

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

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Independent Auditors' Report

To the Board of Directors
Southwestern Connecticut Agency on Aging, Inc.
Bridgeport, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Connecticut Agency on Aging, Inc. (SWCAA), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SWCAA as of September 30, 2016 and 2015, 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 a report dated January 11, 2017 on our consideration of SWCAA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering SWCAA's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 11, 2017

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,034,280	\$ 892,481
Investments	989,165	932,244
Home care program receivables	1,298,845	987,577
Grants receivable	127,979	156,191
Prepaid expenses and other current assets	177,000	243,041
Total current assets	<u>3,627,269</u>	<u>3,211,534</u>
Property and Equipment, Net	<u>206,831</u>	<u>234,456</u>
Total Assets	<u>\$ 3,834,100</u>	<u>\$ 3,445,990</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 605,242	\$ 514,468
Deferred revenue	532,184	552,996
Grantor advance	150,000	150,000
Due to grantees and other contractors	388,099	216,178
Total current liabilities	<u>1,675,525</u>	<u>1,433,642</u>
Net Assets		
Unrestricted - designated	<u>2,158,575</u>	<u>2,012,348</u>
Total Liabilities and Net Assets	<u>\$ 3,834,100</u>	<u>\$ 3,445,990</u>

The accompanying notes are an integral part of the financial statements

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenue, Gains and Other Support		
Grants and contracts:		
State	\$ 7,067,488	\$ 6,444,056
Federal	3,494,974	3,365,859
Program and other income	1,391,036	1,158,488
Investment income	26,823	9,914
Total revenue, gains and other support	<u>11,980,321</u>	<u>10,978,317</u>
Expenses		
Program services:		
Home care services for the elderly	3,883,029	3,428,449
Nutrition and social services for the elderly	7,049,273	6,698,587
Total program services	<u>10,932,302</u>	<u>10,127,036</u>
Management and general	879,989	857,913
Total expenses	<u>11,812,291</u>	<u>10,984,949</u>
Change in net assets before depreciation and investment gain (loss)	168,030	(6,632)
Depreciation	(58,177)	(43,000)
Investment Gain (Loss)	<u>36,374</u>	<u>(52,145)</u>
Change in Net Assets	146,227	(101,777)
Net Assets - Beginning of Year	<u>2,012,348</u>	<u>2,114,125</u>
Net Assets - End of Year	<u>\$ 2,158,575</u>	<u>\$ 2,012,348</u>

The accompanying notes are an integral part of the financial statements

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 146,227	\$ (101,777)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,177	43,000
(Gain) loss on investments	(36,374)	52,145
(Increase) decrease in operating assets:		
Home care program receivables	(311,268)	(139,915)
Grants receivable	28,212	612,543
Prepaid expenses and other current assets	66,041	(45,463)
Restricted cash	-	5,000
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	90,774	109,593
Deferred revenue	(20,812)	196,708
Due to grantees and other contractors	171,921	47,627
Net cash provided by operating activities	<u>192,898</u>	<u>779,461</u>
Cash Flows from Investing Activities		
Purchase of investments	(54,492)	(1,088,786)
Proceeds from the sale of investments	33,945	104,397
Purchase of property and equipment	<u>(30,552)</u>	<u>(256,278)</u>
Net cash used in investing activities	<u>(51,099)</u>	<u>(1,240,667)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	141,799	(461,206)
Cash and Cash Equivalents - Beginning of Year	<u>892,481</u>	<u>1,353,687</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,034,280</u>	<u>\$ 892,481</u>

The accompanying notes are an integral part of the financial statements

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Southwestern Connecticut Agency on Aging, Inc. (SWCAA) is a nonprofit, nonstock corporation that was established to provide leadership and resources to meet the needs of the rapidly growing elderly population in the 14-town region defined as Southwest Connecticut. Support and revenue consists primarily of federal and state grants and contracts.

Basis of Accounting and Presentation

The financial statements of SWCAA have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of SWCAA are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants and contracts that may be earmarked for specific purposes. The Board of Directors has designated unrestricted net assets as discussed in Note 6.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure. As of September 30, 2016 and 2015, SWCAA had no temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit SWCAA to expend the income earned thereon. As of September 30, 2016 and 2015, SWCAA had no permanently restricted net assets.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, SWCAA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. SWCAA maintained deposits in financial institutions that exceeded federal depository insurance limits. However, management believes that SWCAA's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gain includes SWCAA's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income are classified as increases and decreases in unrestricted net assets.

Property and Equipment

Property and equipment acquisitions and improvements thereon that individually exceed \$1,000 are capitalized at cost and depreciated on a straight-line basis over their estimated service lives. Maintenance and repairs are charged to expense as incurred.

