

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SINGLE AUDIT PACKAGE

JUNE 30, 2018

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SINGLE AUDIT PACKAGE

TABLE OF CONTENTS

SECTION I	CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
SECTION II	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SECTION III	INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
	INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
SECTION IV	SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SECTION 1

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

C O N T E N T S

	PAGE
INDEPENDENT AUDITOR'S REPORT	3 - 4
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENTS OF ACTIVITIES	6
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – 2018	7
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – 2017	8
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10 - 28
ADDITIONAL INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION	30
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – 2018	31
CONSOLIDATING STATEMENT OF ACTIVITIES – 2018	32



INDEPENDENT AUDITOR'S REPORT

Connections Community Support Programs, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Connections Community Support Programs, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Connections Community Support Programs, Inc. as of June 30, 2018 and 2017, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of Connections Community Support Programs, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connections Community Support Program, Inc.'s internal control over financial reporting and compliance.

Whisman Giordano & Associates, LLC

October 30, 2018
Newark, Delaware

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 690,153	\$ 2,027,810
Accounts and grants receivable	16,156,476	10,687,954
Prepaid expenses	470,409	408,995
Reserves	971,878	965,599
Deposits	401,064	348,741
Property and equipment	35,561,450	34,076,268
Construction in progress	459,393	428,293
Client deposits	1,290,954	1,165,614
Other assets	756,639	830,794
	<u>56,758,416</u>	<u>50,940,068</u>
Total Assets	<u>\$ 56,758,416</u>	<u>\$ 50,940,068</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Lines-of-credit	\$ 7,823,009	\$ 4,872,965
Accounts payable	5,961,396	4,714,049
Accrued payroll and related costs	1,335,353	1,264,724
Deferred revenue	196,506	120,388
Debt	23,230,385	22,237,377
Client deposits	1,290,954	1,165,614
Security deposits	48,011	41,122
	<u>39,885,614</u>	<u>34,416,239</u>
Total liabilities	<u>39,885,614</u>	<u>34,416,239</u>
Net Assets		
Unrestricted:		
Controlling interests	12,916,018	12,345,583
Non-controlling interests	3,956,784	4,178,246
	<u>16,872,802</u>	<u>16,523,829</u>
Total unrestricted	<u>16,872,802</u>	<u>16,523,829</u>
Total net assets	<u>16,872,802</u>	<u>16,523,829</u>
Total Liabilities and Net Assets	<u>\$ 56,758,416</u>	<u>\$ 50,940,068</u>

See accompanying notes to the consolidated financial statements.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Net patient service revenue	\$ 113,505,109	\$ 103,056,431
Resident and administration fees	7,231,218	6,424,561
Employment services/social enterprises	3,577,828	3,703,477
Grants and contributions	714,064	726,978
Other revenue	94,307	913,179
Total revenues	<u>125,122,526</u>	<u>114,824,626</u>
Expenses		
Treatment programs	101,416,876	92,926,713
Housing programs	16,602,434	14,466,883
Employment	6,442,575	5,723,782
Fund raising	309,668	208,660
Total expenses	<u>124,771,553</u>	<u>113,326,038</u>
Income from operations	350,973	1,498,588
Other income		
Gain on refinancing of interest rate swap	-	147,500
Total other income	<u>-</u>	<u>147,500</u>
Change in net assets	350,973	1,646,088
Net assets - beginning of year	16,523,829	14,814,643
(Distributions) contributions	<u>(2,000)</u>	<u>63,098</u>
Net assets - end of year	<u>\$ 16,872,802</u>	<u>\$ 16,523,829</u>

See accompanying notes to the consolidated financial statements.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Treatment Services	Housing Services	Employment Services	Fund Raising	Total
Expenses					
Salaries and wages	\$ 61,525,688	\$ 5,079,253	\$ 2,693,982	\$ 165,371	\$ 69,464,294
Payroll taxes	4,903,716	349,511	198,461	10,686	5,462,374
Employee benefits	5,753,908	667,316	247,403	28,424	6,697,051
Staff training	164,948	17,795	4,815	890	188,448
	<u>72,348,260</u>	<u>6,113,875</u>	<u>3,144,661</u>	<u>205,371</u>	<u>81,812,167</u>
Occupancy	2,806,009	1,329,341	278,861	776	4,414,987
Transportation	1,729,790	287,439	704,307	-	2,721,536
Client costs	12,525,170	4,259,287	1,683,534	12,504	18,480,495
Operating	4,947,439	694,541	315,804	91,017	6,048,801
Indirect	5,447,929	2,912,043	278,858	-	8,638,830
Bad debts	478,758	-	-	-	478,758
Depreciation and amortization	542,083	652,323	19,583	-	1,213,989
Interest	591,438	353,585	16,967	-	961,990
Total expenses	<u>\$ 101,416,876</u>	<u>\$ 16,602,434</u>	<u>\$ 6,442,575</u>	<u>\$ 309,668</u>	<u>\$ 124,771,553</u>

