

**Liberation Programs, Inc. and  
Associated Organizations**

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

**June 30, 2017 and 2016**

# **Liberation Programs, Inc. and Associated Organizations**

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Independent Auditor's Report

To the Board of Directors of  
Liberation Programs, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Liberation Programs, Inc. and Associated Organizations, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, changes in net assets 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 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 consolidated 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. The financial statements of Elmcrest Terrace Supportive Housing, LLC and Elmcrest Terrace Limited Partnership were not audited in accordance with *Government Auditing Standards*.

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 risk 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 purposes 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 Liberation Programs, Inc. and Associated Organizations as of June 30, 2017 and 2016, and the changes in their net assets and their 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 consolidated financial statements as a whole. The supplementary consolidating information included on pages 18 through 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual entities and it is 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. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information 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 to the consolidated 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 November 30, 2017 on our consideration of Liberation Programs, Inc. and Associated Organizations' internal control over financial reporting and on 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 Liberation Programs, Inc. and Associated Organizations' internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
November 30, 2017

**Liberation Programs, Inc. and Associated Organizations**

**Consolidated Statements of Financial Position  
June 30, 2017 and 2016**

	<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets			
Cash	\$	2,179,195	\$ 1,381,928
Accounts receivable, net of allowance for uncollectible accounts of \$43,261 and \$36,657		265,642	360,261
Grants receivable		148,209	180,384
Other receivables		48,445	120,855
Prepaid expenses		36,253	77,229
Total current assets		<u>2,677,744</u>	<u>2,120,657</u>
Property and equipment, net of accumulated depreciation		<u>10,813,353</u>	<u>11,246,129</u>
Other assets			
Security and other deposits		209,493	201,004
Tax credit monitoring fees, net of accumulated amortization of \$18,248 and \$12,170		73,043	79,121
Total other assets		<u>282,536</u>	<u>280,125</u>
Total assets	\$	<u><u>13,773,633</u></u>	<u><u>\$ 13,646,911</u></u>
 <u>Liabilities and Net Assets/Equity</u>			
Current liabilities			
Notes payable - current portion	\$	47,262	\$ 44,924
Accounts payable and accrued liabilities		839,082	890,729
Total current liabilities		886,344	935,653
Notes payable, net		<u>2,971,447</u>	<u>2,995,130</u>
Total liabilities		<u>3,857,791</u>	<u>3,930,783</u>
Net assets/equity			
Unrestricted		5,752,327	5,307,083
Temporarily restricted		10,000	-
Total Liberation Programs, Inc. and Associated Organizations net assets		5,762,327	5,307,083
Non-controlling interest		<u>4,153,515</u>	<u>4,409,045</u>
Total net assets/equity		<u>9,915,842</u>	<u>9,716,128</u>
Total liabilities and net assets/equity	\$	<u><u>13,773,633</u></u>	<u><u>\$ 13,646,911</u></u>

See Notes to Consolidated Financial Statements.

**Liberation Programs, Inc. and Associated Organizations**

**Consolidated Statements of Activities  
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Unrestricted revenues and other support		
Department of Mental Health and Addiction Services grant	\$ 2,747,315	\$ 3,319,124
Other federal and state funding	428,392	668,727
Municipal grants	149,111	158,484
United Way contributions	63,785	61,008
Program service fees	5,440,395	5,022,538
Other contributions	247,291	363,483
Special events	400,670	194,402
Less special event costs of direct benefit to donors	(50,259)	(46,278)
In-kind contributions	66,882	73,759
Rental income	358,669	381,546
Other income	<u>90,289</u>	<u>87,360</u>
Total unrestricted revenues and other support	<u>9,942,540</u>	<u>10,284,153</u>
Expenses		
Program services	7,616,206	7,712,095
Fundraising	226,689	247,323
Management and general	1,415,998	1,605,826
Depreciation	<u>548,377</u>	<u>530,819</u>
Total expenses	<u>9,807,270</u>	<u>10,096,063</u>
Increase in unrestricted net assets	<u>135,270</u>	<u>188,090</u>
Changes in temporarily restricted net assets		
Contributions	<u>10,000</u>	<u>-</u>
Changes in net assets	<u><u>\$ 145,270</u></u>	<u><u>\$ 188,090</u></u>

See Notes to Consolidated Financial Statements.