Grants and Contracts

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. SWCAA reports nongovernmental contributions and grants to cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

SWCAA reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations about how long those assets must be maintained, SWCAA reports expirations of donor restrictions when the assets are placed in service.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting SWCAA's programs.

Operating Measure

SWCAA defines the change in net assets from operations as the result of all revenues and expenses except investment gains and losses.

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

Income Taxes

SWCAA is exempt from federal and state income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Expenses by Function

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

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through January 11, 2017, which represents the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS

SWCAA receives a significant portion of its total support from state and federal grants and contracts. As with all government funding, these grants and contracts are subject to reduction or termination in future years. Any significant reduction in these grants and contracts could have an adverse effect on SWCAA's program services.

NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SWCAA has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SWCAA's financial instruments carried at fair value consist of investments in exchange traded funds, which are valued at the closing price reported in the active market in which the individual securities are traded. There have been no changes in this methodology for the years ended September 30, 2016 and 2015.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SWCAA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of all investments of \$989,165 and \$932,244 as of September 30, 2016 and 2015, respectively, was determined using Level 1 inputs.

Investments as of September 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Exchange traded funds:		
Bond	\$ 710,935	\$ 656,528
Equity - domestic	239,914	211,287
Equity - foreign	<u>38,316</u>	<u>64,429</u>
Total Investments	<u>\$ 989,165</u>	<u>\$ 932,244</u>

Investment returns for the years ended September 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Realized and unrealized gain (loss)	\$ 36,374	\$ (52,145)
Interest and dividends	<u>26,823</u>	<u>9,914</u>
	<u>\$ 63,197</u>	<u>\$ (42,231)</u>

Realized and unrealized gains above are reported net of investment manager fees of \$7,356 and \$3,962 for the years ended September 30, 2016 and 2015, respectively.

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of September 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Office equipment, furniture and fixtures	\$ 397,720	\$ 367,168
Leasehold improvements	40,000	40,000
	<u>437,720</u>	<u>407,168</u>
Less accumulated depreciation	<u>230,889</u>	<u>172,712</u>
Net Property and Equipment	<u>\$ 206,831</u>	<u>\$ 234,456</u>

Depreciation expense totaled \$58,177 and \$43,000 for the years ended September 30, 2016 and 2015, respectively.

NOTE 5 - GRANTOR ADVANCE

In prior years, the Department of Social Services (DSS) made advances totaling \$1,080,000 to SWCAA for working capital purposes in connection with SWCAA's home care program. During the year ended September 30, 2014, \$290,000 was repaid, representing the final payment on this advance. During the year ended September 30, 2013, an additional advance of \$150,000 was received. No amounts have been repaid on this advance. This advance is repayable on demand to DSS.

NOTE 6 - DESIGNATED NET ASSETS

Board designations of unrestricted net assets as of September 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted reserve fund	\$ 1,395,744	\$ 1,231,892
Designated for future operational needs	556,000	546,000
Investment in property and equipment	<u>206,831</u>	<u>234,456</u>
Total Board Designations	<u>\$ 2,158,575</u>	<u>\$ 2,012,348</u>

NOTE 7 - LEASE COMMITMENTS

SWCAA leased office space under an operating lease that expired on June 30, 2014. Upon termination of this lease, SWCAA continued to lease the office space under a month-to-month agreement, through November 30, 2014.

On December 1, 2014, SWCAA entered into a lease agreement for new office space under an operating lease that expires in May 2020. The lease requires escalating monthly payments ranging from \$24,771 to \$27,876 over the term of the lease. SWCAA recognizes rent expensed on a straight-line basis over the respective lease term of the underlying agreement. Rent expense, utilities and other lease costs totaled \$337,233 and \$344,511 for the years ended September 30, 2016 and 2015, respectively.

SOUTHWESTERN CONNECTICUT AGENCY ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

Certain office equipment is also leased under various operating leases expiring at various dates through September 2020. Rent expense relative to equipment leases amounted to \$26,943 and \$19,086 for the years ended September 30, 2016 and 2015, respectively.

Future minimum lease payments as of September 30, 2016 are as follows:

Year Ending September 30

2017	\$	333,265
2018		336,787
2019		338,683
2020		<u>203,348</u>
Total Future Minimum Lease Payments	\$	<u>1,212,083</u>

NOTE 8 - EMPLOYEE BENEFIT PLAN

SWCAA maintains a Section 403(b) tax-sheltered annuity plan that is available to all employees subject to certain eligibility requirements as defined in the plan. SWCAA matches 100% of each eligible participant's contribution to the plan up to a maximum of 5% of annual salary. All plan contributions vest immediately. Employer contributions for the years ended September 30, 2016 and 2015, totaled \$125,450 and \$122,355, respectively.