See accompanying notes to the consolidated financial statements.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Treatment Services	Housing Services	Employment Services	Fund Raising	Total
Expenses					
Salaries and wages	\$ 55,093,048	\$ 4,519,284	\$ 2,590,912	\$ 102,607	\$ 62,305,851
Payroll taxes	4,362,179	320,017	189,219	7,593	4,879,008
Employee benefits	5,315,871	645,525	228,031	18,168	6,207,595
Staff training	107,006	13,309	2,689	-	123,004
	<u>64,878,104</u>	<u>5,498,135</u>	<u>3,010,851</u>	<u>128,368</u>	<u>73,515,458</u>
Occupancy	2,668,313	1,516,407	318,607	1,200	4,504,527
Transportation	1,380,875	227,811	592,802	-	2,201,488
Client costs	13,723,092	2,925,856	1,293,994	-	17,942,942
Operating	4,511,657	629,785	273,502	79,092	5,494,036
Indirect	4,343,362	2,717,768	191,139	-	7,252,269
Bad debts	268,559	-	-	-	268,559
Depreciation and amortization	515,747	576,966	18,824	-	1,111,537
Interest	637,004	374,155	24,063	-	1,035,222
Total expenses	<u>\$ 92,926,713</u>	<u>\$ 14,466,883</u>	<u>\$ 5,723,782</u>	<u>\$ 208,660</u>	<u>\$ 113,326,038</u>

See accompanying notes to the consolidated financial statements.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 350,973	\$ 1,646,088
<i>Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:</i>		
Depreciation and amortization	1,213,989	1,111,537
Bad debt	478,758	268,559
<i>(Increase) decrease in operating assets:</i>		
Accounts and grants receivable	(5,947,280)	(2,134,829)
Prepaid expenses	(61,414)	515,111
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	1,247,347	213,046
Accrued payroll and related costs	70,629	517,306
Deferred revenue	76,118	123,777
Security deposits	6,889	(9,080)
Net cash (used for) provided by operating activities	<u>(2,563,991)</u>	<u>2,251,515</u>
Cash flows from investing activities		
Change in other assets	74,155	78,887
Construction in progress	(31,100)	94,313
Purchase of property and equipment	(2,618,839)	(9,052,459)
(Funding to) reserves	(6,279)	(40,003)
Change in deposits	<u>(52,323)</u>	<u>(13,368)</u>
Net cash (used for) investment activities	<u>(2,634,386)</u>	<u>(8,932,630)</u>
Cash flows from financing activities		
Net change in line-of-credit	2,950,044	872,965
Proceeds from long-term debt	1,934,093	14,155,463
Repayment of long-term debt	(1,013,333)	(7,416,847)
Change in fair value of interest rate swap	-	(147,500)
Increase in debt issuance costs, reflected as a reduction of long-term debt	(8,084)	(152,668)
Capital contributions	-	65,098
Distributions	<u>(2,000)</u>	<u>(2,000)</u>
Net cash provided by financing activities	<u>3,860,720</u>	<u>7,374,511</u>
Net (decrease) increase in cash and equivalents	(1,337,657)	693,396
Cash - beginning of year	<u>2,027,810</u>	<u>1,334,414</u>
Cash - end of year	<u>\$ 690,153</u>	<u>\$ 2,027,810</u>
Supplemental disclosure of cash flows		
Interest paid	<u>\$ 950,547</u>	<u>\$ 1,035,222</u>

See accompanying notes to the consolidated financial statements.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, 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 entity operating through Delaware and on the Eastern Shore of Maryland providing a comprehensive array of healthcare, housing, and employment opportunities that help individuals and families to achieve their own goals and enhance our communities.

Principles of Consolidation

The consolidated financial statements include the accounts of the entity, Connections Development Corporation (CDC), Housing First, Inc. (HF), Housing First II, Inc. (HFII), Marcella's House Limited Partnership (MH), Affordable Housing Opportunities, Inc. (AHO), Claymont Street Apartments, L.P. (CSA, LP), Addictions Coalition of Delaware, Inc. (AC), and Homeward Bound, Inc. (HB). The entity has both an economic interest in and economic control over CDC, MH, HFII, AHO, CSA, L.P., AC, and HB. 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 was the general partner in Shelter Associates, Ltd. until SA's dissolution in July 2013.

Housing First II, Inc. (HFII)

On November 29, 2012, the entity formed Housing First II, Inc. (HFII), primarily for the purpose of acquisition, construction, rehabilitation and operation of low-income housing. HFII is the general partner in Claymont Street Apartments, L.P.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliates (Continued)

Housing First, Inc. (HF)

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. (MH)

Marcella's House, L.P. is a Delaware limited partnership made up of Housing First, Inc. (the General Partner) and USA Institutional Tax Credit Fund LXXII, L.P. (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 consists of 31 units of affordable housing for homeless adults with very low incomes.

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.

Addictions Coalition of Delaware, Inc. (AC)

Effective July 1, 2012, Connections took over management for the Addictions Coalition of Delaware, Inc. (AC). AC qualifies as a not-for-profit entity under IRC section 501(c)(3), and its purpose is to reduce the damage created by addiction, and to assist individuals in the process of recovery.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliates (Continued)

Homeward Bound, Inc. (HB)

Effective March 31, 2013, Homeward Bound, Inc. (HB) contributed its net assets to Connections. The contribution amounted to \$598,984. Effective April 1, 2013, Connections began management of the operations of HB. HB qualifies as a not-for-profit entity under IRC section 501(c)(3), and its purpose is to provide housing and related service to homeless families with children.

Claymont Street Apartments, L.P.