# Liberation Programs, Inc. and Associated Organizations

## Consolidated Statement of Functional Expenses Year Ended June 30, 2017

			Supporting Services				
	Program Services		Management and General		Fundraising		
	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace	Liberation Programs, Inc. and Associated Organizations	Consolidating Eliminations	Total
Expenses							
Salaries	\$ 4,135,188	\$ 59,317	\$ 729,487	\$ -	\$ 132,296	\$ -	\$ 5,056,288
Employee benefits and payroll taxes	1,101,566	3,145	194,327	-	35,242	-	1,334,280
Total salary and related expenses	5,236,754	62,462	923,814	-	167,538	-	6,390,568
Other expenses							
Contractual and professional services	267,729	9,058	99,940	-	92	-	376,819
Facilities and equipment rentals, repairs and taxes	273,430	62,732	254,299	-	4,892	-	595,353
Other rental expenses - Elmcrest Terrace	-	95,616	-	53,975	-	(59,250)	90,341
Utilities and communications	234,058	49,920	32,347	-	-	-	316,325
Supplies	640,226	44,240	8,615	-	5,017	-	698,098
General insurance	104,554	49,381	10,340	-	-	-	164,275
Other expenses	393,975	3,185	50,981	-	25,726	-	473,867
Interest	48,131	39,297	-	-	-	(1,063)	86,365
In-kind and sub-recipient awards	43,458	-	-	-	23,424	-	66,882
Total other expenses	2,005,561	353,429	456,522	53,975	59,151	(60,313)	2,868,325
Total expenses before depreciation	7,242,315	415,891	1,380,336	53,975	226,689	(60,313)	9,258,893
Depreciation	314,612	215,605	18,160	-	-	-	548,377
Total expenses	\$ 7,556,927	\$ 631,496	\$ 1,398,496	\$ 53,975	\$ 226,689	\$ (60,313)	\$ 9,807,270

See Notes to Consolidated Financial Statements.

# Liberation Programs, Inc. and Associated Organizations

## Consolidated Statement of Functional Expenses Year Ended June 30, 2016

	Program Services		Supporting Services			Consolidating Eliminations	Total
			Management and General		Fundraising		
	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace	Liberation Programs, Inc. and Associated Organizations		
Expenses							
Salaries	\$ 4,456,217	\$ 69,419	\$ 668,555	\$ -	\$ 160,796	\$ -	\$ 5,354,987
Employee benefits and payroll taxes	1,112,043	3,743	166,837	-	40,126	-	1,322,749
Total salary and related expenses	5,568,260	73,162	835,392	-	200,922	-	6,677,736
Other expenses							
Contractual and professional services	144,108	4,838	333,970	-	250	-	483,166
Facilities and equipment rentals, repairs and taxes	300,589	51,963	249,944	-	3,084	-	605,580
Other rental expenses - Elmcrest Terrace	-	127,023	-	8,867	-	(42,000)	93,890
Utilities and communications	321,017	49,499	26,763	-	275	-	397,554
Supplies	623,679	20	8,818	-	8,803	-	641,320
General insurance	11,532	26,952	101,311	-	-	-	139,795
Other expenses	301,273	9,035	42,793	-	12,733	-	365,834
Interest	50,146	38,496	4	-	-	(2,036)	86,610
In-kind and sub-recipient awards	52,503	-	-	-	21,256	-	73,759
Total other expenses	1,804,847	307,826	763,603	8,867	46,401	(44,036)	2,887,508
Total expenses before depreciation	7,373,107	380,988	1,598,995	8,867	247,323	(44,036)	9,565,244
Depreciation	330,464	177,555	22,800	-	-	-	530,819
Total operating expenses	\$ 7,703,571	\$ 558,543	\$ 1,621,795	\$ 8,867	\$ 247,323	\$ (44,036)	\$ 10,096,063

See Notes to Consolidated Financial Statements.



