

**Journey Found, Inc.**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2015 and 2014**

# Journey Found, Inc.

## Index

	<u>Page</u>
Independent Auditor's Report	2-3
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-13
Supplementary Schedules:	
Program Expenses	14
Administrative Expenses	15

## Independent Auditor's Report

To the Board of Directors  
Journey Found, Inc.

### *Report on Financial Statements*

We have audited the accompanying financial statements of Journey Found, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

### *Auditor's 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 audit 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 auditor's 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 auditor considers 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 Journey Found, Inc. as of June 30, 2015 and 2014, 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.

*Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying statements on pages 14 and 15 is presented for purposes of additional analysis of the financial statements 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of Journey Found, 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 Journey Found, Inc.'s internal control over financial reporting and compliance.

*CohnReznick LLP*

Hartford, Connecticut  
December 21, 2015

**Journey Found, Inc.**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

	2015	2014
<u>Assets</u>		
Current assets:		
Cash	\$ 357,263	\$ 387,277
Accounts receivable	879,064	614,441
Prepaid expenses	19,305	50,200
Total current assets	1,255,632	1,051,918
Property and equipment, at cost:		
Buildings and improvements	1,254,289	1,082,563
Vehicles	657,488	519,676
Furniture, fixtures and equipment	159,557	127,899
	2,071,334	1,730,138
Less accumulated depreciation and amortization	387,553	155,938
	1,683,781	1,574,200
Land	363,469	295,183
Total property and equipment	2,047,250	1,869,383
Other assets:		
Security deposits	52,567	46,476
Total assets	\$ 3,355,449	\$ 2,967,777
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accrued expenses	\$ 457,131	\$ 496,753
Accounts payable	74,963	59,053
Current portion of long-term debt	50,034	39,087
Current portion of capital lease obligations	147,878	114,812
Total current liabilities	730,006	709,705
Long-term liabilities:		
Long-term debt, less current portion	1,129,358	833,477
Capital lease obligations, less current portion	207,679	255,421
Operational advances	484,940	452,948
Total long-term liabilities	1,821,977	1,541,846
Total liabilities	2,551,983	2,251,551
Commitments		
Net assets:		
Unrestricted	803,466	716,226
Total liabilities and net assets	\$ 3,355,449	\$ 2,967,777

See Notes to Financial Statements.

**Journey Found, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Program revenue	<u>\$ 10,128,516</u>	<u>\$ 9,262,180</u>
Expenses:		
Program expenses	8,970,847	8,106,872
Administrative expenses	1,089,837	1,033,723
Total expenses	<u>10,060,684</u>	<u>9,140,595</u>
Increases in unrestricted net assets before other income	<u>67,832</u>	<u>121,585</u>
Other income:		
Fair value adjustments for assumption of buildings	(128,366)	486,000
Other	116,340	7,134
Contributions	31,434	3,400
	<u>19,408</u>	<u>496,534</u>
Change in net assets	87,240	618,119
Net assets, beginning of year	<u>716,226</u>	<u>98,107</u>
Net assets, end of year	<u><u>\$ 803,466</u></u>	<u><u>\$ 716,226</u></u>