Claymont Street Apartments, L.P. (CSA) is a Delaware limited partnership made up of Housing First II, Inc. (the General Partner) and Delaware Affordable Housing Equity Fund, LP (the limited Partner) for the purpose of developing a Low Income Housing Tax Credit project to be known as Claymont Street Apartments, located on Claymont Street. The project consists of 29 units of affordable housing for homeless adults with very low incomes.

Applicable Financial Reporting Framework

The financial position and results of activities of Connections Community Support Programs, Inc. have been reported on an acceptable applicable financial reporting framework. The applicable financial reporting framework used by Connections Community Support Programs, Inc. is U.S. generally accepted accounting principles (GAAP). Under this financial reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

Consolidated 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 temporarily or permanently restricted net assets as of June 30, 2018 and 2017.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amounts reported in the consolidated 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, the computation of the allowance for uncollectible accounts, depreciation, the fair value of the interest rate swaps, and the timing of the recognition of revenue. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that are reasonably likely to occur, would have a material impact on the consolidated financial statements. To the extent there are material differences between management's estimates and actual results, future results of operations will be affected.

Financial Instruments and Concentration of Credit Risk

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.

Ending during the year ended June 30, 2017, the entity used derivatives to manage risks related to interest rate movements. Interest rate swap contracts that were designated and qualified as cash flow hedges were reported at fair value. The entity documented 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 was to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate to a fixed rate.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018 and 2017 amounted to \$1,000,000 and \$815,191, 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 of 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 range from 5 to 40 years.

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.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Income Taxes

Connections Community Support Programs, 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 consolidated 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 ASC 740, "Accounting for Income Taxes," which applies to all entities including those that are tax exempt under 501(c)(3). ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for the consolidated financial statement 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 June 30, 2015, 2016 and 2017 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 recorded as income tax expense. There are no interest and penalties as of June 30, 2018 and 2017.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing various programs and other activities have been summarized by function in the statement of activities, as well as, 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.

Debt Issuance Costs

In 2015 The Financial Accounting Standards Board (FASB) issued ASU 2015-03, “*Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*”, regarding the presentation on the balance sheet of the costs of issuance of debt and related amortization expense in the income statement. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of debt. Amortization is required to be included with interest expense in the income statement.

The Entity reflected unamortized debt issuance costs at June 30, 2018 and 2017 as a reduction of long term debt in the balance sheet. At June 30, 2018 and 2017, unamortized debt issuance costs amounted to \$412,649 and \$484,897, respectively.

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 of the housing project, MH will receive an allocation from DSHA of low-income housing tax credits in the amount of \$384,175 annually for ten years. The entity has recorded \$2,633,619 in long term debt (see note F). The final settlement occurred on August 10, 2011 at which time the note became due and payable in thirty years. As part of the program, USA Institutional Tax Credit Fund LXXII LP purchased the tax credits from MH and contributed approximately \$2,712,000 to the project.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - CLAYMONT STREET APARTMENTS, L.P.

In August 2013, Claymont Street Apartments, L.P. (CSA) entered into a tax credit loan program with the Delaware State Housing Authority (DSHA) whereby CSA would be able to develop a twenty-nine unit apartment housing project known as Claymont Street Apartments. In connection with the development, CSA will receive an allocation from DSHA of low-income housing tax credits in the amount of \$294,212 for ten years. As of June 30, 2018, the entity has recorded \$1,128,582 in long-term debt (see Note F). The initial closing of the construction phase of the project occurred on August 26, 2013. The construction loan from JPMorgan Chase was satisfied at final closing, which was held August 25, 2015, and the DSHA Housing Development Fund (HDF) loan converted to a permanent mortgage. Upon conversion, the HDF loan becomes due and payable in thirty years. As part of the program, Delaware Affordable Housing Equity Fund, LP agreed to purchase the tax credits from CSA and has contributed approximately \$2,509,267 toward the development and construction costs of the project. Further, in addition to the total equity contribution, CSA was required to fund (i) the tax credit monitoring fee of \$14,500, (ii) the tax credit allocation fee of \$29,421, (iii) the operating reserve in the amount of \$73,213 (iv) the syndication legal and accounting costs of \$80,000 and (v) extremely low income reserve of \$127,837.

NOTE D - REVENUE - CONTRACTING AGENCIES

The entity participates as a provider of health care services to Medicaid patients. During 2018 and 2017, \$34,348,843 and \$28,464,917, 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 2018 and 2017, the entity received \$15,641,706 and \$14,581,831, respectively, in revenue from contracts with the Delaware Division of Substance Abuse and Mental Health.

During 2018 and 2017, the entity received \$58,909,870 and \$56,832,099, respectively, in revenue from behavioral health and medical contracts with the Delaware Department of Correction.