**Liberation Programs, Inc. and Associated Organizations**

**Consolidated Statements of Changes in Net Assets  
Years Ended June 30, 2017 and 2016**

	Unrestricted	Temporarily restricted	Non-controlling interest	Total
Net assets/equity, June 30, 2015	\$ 4,935,329	\$ -	\$ 4,123,372	\$ 9,058,701
Capital contributions	-	-	469,337	469,337
Changes in net assets	<u>371,754</u>	<u>-</u>	<u>(183,664)</u>	<u>188,090</u>
Net assets/equity, June 30, 2016	5,307,083	-	4,409,045	9,716,128
Capital contributions	-	-	54,444	54,444
Changes in net assets	<u>445,244</u>	<u>10,000</u>	<u>(309,974)</u>	<u>145,270</u>
Net assets/equity, June 30, 2017	<u>\$ 5,752,327</u>	<u>\$ 10,000</u>	<u>\$ 4,153,515</u>	<u>\$ 9,915,842</u>

See Notes to Consolidated Financial Statements.

**Liberation Programs, Inc. and Associated Organizations**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ 145,270	\$ 188,090
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	548,377	530,819
Amortization of financing fees	4,173	4,181
Amortization of tax credit monitoring fees	6,078	6,078
Deferred interest	39,297	38,496
Bad debts	241,906	166,748
Loss on abandoned construction in progress	-	208,520
(Increase) decrease in		
Accounts receivable	(147,287)	(217,352)
Grants receivable	32,175	(20,278)
Pledges and other receivables	72,410	1,145
Prepaid expenses	40,976	82,831
Security and other deposits	(8,489)	(171,643)
Decrease in		
Accounts payable and accrued expenses	(90,944)	(127,191)
Net cash provided by operating activities	<u>883,942</u>	<u>690,444</u>
Cash flows used in investing activities		
Capital expenditures	<u>(115,601)</u>	<u>(208,696)</u>
Net cash used in investing activities	<u>(115,601)</u>	<u>(208,696)</u>
Cash flows from financing activities		
Loan proceeds	20,433	20,433
Capital contributions	54,444	469,337
Principal payments on long-term debt	<u>(45,951)</u>	<u>(45,786)</u>
Net cash provided by financing activities	<u>28,926</u>	<u>443,984</u>
Net increase in cash	797,267	925,732
Cash, beginning	<u>1,381,928</u>	<u>456,196</u>
Cash, end	<u><u>\$ 2,179,195</u></u>	<u><u>\$ 1,381,928</u></u>
Supplemental disclosure of cash flows information		
Construction in progress transferred to other receivables	<u>\$ -</u>	<u>\$ 122,000</u>
Interest paid	<u><u>\$ 44,908</u></u>	<u><u>\$ 46,927</u></u>

See Notes to Consolidated Financial Statements.

## **Liberation Programs, Inc. and Associated Organizations**

### **Notes to Consolidated Financial Statements June 30, 2017 and 2016**

#### **Note 1 - The Organization**

Liberation Programs, Inc. and Associated Organizations ("Liberation Programs" or the "Organization") is a substance abuse prevention and treatment organization servicing individuals and families throughout Southern Fairfield County in the State of Connecticut. The mission of the Organization is to strengthen communities through programs that prevent substance abuse, empower persons with drug and alcohol dependency to achieve sustained recovery, and support the loved ones of those struggling with addiction.

#### **Note 2 - Summary of significant accounting policies**

##### **Consolidation policy**

The consolidated financial statements of Liberation Programs, Inc. and Associated Organizations include the consolidated financial statements of Liberation Programs, Inc. and its affiliates, Friends of Liberation Programs, Inc. and LMG Investments, Inc., entities with which it shares common control and common economic interests, as well as the consolidated financial statements of its majority-owned subsidiary, Elmcrest Terrace Supportive Housing, LLC and its subsidiary, in each case after the elimination of all inter-organizational transactions and balances.

Elmcrest Terrace Supportive Housing, LLC is the general partner of its subsidiary, Elmcrest Terrace Limited Partnership, a limited partnership formed for the purpose of converting a property located on Elmcrest Terrace in Norwalk, Connecticut and formerly owned by Friends of Liberation Programs, Inc., into affordable low-income housing. Elmcrest Terrace Supportive Housing, LLC's liability is limited to the capital contributions plus any amounts guaranteed (see Note 10). The equity attributed to the limited partner investment in the partnership is reflected as the non-controlling interest in the consolidated financial statements.

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

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no such assets in 2017 or 2016.

Temporarily restricted net assets - Contributions that are restricted either to a specified purpose or for which the restrictions expire with the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses recognized on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional.