**Journey Found, Inc.**

**Statements of Cash Flows  
Years Ended June 30, 2015 and 2014**

	2015	2014
Operating activities:		
Change in net assets	\$ 87,240	\$ 618,119
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debts	9,939	2,462
Depreciation and amortization	231,615	155,938
Loss on disposal of property and equipment	58,888	-
Fair value adjustment for assumption of buildings	128,366	(486,000)
Changes in operating assets and liabilities:		
Accounts receivable	(274,562)	(616,903)
Prepaid expenses	30,895	78,552
Security deposits	(6,091)	(21,476)
Accrued expenses	(39,622)	457,163
Accounts payable	15,910	56,865
Operational advances	31,992	-
Deferred revenue	-	(445,574)
Net cash provided by (used in) operating activities	274,570	(200,854)
Investing activities:		
Purchase of property and equipment improvements	(131,558)	(119,230)
Net cash used in investing activities	(131,558)	(119,230)
Financing activities:		
Repayments of long-term debt	(41,538)	(3,137)
Repayments of capital lease obligations	(131,488)	(101,050)
Net cash used in financing activities	(173,026)	(104,187)
Decrease in cash	(30,014)	(424,271)
Cash, beginning of year	387,277	811,548
Cash, end of year	\$ 357,263	\$ 387,277
Supplemental disclosures of cash flow data:		
Interest paid	\$ 82,555	\$ 21,643
Supplemental disclosures of noncash investing and financing activities:		
Acquisition of property, equipment and improvements	\$ 468,370	\$ 1,466,214
Assets acquired through capital lease obligations	(116,812)	(471,283)
Assets acquired through note payables transferred from unrelated third party	(220,000)	(875,501)
Purchases with cash	\$ 131,558	\$ 119,430

See Notes to Financial Statements.

## **Journey Found, Inc.**

### **Notes to Financial Statements June 30, 2015 and 2014**

#### **Note 1 - Organization and summary of significant accounting policies**

##### **Organization**

Journey Found, Inc. (the "Organization") was founded in May 2013 and manages community day programs for individuals with special needs and residential facilities in Central and Southeastern Connecticut. The Organization also manages in-home support for individuals with special needs.

##### **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operations of law.

At June 30, 2015 and 2014, the Organization had no temporarily or permanently restricted net assets.

##### **Tax exempt status**

The Organization is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to Federal or state corporate income taxes.

The Organization has no unrecognized tax benefits at June 30, 2015 and 2014. All of the Organization's Federal and state information returns are open for examination and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization has unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.



## Journey Found, Inc.

### Notes to Financial Statements June 30, 2015 and 2014

#### **Cash and cash equivalents**

Cash and cash equivalents include all cash balances and highly liquid short-term investments with an original maturity of three months or less when acquired. There were no cash equivalents as of June 30, 2015 and 2014.

#### **Accounts receivable**

Accounts receivable principally represent monies due from Department of Developmental Services (“DDS”), Department of Social Services (“DSS”) and Department of Mental Health and Addiction Services (“DMHAS”). Accounts receivable arising from regular operations are stated net of an allowance for doubtful accounts when applicable. Allowances for accounts receivable are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party when considering the need for an allowance. Receivables are written off when management determines amounts will not be collected. Receivables are considered past due based on invoice date. There were no allowances for accounts receivable at June 30, 2015 and 2014.

#### **Property, equipment and improvements**

The Organization capitalizes all expenditures for property and equipment exceeding \$2,500, with a useful life greater than three years. Purchased property and equipment is carried at cost less accumulated depreciation. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation and amortization of property and equipment is computed using the straight-line method over their estimated useful lives or life of lease where applicable. Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated Lives</u>
Buildings and improvements	10 - 30 years
Vehicles	2 - 5 years
Furniture and equipment	5 - 10 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in change in net assets for the period.

#### **Gifts of long-lived assets**

The Organization reports gifts of land, buildings 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 that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## **Journey Found, Inc.**

### **Notes to Financial Statements June 30, 2015 and 2014**

During 2015, the Organization assumed ownership of a building with an appraised value of \$220,000 and assumed the mortgage of \$348,366; a fair value adjustment of \$128,366 was recorded. The mortgage is fully funded through DDS. During 2014, the Organization assumed ownership of six buildings with an appraised value of \$1,362,000 and assumed the mortgages of \$876,000; a contribution for the fair value of the buildings acquired of \$486,000 was recorded. Only the mortgaged portion of property is funded through DDS.

#### **Expense allocation**

The cost of providing various programs and activities has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain administrative costs have been allocated among programs.

#### **Revenue recognition**

The Organization manages residential facilities, in home support and day programs for individuals with special needs. Revenue is recognized when all fundable expenditures are incurred. The residential facilities are reimbursed according to regulations governing Community Living Arrangements. Food and lodging costs are reimbursed by DSS and other covered expenses are reimbursed by DDS. Services provided by the Organization related to day programs and supported living programs are billed through a fiscal intermediary and/or reimbursed through a direct contract with DDS. Reimbursement of certain expenses is subject to maximum per diem rate limitations and annual cost settlement regulations.

#### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **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. Accordingly, actual results could differ from those estimates.

#### **Subsequent events**

The Organization has evaluated subsequent events through December 21, 2015, which is the date the financial statements were available to be issued (see Notes 7 and 10).

## Journey Found, Inc.

### Notes to Financial Statements June 30, 2015 and 2014

#### Note 2 - Concentrations

##### Funding source

The Organization's program revenue is primarily derived from contracts with DDS. Total revenue received from DDS in fiscal year 2015 and 2014 was \$8,399,887 or 83% of program revenue and \$7,262,125 or 78% of program revenue, respectively. At June 30, 2015 and 2014, \$720,113 and \$480,429, respectively was due from DDS.

##### Concentrations of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risks consist primarily of cash and accounts receivable. The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits. At June 30, 2015, the cash balance exceeded the Federally insured limit by approximately \$89,000.

##### Collective bargaining agreement

The Organization has an agreement with the New England Health Care Employees Union. The collective bargaining agreement pertains to approximately 77% of the Organization's employees for the years ended June 30, 2015 and 2014. The agreement expires March 31, 2017.

#### Note 3 - Long-term debt

Long-term debt consists of the following at June 30, 2015 and 2014:

	2015	2014
6.63% mortgage loan payable to Connecticut Housing and Financing Authority ("CHFA"), collateralized by real estate. Monthly principal and interest payments of \$2,311 are payable through October 2030.	\$ 235,914	\$ 244,512
6.93% mortgage loan payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,627 are payable through August 2027.	229,706	241,338
6.93% mortgage loan payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,159 are payable through February 2028.	193,603	202,836
6.93% notes payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,129 are payable through September 2026.	174,254	183,878
6.00% notes payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$2,350 are payable through September 2037.	345,915	-
	1,179,392	872,564
Less current portion	(50,034)	(39,087)
Total	\$ 1,129,358	\$ 833,477

## Journey Found, Inc.

### Notes to Financial Statements June 30, 2015 and 2014

Future maturities of long-term debt for each of the five years subsequent to 2015 and thereafter are as follows:

Year Ending June 30,	Amount
2016	\$ 50,034
2017	53,867
2018	57,572
2019	61,281
2020	65,852
Thereafter	890,786
Total	<u>\$ 1,179,392</u>

Related interest expense for the years ended June 30, 2015 and 2014 was \$60,680 and \$5,059, respectively.

#### Note 4 - Lines of credit

The Organization has two lines of credits with limits of \$700,000 and \$500,000. Both are due on demand. The lines of credit bear interest at prime plus 1% (4.25% in total at June 30, 2015) and are collateralized by the assets of the Organization. There was no outstanding balance as of June 30, 2015 and 2014. Interest expense related to the lines of credit for the years ended June 30, 2015 and 2014 was \$5,529 and \$579, respectively.

#### Note 5 - Letter of credit

The Organization had a letter of credit with Rockville Bank which expired on September 10, 2015 in the amount of \$55,873.

#### Note 6 - Capital lease obligations

The assets and related liability under the capital leases are recorded at the fair value of the assets. The assets are amortized over the shorter of their related lease terms or their estimated productive lives. The Organization entered into twenty-two vehicle leases during the year ended June 30, 2014 and seven during the year ended June 30, 2015, which expire at various times through February 2019. Amortization of the assets under the capital leases is included in depreciation expense.

Accordingly, the assets were capitalized and have the following book values at June 30, 2015 and 2014:

	2015	2014
Vehicles	\$ 657,488	\$ 519,676
Less accumulated amortization	(276,961)	(100,704)
Total	<u>\$ 380,527</u>	<u>\$ 418,972</u>

Related interest expense for the years ended June 30, 2015 and 2014 was \$16,346 and \$16,584, respectively. Amortization expense relating to the capital lease obligations for the years ended June 30, 2015 and 2014 was \$176,257 and \$100,704, respectively.