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 various grants under the Department of Housing and Urban Development's (HUD) Supportive Housing Program. During 2018 and 2017, the entity expended \$4,165,315 and \$3,252,257, respectively, in these programs. The grants are used for rental subsidies, supportive services and program operations.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - PROPERTY AND EQUIPMENT AND DEPRECIATION

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

	<u>2018</u>	<u>2017</u>
Land	\$ 1,950,783	\$ 1,950,783
Buildings	38,849,625	36,169,124
Office equipment	2,458,359	2,302,490
Furniture and fixtures	406,660	406,660
Vehicles	<u>353,667</u>	<u>353,667</u>
	44,019,094	41,182,724
Less: Accumulated depreciation	<u>8,457,644</u>	<u>7,106,456</u>
	<u>\$ 35,561,450</u>	<u>\$ 34,076,268</u>

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT

	<u>2018</u>	<u>2017</u>
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
TCAP Mortgage, Delaware State Housing Authority. See Note B for detail of program and loan requirements.	2,633,619	2,633,619
Note payable, Gregg and Michelle Wilson, payable in monthly installments of \$523, including interest of 6%, collateralized by certain property located at 507 W. 9th Street, Wilmington, Delaware.	42,149	45,673
Note payable, Barclaycard US, payable in monthly installments of \$2,729, including interest of 3.5% began January 1, 2013 and matures April 1, 2019.	19,512	60,617
Mortgage payable, Delaware State Housing Authority, Housing Development Fund (HDF) loan, which converted to term upon final closing of the low income tax credit project Claymont Street Apartments, LP. For additional information, see Note C.	1,128,582	1,128,582
Loan payable, Old Town Hall Associates LLC, payable in monthly installments of \$1,980 including interest at 7%, ending May 1, 2020.	42,911	62,523

Continued...

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

	2018	2017
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly installments of \$2,147 including interest at 5%, ending June 2045, collateralized by certain property located at 706 Port Penn Road, Middletown, Delaware.	\$ 388,002	\$ 393,935
Loan payable, Barclaycard US, payable in monthly installments of \$3,037 including interest at 4%, ending June 2025, secured by certain equipment.	220,206	246,976
Loan payable, Barclaycard US, payable in monthly installments of \$4,850 including interest at 4%, ending June 2021, secured by certain equipment.	160,644	210,667
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), broken out into separate monthly installments of \$4,998 and \$416 including interest at 5% and 5.25%, respectively, followed by a balloon payment at maturity, both ending September 2019, collateralized by certain property.	864,946	885,171
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly installments of \$5,107 including interest at 5.25%, ending June 2021, collateralized by certain property location at 110 West Liberty St., Harrington, Delaware.	257,400	265,222
<i>Continued...</i>		

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

	2018	2017
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly installments of \$14,985 including interest at 5.00%, ending December 2018, refinanced to be payable in monthly payments of \$11,975, at a rate of 5%, ending December 2021, collateralized by certain property location at 6 Causey Ave., Milford, Delaware. This loan has been refinanced subsequent to year end.	\$ 399,569	\$ 399,569
Loan payable, Barclaycard US, payable in monthly installments of \$5,062 including interest at 4%, ending December 2025, secured by certain property located at 1125 Brandywine Street, Wilmington, Delaware.	465,878	508,498
Loan payable, Barclaycard US, payable in monthly installments of \$3,027 including interest at 5.00%, ending January 2025, secured by certain equipment.	541,460	570,074
Loan payable, Barclaycard US, payable in monthly installments of \$1,110 including interest at 4.00%, ending July 2031, secured by certain equipment.	134,921	142,550
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly payments of \$4,075, including interest at 5.25%, followed by a balloon payment of principal at maturity, ending May 2022, collateralized by certain property located at 1126 E. Brandywine and 1131 E. 12th Streets, Wilmington, Delaware.	654,992	680,000
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly payments of \$23,585, including interest at 5.25%, followed by a balloon payment of principal at maturity, ending August 2021, collateralized by certain properties located in the state of Delaware.	3,314,118	3,417,703

Continued...

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

	2018	2017
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), interest-only payments at a rate of 5.25%, followed by a balloon payment of principal at maturity, ending August 2019, collateralized by certain properties located in the state of Delaware.	\$ 2,700,000	\$ 2,700,000
Loan payable, United States Department of Agriculture, payable in monthly payments of \$21,715, including interest at 2.75%, ending July 2057, collateralized by substantially all assets.	5,289,998	5,236,818
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly payments of \$1,498, including interest at 5.25%, ending October 2042, collateralized by certain property located at 401 South Washington St., Milford, Delaware.	246,826	250,000
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly interest-only payments of \$6,471 at a rate of 5.25%, with outstanding principal due at maturity in January 2019, refinanced to be payable in monthly payments of \$9,575, at a rate of 3.25%, ending in December 2048, collateralized by certain property located at 315 Old Landing Rd., Millsboro, Delaware. This loan has been refinanced subsequent to year end.	2,197,132	1,479,133
Loan payable, Old Town Hall Associates, LLC, payable in monthly installments of \$3,903 at a rate of 8%, collateralized by certain property located at 105 N. Front Street, Seaford, Delaware	181,913	-
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly installments of \$14,628 at a rate of 6%, collateralized by certain property located at 22910 Pine Road., Lewes, Delaware.	330,050	-

Continued...

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - DEBT (CONTINUED)

	<u>2018</u>	<u>2017</u>
Loan payable, National Council on Agriculture Life and Labor Research Fund, Inc. (NCALL), payable in monthly installments of \$11,080 at a rate of 6%, collateralized by certain property located at 114 S. East 2nd Street., Milford, Delaware.	\$ 250,000	\$ -
Leases payable, various leasing companies, monthly payments ranging from approximately \$230 per month to approximately \$4,200 per month at various interest rates, secured by equipment.	<u>741,006</u>	<u>967,744</u>
Long Term Debt - Principal Amount	23,643,034	22,722,274
Less: Unamortized Debt Issuance Costs	<u>412,649</u>	<u>484,897</u>
Long Term Debt Less Debt Issuance Costs	<u>\$ 23,230,385</u>	<u>\$ 22,237,377</u>

Maturities of debt are based on the subsequent refinancing terms, see Note L for disclosure.

