

Journey Found, Inc.
**Financial Statements
and Independent Auditor's Report**
June 30, 2019 and 2018

Journey Found, Inc.

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Independent Auditor's Report

To the Board of Directors
Journey Found, Inc.

Report on the 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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for year ended June 30, 2019 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2020, 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 solely 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 effectiveness of Journey Found, Inc.'s 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
March 9, 2020

Journey Found, Inc.

**Statements of Financial Position
June 30, 2019 and 2018**

	<u>Assets</u>	
	2019	2018
Current assets		
Cash	\$ 749,402	\$ 805,594
Accounts receivable	212,147	372,243
Prepaid expenses	18,357	43,903
Total current assets	979,906	1,221,740
Property and equipment, at cost		
Buildings and improvements	1,921,055	1,516,665
Vehicles	772,337	684,046
Furniture, fixtures and equipment	165,344	154,344
	2,858,736	2,355,055
Less accumulated depreciation and amortization	753,644	569,690
	2,105,092	1,785,365
Land	538,469	413,469
Total property and equipment	2,643,561	2,198,834
Other assets		
Security deposits	95,560	88,127
Total assets	\$ 3,719,027	\$ 3,508,701

Journey Found, Inc.

**Statements of Financial Position
June 30, 2019 and 2018**

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current liabilities		
Accrued expenses	\$ 441,039	\$ 353,130
Accounts payable	79,101	63,859
Current portion of long-term debt	71,539	60,768
Current portion of capital lease obligations	<u>172,536</u>	<u>196,626</u>
Total current liabilities	<u>764,215</u>	<u>674,383</u>
Long-term liabilities		
Long-term debt, less current portion	1,391,548	959,261
Capital lease obligations, less current portion	214,174	227,830
DDS cash advances	<u>526,457</u>	<u>526,457</u>
Total long-term liabilities	<u>2,132,179</u>	<u>1,713,548</u>
Total liabilities	<u>2,896,394</u>	<u>2,387,931</u>
Commitments		
Net assets		
Without donor restrictions	822,633	1,110,979
With donor restrictions	<u>-</u>	<u>9,791</u>
Total net assets	<u>822,633</u>	<u>1,120,770</u>
Total liabilities and net assets	<u>\$ 3,719,027</u>	<u>\$ 3,508,701</u>

See Notes to Financial Statements.

Journey Found, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions		
Program revenue	\$ 13,310,815	\$ 12,694,249
Expenses		
Program expenses	12,301,360	11,369,667
Supporting services expenses	1,597,685	1,611,388
Total expenses	13,899,045	12,981,055
Change in net assets without donor restrictions before other income	(588,230)	(286,806)
Other income		
Contributions and fundraising	141,625	335,961
Net assets released from restrictions	9,791	40,674
Other	63,171	46,036
Grants	85,297	7,873
Total other income	299,884	430,544
Change in net assets without donor restrictions	(288,346)	143,738
Changes in net assets with donor restrictions		
Net assets released from restrictions	(9,791)	(40,674)
Change in net assets without donor restrictions	(9,791)	(40,674)
Change in net assets	(298,137)	103,064
Net assets, beginning	1,120,770	1,017,706
Net assets, end	\$ 822,633	\$ 1,120,770

See Notes to Financial Statements.

Journey Found, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	Program expenses	Administrative expenses	Fundraising expenses	2019 Total	2018 Total
Salaries	\$ 8,263,071	\$ 735,457	\$ 105,880	\$ 9,104,408	\$ 8,422,867
Employee benefits and taxes	2,016,814	179,500	23,274	2,219,588	2,161,273
Rent and occupancy	630,785	144,613	-	775,398	747,412
Program supplies and equipment	369,979	-	857	370,836	360,368
Depreciation and amortization	263,852	-	-	263,852	261,801
Transportation	171,468	37,634	-	209,102	215,359
Consulting	178,653	190,756	10,509	379,918	277,088
Interest	104,198	6,217	-	110,415	91,099
Employee travel	84,839	-	-	84,839	62,467
Repairs and maintenance	76,207	-	-	76,207	89,694
Insurance	48,742	12,131	-	60,873	62,205
Dues and membership	276	20,085	-	20,361	19,781
Training and recruitment	37,556	-	-	37,556	41,147
Office supplies and equipment	37,277	66,843	4,417	108,537	97,792
Miscellaneous	17,643	40,410	19,102	77,155	70,702
	<u>\$ 12,301,360</u>	<u>\$ 1,433,646</u>	<u>\$ 164,039</u>	<u>\$ 13,899,045</u>	<u>\$ 12,981,055</u>

See Notes to Financial Statements.