## Journey Found, Inc.

### Notes to Financial Statements June 30, 2015 and 2014

At June 30, 2015, future minimum lease payments due under the capital leases are as follows:

Year Ending June 30,	Amount
2016	\$ 160,133
2017	160,133
2018	42,551
2019	12,298
Total future minimum lease payments	375,115
Less amount representing interest	(19,558)
Present value of net minimum lease payments	355,557
Less current portion	(147,878)
Long-term portion	<u>\$ 207,679</u>

#### Note 7 - Commitments

##### Real estate

The Organization is leasing 14 facilities as of June 30, 2015, expiring at various times through June 2024. The Organization leases administrative office space through May 2023. Monthly payments for the leased facilities and office range between \$1,075 and \$6,666. The Organization is responsible for utilities, maintenance and insurance. Related rent expense for the years ended June 30, 2015 and 2014 was \$376,509 and \$342,605, respectively.

Subsequent to fiscal year-end, the Organization entered into two facility leases, expiring in 2017 with monthly payments of \$1,057 and \$1,095.

##### Furniture and equipment

The Organization also leases office equipment ranging from \$44 to \$53 per month through September 2018. Equipment lease expense for the years ended June 30, 2015 and 2014 was \$8,483 and \$13,310, respectively.

Future minimum lease payments due under all non-cancelable operating leases are as follows:

Year Ending June 30,	Amount
2016	\$ 307,848
2017	124,163
2018	114,779
2019	112,345
2020	108,545
Thereafter	338,585
Total	<u>\$ 1,106,265</u>

**Journey Found, Inc.**

**Notes to Financial Statements  
June 30, 2015 and 2014**

**Note 8 - Operational advances**

When a facility commences operations, the Organization may receive an operational advance equal to one month service revenue based on full capacity. These operational advances are applied against the final reimbursement when a facility ceases its agency relationship with DDS. Total operational advances received by the Organization amounted to \$484,940 and \$452,948 as of June 30, 2015 and 2014, respectively.

**Note 9 - Pension plan**

The Organization maintains a 403(b) retirement plan covering all eligible employees. Annually, the Board of Directors determines the profit-sharing contribution, if any, to the plan. The Organization contributed \$21,444 and \$55,332 for the years ended June 30, 2015 and 2014, respectively.

**Journey Found, Inc.**

**Program Expenses  
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Salaries	\$ 5,931,947	\$ 5,346,413
Employee benefits and taxes	1,386,222	1,225,216
Rent and occupancy	532,773	576,737
Program supplies and equipment	299,529	290,328
Depreciation and amortization	206,932	148,833
Transportation	174,225	222,793
Interest	77,026	21,643
Consulting	96,524	93,857
Repairs and maintenance	59,205	33,146
Miscellaneous	-	17,450
Insurance	52,191	42,119
Employee travel	76,453	35,516
Office supplies and equipment	29,724	22,495
Recruitment	29,109	8,358
Training	18,987	21,968
Totals	<u>\$ 8,970,847</u>	<u>\$ 8,106,872</u>

See Independent Auditor's Report.

**Journey Found, Inc.**

**Administrative Expenses  
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Salaries	\$ 594,925	\$ 457,835
Employee benefits	142,299	197,398
Rent and occupancy	106,111	104,627
Consulting	71,721	57,259
Accounting and legal	34,453	83,244
Training	34,207	33,529
Office supplies	29,313	44,342
Depreciation and amortization	24,683	7,105
Dues, subscriptions and memberships	20,542	12,592
Equipment leases	10,075	9,309
Transportation	8,269	9,201
Insurance	7,710	12,083
Interest	5,529	579
Miscellaneous	-	4,620
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,089,837</u>	<u>\$ 1,033,723</u>

See Independent Auditor's Report.