Lines of Credit

The entity has available a \$10,000,000 revolving line-of-credit with WSFS Bank. Borrowings against the line are due on demand, require interest at the prime lending rate plus 1.25 % and are collateralized by substantially all accounts receivable assets of the entity. At June 30, 2018 and 2017, borrowings outstanding against the line amounted to \$7,000,000 and \$2,900,000, respectively.

The entity had available a \$3,000,000 revolving line-of-credit with Non-Profit Finance Fund. This line of credit was closed and rolled into the WSFS Bank line-of-credit during the year ended June 30, 2018. At June 30, 2018 and 2017, borrowings against the line amounted to \$0 and \$1,600,000, respectively.

The entity has available a \$500,000 working capital line of credit with National Council on Agriculture Life and Labor Research Fund, Inc. Borrowings against the line are due on demand and require interest at 5.25%, and are unsecured. At June 30, 2018 and 2017, borrowings against the line amounted to \$373,009 and \$372,965, respectively.

The entity has available a \$675,000 line of credit with Barclays Bank Delaware. Borrowings against the line are due on demand and require interest at 5%, and are unsecured. At June 30, 2018 and 2017, borrowings against the line amount to \$450,000 and \$0, respectively.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Community Support Programs, Inc. (Connections) and the non-controlling interests. The entities to which Connections has a controlling financial interest in are Marcella's House, L.P., and Claymont Street Apartments, L.P. Connections is deemed to have controlling interests 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.

MH, LP

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non- controlling Interest</u>
Balance, unrestricted net assets, July 1, 2016	\$ 1,969,765	\$ (53)	\$ 1,969,818
Distribution	(2,000)	(1)	(1,999)
Net loss	<u>(96,192)</u>	<u>(10)</u>	<u>(96,182)</u>
Balance, unrestricted net assets, June 30, 2017	1,871,573	(64)	1,871,637
Distribution	(2,000)	(1)	(1,999)
Net loss	<u>(81,291)</u>	<u>(8)</u>	<u>(81,283)</u>
Balance, unrestricted net assets, June 30, 2018	<u>\$ 1,788,282</u>	<u>\$ (73)</u>	<u>\$ 1,788,355</u>

CSA LP

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non- controlling Interest</u>
Balance, unrestricted net assets, July 1, 2016	\$ 2,482,486	\$ (28)	\$ 2,482,514
Net loss	<u>(193,787)</u>	<u>(19)</u>	<u>(193,768)</u>
Balance, unrestricted net assets, June 30, 2017	2,288,699	(47)	2,288,746
Net loss	<u>(120,329)</u>	<u>(12)</u>	<u>(120,317)</u>
Balance, unrestricted net assets, June 30, 2018	<u>\$ 2,168,370</u>	<u>\$ (59)</u>	<u>\$ 2,168,429</u>

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - OPERATING LEASES

The entity leases certain property, vehicles and equipment under various non-cancelable operating leases. The entity incurred lease expense for the years ended June 30, 2018 and 2017 of \$3,510,249 and \$3,459,242, respectively.

Minimum annual rentals due under leases, excluding unexecuted options are as follows:

2019	\$ 1,536,084
2020	1,391,770
2021	832,037
2022	209,360
2023	<u>4,278</u>
	<u>\$ 3,973,529</u>

NOTE I - CONTINGENCIES

The entity receives a substantial portion of its funding from various state and federal grants. These grants are subject to audit by the granting agency and such audits could result in the refund of certain monies to the grantor agency. In addition, the entity has received funding and multiple Neighborhood Stabilization Program homes from the City of Dover, Delaware, New Castle County, Delaware, and the Delaware State Housing Authority to acquire, rehabilitate and manage certain properties for the purpose of providing low-income housing to qualified individuals. The agreements provide that to the extent the entity fails to use the funds for the purpose so stated in the agreements, the entity will be required to refund the amount received. The agreements expire between fiscal years 2030 and 2031. Management believes it has complied with all stipulations of its various grants and the risk of a refund is insignificant. Accordingly, no provision has been made in the accompanying consolidated financial statements for refund of grant monies.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I - CONTINGENCIES (CONTINUED)

Further, in the ordinary course of business, the entity is subject to legal, tax and other actions which involve claims for monetary relief. When management believes there is a reasonable possibility that such claims will ultimately result in a cost to the entity, an accrual is made to record an estimated liability. Certain claims are subject to interpretation and management response. In these cases, management may work toward some settlement without incurring legal and other costs. All other matters are generally covered by insurance. Management is of the opinion that as of October 30, 2018 there are no contingencies that would have a material adverse effect on the entity's future operations or financial position.

NOTE J - RELATED PARTY TRANSACTIONS

A member of the entity's board of directors is affiliated with a financial institution where the entity maintains deposit accounts and has short and long-term debt. Another member of the board of directors is affiliated with a financial institution where the entity has a long-term debt.