## **Liberation Programs, Inc. and Associated Organizations**

### **Notes to Consolidated Financial Statements June 30, 2017 and 2016**

#### **Revenue recognition**

Grants are recognized as revenue over the grant term on a pro-rata basis or as specified in the grant document. Revenues from corporate service contracts are recognized when earned in accordance with the terms of the contracts. Program service fee income is recognized when earned.

#### **Income taxes**

Liberation Programs, Inc. and LMG Investments, Inc. are classified by the Internal Revenue Service (the "IRS") as tax exempt organizations, under Section 501(c)(3) of the Internal Revenue Code. Friends of Liberation Programs, Inc. is classified by the IRS as a tax exempt organization, under Section 501(c)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes relating to the activities of these entities has been made in the accompanying consolidated financial statements.

Elmcrest Terrace Supportive Housing, LLC is a limited liability company of which Liberation Programs, Inc. is the majority member. The company's sole activity is its general partnership interest in Elmcrest Terrace Limited Partnership. The company has elected to be taxed as a corporation.

Elmcrest Terrace Limited Partnership (the "Partnership") has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure.

The Organization accounts for uncertainty in income taxes in accordance with the Income Tax Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The Organization files federal and state of Connecticut income tax returns, which represent the major tax jurisdictions of the Organization. Federal and state tax years 2013 through 2016 remain open for audit under the various statutes of limitations. The Organization does not believe there are any uncertain tax positions at June 30, 2017 and 2016.

If applicable, the Organization would recognize interest and penalties associated with tax matters as part of management and general expenses in the consolidated statements of activities and include accrued interest and penalties in accrued expenses in the consolidated statements of financial position. The Organization did not recognize any interest and penalties associated with the tax matters for the years ended June 30, 2017 and 2016.

#### **Allowance for uncollectible accounts**

The Organization provides an allowance for uncollectible accounts receivable based upon prior experience and management's assessment of the collectability of existing specific accounts. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### **Donated services and assets**

Generally, a number of volunteers contribute their time to the Organization's program and supporting services. These services have not been recorded in the accompanying consolidated

## **Liberation Programs, Inc. and Associated Organizations**

### **Notes to Consolidated Financial Statements June 30, 2017 and 2016**

financial statements, as they do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States of America.

During the years ended June 30, 2017 and 2016, the Organization received goods with an estimated value of \$66,882 and \$73,759, respectively. This has been reflected in the "in-kind contributions". The same amounts are included as expenses in the "In-kind and sub-recipient awards", which will be the cost for purchasing those goods by the organization.

#### **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. The Organization regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

#### **Cash equivalents**

The Organization considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents at June 30, 2017 or 2016.

#### **Property and equipment**

Property and equipment are recorded at cost, or in the case of donated assets at estimated fair value, at date of gift, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The title to certain equipment purchased with government grant funds is held by the grantor, although the Organization has capitalized and depreciated such equipment on its books. The Organization capitalizes all purchases of property and equipment whose cost exceeds \$500.

#### **Tax credit application fees**

Costs totaling \$91,291 relating to obtaining low-income housing tax credits are being amortized on a straight-line basis over the mandatory 15-year compliance period. Accumulated amortization totals \$18,248 and \$12,170 at June 30, 2017 and 2016, respectively. Amortization expense for each of the years ended June 30, 2017 and 2016 was \$6,078 and 6,086 respectively.

#### **Derivative instruments**

The Organization makes limited use of derivatives for the purpose of managing interest rate risks. Interest rate swap agreements are used to convert the Organization's floating rate long-term debt to a fixed rate (Note 4). The differentials paid or received on interest rate swap agreements are accrued and recognized as adjustments to interest expense; gains and losses realized upon the settlement of these agreements are deferred until the underlying hedging instrument is settled. At June 30, 2017, the unrealized loss was not material and has not been reflected in the consolidated financial statements.

The carrying amount of cash, prepaid expenses, loans receivable, accrued liabilities, and notes payable approximate fair value.

## Liberation Programs, Inc. and Associated Organizations

### Notes to Consolidated Financial Statements June 30, 2017 and 2016

#### Functional expenses

The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses that can be specifically identified with a program or supporting service are allocated directly according to their natural classifications. Other expenses that are common to several functions are allocated based on estimates made by management.

#### Compensated absences

Employees of the Organization are entitled to paid vacations depending on job classification, length of service, and other factors. The liability for compensated absences at June 30, 2017 and 2016 was \$165,705 and \$151,771, respectively. Compensated absences are included in the accounts payable and accrued liabilities caption in the consolidated statements of financial position.