# Journey Found, Inc.

## Index

	<u>Page</u>
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 <i>Government Auditing Standards</i>	2-3
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	4-6
Schedule of Expenditures of State Financial Assistance	7
Notes to Schedule of Expenditures of State Financial Assistance	8
Schedule of Findings and Questioned Costs	9

**Journey Found, Inc.**

**State Financial Assistance in  
Accordance with the State Single Audit Act  
and Independent Auditor's Reports**

**June 30, 2015**

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*

---

To the Board of Directors  
Journey Found, Inc.

We have audited, 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, the financial statements of Journey Found, Inc. (a nonprofit entity), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Journey Found, 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Journey Found, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Journey Found, 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 Journey Found, Inc.'s 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.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
December 21, 2015

Independent Auditor's Report on Compliance for Each Major  
State Program; Report on Internal Control over Compliance;  
and Report on the Schedule of Expenditures of State  
Financial Assistance Required by the State Single Audit Act

---

To the Board of Directors  
Journey Found, Inc.

*Report on Compliance for Each Major State Program*

We have audited Journey Found, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Journey Found, Inc.'s major state programs for the year ended June 30, 2015. Journey Found, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Journey Found, Inc.'s major state 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about Journey Found, 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 state program. However, our audit does not provide a legal determination of Journey Found, Inc.'s compliance.

### *Opinion on Each Major State Program*

In our opinion, Journey Found, 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 state programs for the year ended June 30, 2015.

### *Report on Internal Control over Compliance*

Management of Journey Found, 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 Journey Found, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Journey Found, 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 state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

*Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act*

We have audited the financial statements of Journey Found, Inc., as of and for the year ended June 30, 2015, and have issued our report thereon dated December 21, 2015, 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 state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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 state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*CohnReznick LLP*

Hartford, Connecticut  
December 21, 2015

**Journey Found, Inc.**

**Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2015**

<u>State Grantor Pass-Through Grantor Program Title</u>	<u>State Grant Program CORE-CT Number</u>	<u>Expenditures</u>
Department of Developmental Services: Community Residential Program	11000-DDS50000-16122	\$ 7,651,746
Employment Opportunities and Day Services	11000-DDS50000-16108	<u>568,874</u>
Total State Financial Assistance		<u><u>\$ 8,220,620</u></u>

See Notes to Schedule of Expenditures of State Financial Assistance.



**Journey Found, Inc.**

**Notes to Schedule of Expenditures of State Financial Assistance  
June 30, 2015**

**Note 1 - Basis of presentation**

The accounting policies of Journey Found, Inc. (the "Organization") conform to accounting principles generally accepted in the United States of America for nonprofit entities.

The schedule of expenditures of state financial assistance (the "Schedule") includes state grant activity of the Organization under programs of the State of Connecticut for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The Schedule is reported on the accrual basis of accounting and is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Loan programs**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule shall include loans and loan activities. In February 2015 the Organization assumed a loan from another provider. The loan balance at time of assumption was \$348,366. The following is a summary of the loan program activity for the year ended June 30, 2015:

Department of Developmental Services:

Loan Number	Issue Date	Interest Rate	Original Amount	Retired	Balance Ending
270602	8/27/07	6%	\$ 391,973	\$ (46,058)	\$ 345,915

**Note 3 - Fee for service revenue**

The Organization received fee for service revenue from a state agency for the year ended June 30, 2015. The Organization is considered to be a vendor under this arrangement. The fee for service revenue detailed below represents actual revenue recognized under this arrangement and not actual expenditures incurred.

State Grantor/ Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Amount
Department of Mental Health and Addition Services	11000-MHA53290-90231	\$508,471
	11000-MHA53290-12256	428,472

**Journey Found, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u>  X  </u> no
Significant deficiency(ies) identified?	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> no

State Financial Assistance:

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u>  X  </u> no
Significant deficiency(ies) identified?	_____ yes <u>  X  </u> none reported

Type of auditor's report issued on compliance for major programs:	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	_____ yes <u>  X  </u> no
---	---------------------------

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Developmental Services: Community Residential Program	11000-DDS50000-16122	<u>\$7,651,746</u>
Dollar threshold used to distinguish between type A and type B programs		<u>\$ 200,000</u>