NOTE K - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued amended guidance for reporting revenue from contracts with customers. This guidance affects any entity using U.S. GAAP that either enters into contracts with customers (clients) to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers (clients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers. The majority of the Entity's revenue should not be affected by this new standard. The Entity continues to evaluate the impact of adoption of this new standard and how it might impact its revenue recognition policies. The standard is effective for the Entity for the fiscal year beginning July 1, 2019.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the FASB issued new guidance on Leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of its adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard and determine the proper classification and accounting treatment to determine the ultimate impact the new standard will have on the consolidated financial statements.

In August 2016 the Financial Accounting Standards Board (“FASB”) issued ASU 2016-14 *“Presentation of Financial Statements for Not-for-Profit Entities”* which targeted improvements to the not-for-profit (“NFP”) financial reporting model. Under the new guidance net assets reporting will be streamlined and clarified, differences in the nature of donor restrictions will be disclosed in the notes with an emphasis on how and when resources can be used, new disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements, and entities will be required to disclose the extent to which the statement of financial position comprises financial assets the extent to which such assets can be converted to cash within one year. There are certain additional matters with respect to the presentation of operating subtotals, internal transfers, and the reporting of expenses including disclosures about the methods used to allocate costs among program and support functions. The new standard is effective for fiscal years beginning after December 15, 2017. Management is reviewing how this new standard will impact the consolidated financial statements.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - SUBSEQUENT EVENTS

Subsequent to year end, management has worked to refinance certain loans payable.

The note payable to National Council on Agriculture Life and Labor Research Fund, Inc. (“NCALL”), with a balance due at June 30, 2018 of \$2,197,132, was refinanced into two notes; the first note being held with NCALL in the amount of approximately \$580,000, maturing July 1, 2023, and the remainder of approximately \$1,620,000 being held with the United States Department of Agriculture and maturing approximately in January 2049.

The note payable to NCALL, with a balance due at June 30, 2018 of \$399,569, was refinanced with the United States Department of Agriculture to extend the maturity date to November 2048.

Maturities of debt, based on the refinancing of the aforementioned loans, are as follows:

2019	\$	1,253,845
2020		4,764,221
2021		762,690
2022		3,662,782
2023		365,176
Thereafter		<u>12,834,320</u>
	\$	<u><u>23,643,034</u></u>

Management has reviewed and evaluated all other events occurring through October 30, 2018 the date the consolidated financial statements were available for issuance, and has determined that such events do not warrant additional adjustment to or disclosure in the June 30, 2018 consolidated financial statements.

ADDITIONAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Connections Community Support Programs, Inc.
Wilmington, Delaware

We have audited the consolidated financial statements of Connections Community Support Programs, Inc. and subsidiaries as of and for the years ended June 30, 2018 and 2017, and our report thereon dated October 30, 2018, expressed an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and they 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 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 consolidating information is fairly stated in all material respects in relation the consolidated financial statements as a whole.

Whisman Giordano & Associates, LLC

October 30, 2018
Newark, Delaware

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

	CCSP	CSA, LP	AHO	MH	HB	AC	Eliminations	Consolidated
Assets								
Cash and cash equivalents	\$ 632,379	\$ 8,646	\$ 47,489	\$ 1,639	\$ -	\$ -	\$ -	\$ 690,153
Accounts and grants receivable	16,072,802	6,019	7,772	69,883	-	-	-	16,156,476
Prepaid expenses	445,888	16,224	-	8,297	-	-	-	470,409
Reserve	-	301,613	-	670,265	-	-	-	971,878
Deposits	359,763	32,380	1,430	7,491	-	-	-	401,064
Property and equipment	27,689,714	3,394,207	521,109	3,956,420	-	-	-	35,561,450
Construction in progress	459,393	-	-	-	-	-	-	459,393
Related party receivables	793,760	-	-	-	-	-	(793,760)	-
Client deposits	1,290,954	-	-	-	-	-	-	1,290,954
Other assets	560,683	195,956	-	-	-	-	-	756,639
Total assets	\$ 48,305,336	\$ 3,955,045	\$ 577,800	\$ 4,713,995	\$ -	\$ -	\$ (793,760)	\$ 56,758,416
Liabilities								
Lines-of-credit	\$ 7,823,009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,823,009
Accounts payable	5,792,282	306,106	71,325	52,640	-	-	(260,957)	5,961,396
Accrued payroll and related costs	1,302,718	32,635	-	-	-	-	-	1,335,353
Security deposits	6,550	32,613	1,430	7,418	-	-	-	48,011
Deferred revenue	206,954	-	-	(10,448)	-	-	-	196,506
Debt	19,030,984	1,128,582	437,200	2,633,619	-	-	-	23,230,385
Related party payable	-	286,739	3,580	242,484	-	-	(532,803)	-
Client deposits	1,290,954	-	-	-	-	-	-	1,290,954
Total liabilities	35,453,451	1,786,675	513,535	2,925,713	-	-	(793,760)	39,885,614
Net assets								
Unrestricted	12,851,885	2,168,370	64,265	1,788,282	-	-	-	16,872,802
Total net assets	12,851,885	2,168,370	64,265	1,788,282	-	-	-	16,872,802
Total liabilities and net assets	\$ 48,305,336	\$ 3,955,045	\$ 577,800	\$ 4,713,995	\$ -	\$ -	\$ (793,760)	\$ 56,758,416