Journey Found, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (298,137)	\$ 103,064
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts	20,413	10,372
Depreciation and amortization	263,852	261,801
Contribution of property	-	(220,000)
(Gain) loss on disposal of property and equipment	(31,022)	9,766
Changes in operating assets and liabilities		
Accounts receivable	139,683	431,017
Prepaid expenses	25,546	(18,138)
Security deposits	(7,433)	(27,169)
Accrued expenses	87,909	17,702
Accounts payable	15,242	13,970
	<u>216,053</u>	<u>582,385</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sale of property and equipment	42,000	-
Purchases of property and equipment	(66,668)	(78,051)
	<u>(24,668)</u>	<u>(78,051)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayments of long-term debt	(64,884)	(56,773)
Repayments of capital lease obligations	(182,693)	(180,112)
	<u>(247,577)</u>	<u>(236,885)</u>
Net cash used in financing activities		
Net (decrease) increase in cash	(56,192)	267,449
Cash, beginning	<u>805,594</u>	<u>538,145</u>
Cash, end	<u>\$ 749,402</u>	<u>\$ 805,594</u>
Supplemental disclosures of cash flow data		
Interest paid	<u>\$ 110,415</u>	<u>\$ 91,099</u>
Supplemental disclosures of noncash investing and financing activities		
Acquisition of property, equipment and improvements	\$ 719,557	\$ 351,635
Assets acquired through capital lease obligations	(144,947)	(53,584)
Assets acquired through long-term debt	(507,942)	-
Contribution of property	-	(220,000)
	<u>\$ 66,668</u>	<u>\$ 78,051</u>
Purchases of property and equipment with cash		

See Notes to Financial Statements.

Journey Found, Inc.

Notes to Financial Statements June 30, 2019 and 2018

Note 1 - Organization and summary of significant accounting policies

Organization

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

Basis of presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Organization reports information regarding its financial position and activities according to the following net asset categories:

Net assets without donor restrictions - Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

At June 30, 2019 and 2018, the Organization had no net assets with perpetual donor restrictions.

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's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management has concluded there are no tax contingencies required to be recorded as of June 30, 2019 and 2018.

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 statements of financial position.

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, 2019 and 2018.

Journey Found, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

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, 2019 and 2018.

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 are carried at cost less accumulated depreciation. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation and amortization of property and equipment are 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>Assets</u>	<u>Estimated lives</u>
Buildings and improvements	10 - 30 years
Vehicles	2 - 5 years
Furniture, fixtures 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.

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, continuous residential supports, and in-home supports 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

The Organization reports unconditional promises to give as revenue when the promise is received. Conditional promises to give are recognized as revenue when the condition is met. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the statements of activities.

Journey Found, Inc.

Notes to Financial Statements June 30, 2019 and 2018

Functional expense allocation

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Newly adopted accounting standards

During fiscal year 2019, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14. The provisions improve the usefulness and reduce the complexities of information provided to donors, grantors, creditors, and other users of the financial statements by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements. Enhanced disclosures in the notes to the financial statements will provide useful information about the nature, amounts and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which the resources can be used as well as the time frame for their use. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and classification of expenses by both the nature and function. While the adoption of ASU 2016-14 requires net assets to be presented with and without donor restrictions, the ASU had no effect on the Organization's total net assets.

Subsequent events

The Organization has evaluated subsequent events through March 9, 2020, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Funding source

The Organization's program revenue is primarily derived from contracts with DDS. Total revenue received from DDS in fiscal years 2019 and 2018 was \$11,042,514 and 83% of program revenue and was \$10,587,217 or 83% of program revenue, respectively. At June 30, 2019 and 2018, (\$26,045) and \$272,872, respectively, was due from(to) 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, 2019, amounts were exceeded by approximately \$503,000.

Collective bargaining agreement

The Organization has an agreement with the New England Health Care Employees Union. The collective bargaining agreement pertains to approximately 82% of the Organization's employees for the years ended June 30, 2019 and 2018. The agreement is effective through March 31, 2021.

Journey Found, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Note 3 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2019, the Organization has approximately \$962,000 of financial assets available to meet annual operating needs for the 2020 fiscal year as follows:

Cash	\$	749,402
Accounts receivable		<u>212,147</u>
Total	\$	<u><u>961,549</u></u>

These financial assets are not subject to any donor or contractual restrictions. The Organization supports its general operations primarily with government grants, unrestricted donor contributions and donor-restricted funds whose time or purpose restriction has been met.

As part of the Organization's liquidity management, the Organization keeps its financial assets available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has lines of credit of \$1,200,000, which it could draw upon, as described in Note 5.

