaware

Our audit of the basic financial statements of Connections CSP, Inc. as of and for the year ended June 30, 2010 was performed for the purpose of forming an opinion on those statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 22, 2010

*Certified Public Accountants & Consultants*

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CONNECTIONS CSP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Housing and Urban Development</b>		
<b>DIRECT GRANTS</b>		
Supportive Housing Program for Persons with Disabilities (Sec. 811)(West Street Commons)	14.181	\$ 29,217
Supportive Housing Program (Safe Haven)	14.235	172,460
Supportive Housing Program (Next Step & Second Chance)	14.235	196,400
Supportive Housing Program (Enterprise)	14.235	267,084
Supportive Housing Program (Easy Access 1 & 2)	14.235	400,817
Supportive Housing Program (HUD 2)	14.235	<u>141,011</u>
<b>TOTAL DIRECT GRANTS</b>		<u><b>1,206,989</b></u>
<b>INDIRECT GRANTS</b>		
Pass-through from State of Delaware		
Department of Health and Social Services-Supportive Housing Program	14.235	1,252,892
Pass-through from Delaware HIV Consortium Housing Opportunities for Persons with AIDS Womanspace	14.241	263,767
Pass-through from Delaware State Housing Authority- *Tax Credit Assistance Program (TCAP) for Marcella's House ARRA	14.258	1,849,675
*Homeless Prevention and Rapid Re-housing Program (HPRP)-ARRA	14.257	159,436
*Pass-through from New Castle County Homeless Prevention and Rapid Re-housing Program (HPRP)-ARRA	14.257	45,556
*Pass-through from City of Wilmington-Homeless Prevention and Rapid Re-housing Program (HPRP)-ARRA	14.257	<u>107,225</u>
<b>TOTAL INDIRECT GRANTS</b>		<u><b>3,678,551</b></u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		<b>4,885,540</b>

CONNECTIONS CSP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b>DIRECT GRANTS</b>		
*Department of Health and Human Services - Substance Abuse and Mental Health Services Projects of Regional and National Significance-Treatment for Homeless (Connect to Success)	93.243	<u>450,641</u>
TOTAL DIRECT GRANTS		450,641
<b>INDIRECT GRANTS</b>		
Pass-through from State of Delaware Department of Health and Social Services –		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	350,000
Block Grants for Community Mental Health Services	93.958	56,105
SAPT Block Grant	93.959	551,883
Pass-through from Delaware HIV Consortium – HIV Care formula Grants	93.917	31,455
*Pass-through First State Community Action Agency-Community Services Block Grant-ARRA	93.710	59,840
*Pass-through Delaware State Housing Authority-Emergency Contingency Fund for Temporary Assistance for Needy Families State Program (TANF)-ARRA	93.714	820,744
*Pass-through City of Wilmington-Emergency Contingency Fund for Temporary Assistance for Needy Families State Program (TANF)-ARRA	93.714	<u>301,492</u>
TOTAL INDIRECT GRANTS		2,171,519
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>2,622,160</u>

CONNECTIONS CSP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

**U.S. DEPARTMENT OF EDUCATION**

Pass-through from State of Delaware

Department of Labor

Rehabilitation Services,

Vocational Rehabilitation, Grants to States

84.126A

126,229

**TOTAL U.S. DEPARTMENT OF EDUCATION**

126,229

**U.S. DEPARTMENT OF LABOR**

\*Employment and Training Administration (Connect to Work)

WIA Pilots, Demonstrations, and Research Projects

17.261

323,622

**TOTAL U.S. DEPARTMENT OF LABOR**

323,622

**U.S. DEPARTMENT OF JUSTICE**

\*Pass-through Delaware Criminal Justice Council Edward

Byrne Memorial Competition Grant Program-ARRA

16.808

129,606

**TOTAL EXPENDITURES OF FEDERAL AWARDS**

\$ 8,087,157

\* *Major Program*

CONNECTIONS CSP, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Connections CSP, Inc. and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CONNECTIONS CSP, INC.**

**SECTION III**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**



## Whisman Giordano & Associates, LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

Connections CSP, Inc.  
Wilmington, Delaware

We have audited the consolidated financial statements of Connections CSP, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated September 22, 2010. We conducted our audit 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.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Connections CSP, Inc. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements but for the purpose of expressing an opinion on the effectiveness of the Connections CSP, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Connections CSP, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