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	CCSP	CSA, LP	AHO	MH	HB	AC	Eliminations	Consolidated
Revenues								
Net patient service revenue	\$ 113,505,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,505,109
Residence and administrative fees	6,726,176	202,700	46,934	255,408	-	-	-	7,231,218
Employment	3,577,828	-	-	-	-	-	-	3,577,828
Contributions	616,664	-	-	-	54,424	42,976	-	714,064
Other revenue	86,335	3,285	42	4,645	-	-	-	94,307
Total revenues	124,512,112	205,985	46,976	260,053	54,424	42,976	-	125,122,526
Expenses								
Treatment programs	101,373,900	-	-	-	-	42,976	-	101,416,876
Housing programs	15,801,318	326,314	79,034	341,344	54,424	-	-	16,602,434
Employment	6,442,575	-	-	-	-	-	-	6,442,575
Fundraising	309,668	-	-	-	-	-	-	309,668
Total expenses	123,927,461	326,314	79,034	341,344	54,424	42,976	-	124,771,553
Change in net assets	584,651	(120,329)	(32,058)	(81,291)	-	-	-	350,973
Distributions	-	-	-	(2,000)	-	-	-	(2,000)
Net assets, beginning of year	12,267,234	2,288,699	96,323	1,871,573	-	-	-	16,523,829
Net assets, end of year	\$ 12,851,885	\$ 2,168,370	\$ 64,265	\$ 1,788,282	\$ -	\$ -	\$ -	\$ 16,872,802

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SECTION II

SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Connections Community Support Programs, Inc.
Wilmington, Delaware

We have audited the consolidated financial statements of Connections Community Support Programs, Inc. as of and for the year ended June 30, 2018, and have issued our report thereon dated October 30, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Whisman Giordano & Associates, LLC

October 30, 2018
Newark, Delaware

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	2018 Total Awards Expended	Passed Through to Sub-recipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
DIRECT GRANTS			
Supportive Housing Program for Persons with Disabilities (Sec. 811) (West Street Commons)	14.181	\$ 20,731	\$ -
Supportive Housing Program (Safe Haven)	14.235	187,299	-
Supportive Housing Program (Next Step & Second Chance)	14.235	267,148	-
Supportive Housing Program (Enterprise)	14.235	309,960	-
Supportive Housing Program (Easy Access 1 & 2)	14.235	500,492	-
Supportive Housing Program (HUD 2)	14.235	187,446	-
Supportive Housing Program (Judy's House)	14.235	186,750	-
Supportive Housing Program (Next Step 2)	14.235	182,620	-
Supportive Housing Program (Next Step 3)	14.235	171,264	-
Supportive Housing Program (Next Step 4)	14.235	376,939	-
Supportive Housing Program (New Hope)	14.235	974,733	-
Supportive Housing Program (Positive Progress)	14.235	246,750	-
Supportive Housing Program (HUD 5, 6, 7)	14.235	1,453,995	-
Housing Opportunities for People with Aids	14.241	95,046	-
TOTAL DIRECT GRANTS		\$ 5,161,173	\$ -

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	2018 Total Awards Expended	Passed Through to Sub-recipients
INDIRECT GRANTS			
Housing Opportunities for Persons With AIDS - Womanspace	14.241	\$ 81,675	\$ -
Pass-through from Delaware State Housing Authority - Emergency Shelter Grant	14.231	69,607	-
Pass-through from City of Dover - Emergency Shelter Grant	14.231	5,781	-
Pass-through New Castle County - Community Development Block Grants/Entitlement Grants - HOME	14.239	<u>200,000</u>	<u>-</u>
TOTAL INDIRECT GRANTS		<u>357,063</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		5,518,236	-
U.S. DEPARTMENT OF VETERANS AFFAIRS			
DIRECT GRANTS			
VA Homeless Providers Grant and Per Diem Requirements	64.024	181,970	-
VA Supportive Services for Veterans Family Services	64.033	<u>907,781</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS		<u>\$ 1,089,751</u>	<u>\$ -</u>

Continued....

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	2018 Total Awards Expended	Passed Through to Sub-recipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
INDIRECT GRANTS			
Pass-through from State of Delaware Division of Substance Abuse and Mental Health Block Grants for Community Mental Health Services	93.958	\$ 214,444	\$ -
Pass-through Delaware Department of Health and Social Services Opioid STRR	93.788	4,128	-
Block Grants for Prevention and Treatment of Substance Abuse - SAPT	93.959	1,437,044	-
Pass-through from State of Delaware Division of Substance Abuse and Mental Health Pass-through Delaware Dept. of Services to Children Youth and Their Families - Promoting Safe and Stable Families (PSSF)	93.556	<u>178,140</u>	<u>-</u>
TOTAL INDIRECT GRANTS		<u>1,833,756</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		1,833,756	-
U.S. DEPARTMENT OF EDUCATION			
Pass-through from State of Delaware Department of Labor Rehabilitation Services, Vocational Rehabilitation Grants to States	84.126	<u>242,356</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>242,356</u>	<u>-</u>
Pass-through from State of Delaware Department of Correction Residential Substance Abuse Treatment for State Prisoners U.S. Bureau of Justice Assistance			
TOTAL U.S. BUREAU OF JUSTICE ASSISTANCE	16.593	<u>144,960</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 8,829,059</u>	<u>\$ -</u>

Continued....