Note 4 - Accounts receivable

Accounts receivable consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
DDS receivable	\$ 1,006,892	\$ 1,149,419
Less DDS bridge funding advance	<u>(1,032,937)</u>	<u>(876,547)</u>
Net DDS receivable	(26,045)	272,872
Other receivables	<u>238,192</u>	<u>99,371</u>
	<u>\$ 212,147</u>	<u>\$ 372,243</u>

Note 5 - Lines of credit

The Organization has two lines of credits with limits of \$900,000 and \$300,000. Both are due on demand. The lines of credit bear interest at prime plus 1% (6.00% in total at June 30, 2019) and are collateralized by the assets of the Organization. There was no outstanding balance as of June 30, 2019 and 2018. Interest expense related to the lines of credit for the years ended June 30, 2019 and 2018 was \$6,216 and \$355, respectively.

Journey Found, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Note 6 - Long-term debt

Long-term debt consists of the following at June 30, 2019 and 2018:

	2019	2018
6.00% note payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$2,350 are payable through September 2037.	\$ 312,347	\$ 321,514
6.63% mortgages loan payable to Connecticut Housing Finance Authority ("CHFA"), collateralized by real estate. Monthly principal and interest payments of \$2,311 are payable through October 2030.	195,230	206,430
6.93% mortgages loan payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,627 are payable through August 2027.	174,227	189,566
6.93% mortgage loan payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,159 are payable through February 2028.	149,569	161,744
6.93% mortgage loan payable to CHFA, collateralized by real estate. Monthly principal and interest payments of \$2,129 are payable through September 2026.	127,880	140,775
6.00% notes payable to DDS, collateralized by real estate. Monthly principal and interest payments of \$3,045 are payable through October 2048.	503,834	-
	1,463,087	1,020,029
Less current portion	(71,539)	(60,768)
Total	\$ 1,391,548	\$ 959,261

Journey Found, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Future maturities of long-term debt for each of the five years subsequent to 2019 and thereafter are as follows:

2020	\$	71,539	
2021		77,321	
2022		82,641	
2023		88,330	
2024		93,668	
Thereafter		1,049,588	
Total	\$	1,463,087	

Related interest expense for the years ended June 30, 2019 and 2018 was \$86,027 and \$69,777, respectively.

Note 7 - Capital lease obligations

The Organization leases vehicles that expire at various times through April 1, 2024. Accordingly, the assets were capitalized and have the following book values at June 30, 2019 and 2018:

	2019	2018
Vehicles	\$ 772,337	\$ 684,046
Less accumulated amortization	(371,744)	(257,651)
Total	\$ 400,593	\$ 426,395

Related interest expense for the years ended June 30, 2019 and 2018 was \$18,172 and \$20,967, respectively. Amortization expense relating to the capital lease obligations for the years ended June 30, 2019 and 2018 was \$193,990 and \$190,072, respectively. Amortization of the assets under the capital leases is included in depreciation expense.

At June 30, 2019, future minimum lease payments due under the capital leases are as follows:

	2020	\$	185,237	
	2021		155,708	
	2022		43,378	
	2023		19,245	
	2024		4,363	
Total future minimum lease payments			407,931	
Less amount representing interest			(21,221)	
Present value of net minimum lease payments			386,710	
Less current portion			(172,536)	
Long-term portion		\$	214,174	

Journey Found, Inc.

Notes to Financial Statements June 30, 2019 and 2018

Note 8 - Commitments

Real estate

The Organization is leasing 28 facilities as of June 30, 2019, expiring at various times through June 2024. The Organization leases administrative office space through February 2024. Monthly payments for the leased facilities and office space range between \$1,092 and \$7,061. The Organization is responsible for utilities, maintenance and insurance. Related rent expense for the years ended June 30, 2019 and 2018 was \$431,759 and \$453,039, respectively.

Furniture and equipment

The Organization also leases office equipment ranging from \$35 to \$345 per month through September 2020. Equipment lease expense for the years ended June 30, 2019 and 2018 was \$31,327 and \$27,676, respectively.

Future minimum lease payments due under all noncancelable operating leases are as follows:

2020	\$	288,563
2021		144,100
2022		117,819
2023		105,112
2024		<u>18,568</u>
Total	\$	<u>674,162</u>

Note 9 - DDS cash advances

When a Community Living Arrangement program 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 cash advances received by the Organization amounted to \$526,457 for both years ended June 30, 2019 and 2018.

Note 10 - 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 \$20,000 and \$30,000 for the years ended June 30, 2019 and 2018, respectively.

Note 11 - Net assets with time or purpose donor restrictions

Net assets with time or purpose donor restrictions of \$0 and \$9,791 at June 30, 2019 and 2018, respectively, are available for payroll expense.

Note 12 - Functionalized expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.



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