September 22, 2010

*Certified Public Accountants & Consultants*

5201 W Woodmill Drive, Suite 31 • Woodmill Corporate Center • Wilmington, Delaware 19808  
Phone: 302.992.0129 • Fax: 302.992.9816 • Email: info@whismancpas.com



## Whisman Giordano & Associates, LLC

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Connections CSP, Inc.  
Wilmington, Delaware

#### COMPLIANCE

We have audited the compliance of Connections CSP, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Connections CSP, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Connections CSP, Inc.'s management. Our responsibility is to express an opinion on Connections CSP, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Connections CSP, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Connections CSP, Inc.'s compliance with those requirements.

In our opinion, Connections CSP, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

*Certified Public Accountants & Consultants*

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## INTERNAL CONTROL OVER COMPLIANCE

The management of Connections CSP, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Connections CSP, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Connections CSP, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirements of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



September 22, 2010

**CONNECTIONS CSP, INC.**

**SECTION IV**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CONNECTIONS CSP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. *Independent Auditors' Report*

For the year ended June 30, 2010, we issued an unqualified opinion on the consolidated financial statements of Connections CSP, Inc.

2. *Significant Deficiencies in Internal Control*

Our audit of the consolidated financial statements of Connections CSP, Inc. disclosed no significant deficiencies in internal control for the year ended June 30, 2010.

3. *Material Noncompliance*

Our audit of the consolidated financial statements of Connections CSP, Inc. disclosed no instances of noncompliance deemed material to the consolidated financial statements for the year ended June 30, 2010.

4. *Significant Deficiencies in Internal Control over Major Programs*

Our audit report on compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 is contained in Section III. As stated, we noted no matters involving the internal control over compliance and its operation that were considered as significant deficiencies or material weaknesses.

5. *Type of Report Issued on Compliance For Major Programs*

Our report on compliance for major programs for Connections CSP, Inc. for the year ended June 30, 2010 was unqualified.

CONNECTIONS CSP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

A. SUMMARY OF AUDITORS' RESULTS (CONTINUED)

6. *Major Programs*

The Tax Credit Assistance Program – ARRA, CFDA Number 14.258, the Homeless Prevention and Rapid Re-housing Program, CFDA Number 14.257, the Substance Abuse and Mental Health Services – Projects of Regional and National Significance, CFDA Number 93.243, the Community Services Block Grant – ARRA, CFDA Number 93.710, the Emergency Contingency Fund for Temporary Assistance for Needy Families State Program – ARRA, CFDA Number 93.714, the WIA Pilots, Demonstrations and Research Projects, CFDA Number 17.261, and the Edward Byrne Memorial Competitive Grant Program – ARRA, CFDA Number 16.808 constitute the major programs of Connections CSP, Inc.

7. *Type A and Type B Programs Including Low Risk Audit Qualifications*

The dollar threshold to distinguish between Type A and Type B Programs was \$300,000.

The organization qualified as a low-risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

1. *Items Material To The Consolidated Financial Statements*

Our audit of the consolidated financial statements of Connections CSP, Inc. disclosed no reportable conditions nor were any irregularities, illegal acts or instances of noncompliance that are material to the consolidated financial statements noted.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

1. *Internal Control Over Major Programs*

As stated in our report on compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133, we noted no significant deficiencies or material weaknesses in internal control over major programs.

2. *Noncompliance With The Provisions of Laws, Regulations, and Contracts on Grant Agreements Related to a Major Program*

There were no items of noncompliance with the provisions of laws, regulations, and contracts on grant agreements related to major programs.

CONNECTIONS CSP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS  
(CONTINUED)

3. *Prior Year Findings*

There were no prior year findings.

4. *Known or Likely Questioned Costs Greater Than \$10,000*

There were no known or likely questioned costs that are greater than \$10,000 for any type of compliance requirement for federal programs for the year ended June 30, 2010.

5. *Circumstances Concerning Why The Auditor's Report On Compliance For Major Programs Is Other Than An Unqualified Opinion.*

This matter is not applicable since the opinion on compliance for major programs was unqualified.

6. *Known Fraud Affecting A Federal Award*

We are not aware of any instances of fraud affecting a federal award.

Whisman, Jordan J. Antec

September 22, 2010