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Connections Community Support Programs, Inc. and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of *Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - TAX CREDIT ASSISTANCE PROGRAM (TCAP)

Connections Community Support Programs, Inc. (Connections) has contracted with the Delaware State Housing Authority (DSHA) to build thirty-one low-income housing units as a low income housing tax credit (LIHIC) project called Marcella's House, L.P. (hereinafter Marcella's House). Connections, through a wholly-owned subsidiary, is the general partner of Marcella's House and therefore has consolidated Marcella's House into its June 30, 2017 financial statements. During the fiscal year ended June 30, 2017, Marcella's House received TCAP funding amounting to \$-0-.

DSHA requires Connections to reflect the TCAP funding as debt on its financial statements. Accordingly, as of June 30, 2018 Connections has reflected \$2,633,619 as amount due to Delaware State Housing Authority.

NOTE C - INDIRECT COST RATE

For the year ended June 30, 2018, Connections Community Support Programs, Inc. has elected to use a 6 % indirect cost rate. The indirect cost rate is calculated by using a direct cost pool, which is developed during the budgeting process for each revenue-producing program or cost center. Indirect costs are those which are incurred for common or joint objectives that cannot be readily attached to the direct operation of any specific production department. These costs relate to the provision of certain services to the revenue producing departments by service departments. The service departments include administration, legal, finance, property management, housing, development and administrative services. The allocation process is required to rationally allocate indirect costs to the respective revenue generating cost centers.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE C - INDIRECT COST RATE (CONTINUED)

Costs are allocated using the direct allocation method applying three bases: direct labor costs; square footage; and actual usage or time spent, when this basis is able to be calculated. The allocated costs include the salaries, other employment costs, square footage occupancy costs and related operating and other expenses that are attributable to the service departments described above. The indirect cost pool is purified before it is allocated by eliminating expenses that are unallowable under OMB Circular A-122. Ineligible fundraising costs are accounted for separately in their own cost center and are not allocated, directly or indirectly, to the revenue-producing departments.

The salaries, wages, payroll taxes, fringe benefits, insurance, training and travel expenses of staff assigned to the service departments are documented and are then directly allocated using a percent of direct personnel costs. The direct personnel costs for the revenue producing departments are totaled and the applicable percentage of these direct costs are assigned for each program by dividing the program's direct salaries by the total direct salaries. Each revenue-producing department or program then receives that percentage of the indirect salary and other employment costs of the staff assigned to the service departments.

The indirect occupancy costs (property taxes and insurance, mortgage interest, building depreciation, utilities, telephone, trash removal, parking, custodial supplies, building operations staff and cleaning services) for the entity's regional administrative centers where the service departments are collocated with some of the revenue-producing departments, are allocated on a square footage basis. The total number of square feet occupied by the service departments is divided by the total number of square feet in the building to develop the percentage allocation of occupancy costs. These are then allocated to the revenue-producing departments using the simplified direct allocation approach of prorating total direct salaries as described above.

The remaining costs of operation that are not able to be directly related to a specific program or service are allocated to the revenue-producing departments using the simplified direct allocation approach described above. These costs include auditing, other consulting, postage, staff recruitment, printing, equipment leasing, equipment repair, office supplies, depreciation expenses for office equipment and furnishings, professional liability and other costs that are incurred in the course of doing business and that are not related to staff expenses, transportation or occupancy.

Because the entity is using an indirect cost rate below the de minimis rate allowable under the Uniform Guidance, no indirect cost rate audit is required, and therefore has not been performed.

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SECTION III

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE



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

Connections Community Support Programs, Inc.
Wilmington, Delaware

We have audited, in accordance with the 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, the consolidated financial statements of Connections Community Support Programs, Inc. as of and for the year ended June 30, 2018, and the related notes to the consolidated financial statements, which collectively comprise Connections Community Support Programs, Inc.'s basic financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Connections Community Support Programs, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connections Community Support Programs, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Connections Community Support Programs, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whisman Giordano & Associates, LLC

October 30, 2018
Newark, Delaware



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Connections Community Support Programs, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Connections Community Support Programs, Inc.'s major federal programs for the year ended June 30, 2018. Connections Community Support Programs, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Connections Community Support Programs, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about Connections Community Support Programs, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Connections Community Support Programs, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Connections Community Support Programs, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year June 30, 2018.

Report on Internal Control Over Compliance

Management of Connections Community Support Programs, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Connections Community Support Programs, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Connections Community Support Programs, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whisman Giordano & Associates, LLC

October 30, 2018
Newark, Delaware

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SECTION IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of Auditors' Report issued on compliance for major programs: **Unmodified**

Material non-compliance noted? Yes No

Instance(s) of non-compliance noted? Yes No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program

14.235	U.S. Department of Housing and Urban Development, Supportive Housing Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse - SAPT
64.033	VA Supportive Services for Veterans Family Services

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as Low-Risk Auditee Yes No

CONNECTIONS COMMUNITY SUPPORT PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

II. FINDINGS

A. Current year findings - Financial Statements

There were no current year findings.

B. Current year findings - Federal Awards

There were no current year findings.

C. Prior year findings - Financial Statements

There were no prior year findings.

D. Prior year findings - Federal Awards

There were no prior year findings.

Whisman Giordano & Associates, LLC

October 30, 2018

Newark, Delaware