#### Change in accounting principle

During 2017, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. ASU 2015-03 has been adopted by the Organization on a retrospective basis. As a result, total assets as well as notes payable at June 30, 2016 have been reduced by the effect of the reclassification of debt issuance costs, net of accumulated amortization of \$68,705. This change had no effect on previously reported net assets or changes in net assets.

#### Subsequent events

Management has reviewed subsequent events through November 30, 2017, which is the date the consolidated financial statements were approved and available for issuance.

#### Note 3 - Property and equipment

At June 30, 2017 and 2016, property and equipment consisted of the following:

	<u>Depreciable lives</u>	<u>2017</u>	<u>2016</u>
Land	N/A	\$ 1,313,168	\$ 1,313,168
Building and improvements	10 - 40 years	13,629,943	13,588,791
Furniture, fixtures and equipment	3 - 10 years	1,447,557	1,421,554
Vehicles	5 years	<u>183,774</u>	<u>183,774</u>
		16,574,442	16,507,287
Less: accumulated depreciation		<u>(5,814,670)</u>	<u>(5,266,293)</u>
		10,759,772	11,240,994
Construction in progress	N/A	<u>53,581</u>	<u>5,135</u>
Total		<u>\$ 10,813,353</u>	<u>\$ 11,246,129</u>

Construction in progress consists of building improvements and other projects not yet complete as of the consolidated statements of financial position date. These assets are not placed in service and, thus, are not depreciable.

**Liberation Programs, Inc. and Associated Organizations**

**Notes to Consolidated Financial Statements  
June 30, 2017 and 2016**

**Note 4 - Long-term notes payable**

	<u>2017</u>	<u>2016</u>
Mortgage note, net of unamortized debt issuance costs of \$19,127 and \$22,350 as of June 30, 2017 and 2016, respectively, secured by property at 125 Main Street, Stamford, CT. Interest is payable monthly on the outstanding principal at the rate of LIBOR plus 2.5% per annum (3.56% at June 30, 2017). The Organization has entered into an interest rate swap with the lender pursuant to which it pays fixed interest each month at the rate of 4.56% per annum and receives interest each month at the rate of LIBOR plus 2.5% per annum in each case applied to a notional amount equal to the unpaid principal balance of the note. Principal is repaid monthly according to a schedule that approximates a 20-year level-payment amortization of the note. Combined principal and interest payments required under the mortgage note, including interest paid and received under the swap, are approximately \$7,000 per month. The remaining unpaid principal balance of the note is due on May 1, 2023. The fair value of the swap, which fluctuates with changes in ten-year interest rates, and which was negative at June 30, 2017 was immaterial and has not been recorded as a liability in the accompanying consolidated statement of financial position at that date.	\$ 949,764	\$ 989,187
Vehicle note payable is due in aggregate monthly installments of principal and interest of \$544 at an interest rate of 6% through February 2020. This note is secured by the vehicle.	12,915	19,443
Elmcrest Terrace Limited Partnership obtained a loan in the principal amount of \$2,043,320, which bears interest at 1%, compounded annually and payable at maturity on April 1, 2065, net of unamortized loan issuance costs of \$45,405 and 46,355 as of June 30, 2017 and 2016, respectively. The loan is secured by the underlying property.	<u>2,120,562</u>	<u>2,100,129</u>
	3,083,241	3,108,759
Unamortized debt issuance costs	64,532	68,705
Less current portion	<u>47,262</u>	<u>44,924</u>
	<u>\$ 2,971,447</u>	<u>\$ 2,995,130</u>

## **Liberation Programs, Inc. and Associated Organizations**

### **Notes to Consolidated Financial Statements June 30, 2017 and 2016**

The scheduled principal payments for the mortgage and notes payable for the next five years and thereafter are as follows:

2018	\$	47,262
2019		49,583
2020		46,089
2021		47,456
2022		49,767
Thereafter		<u>2,843,084</u>
Total	\$	<u><u>3,083,241</u></u>

#### **Note 5 - Line of credit**

In November 2014, the Organization obtained a \$300,000 line of credit. The line is secured by all business assets. Interest is computed at Prime plus 1% (Effective rate – 5.25% at June 30, 2017). There were no borrowings at June 30, 2017 and 2016.

#### **Note 6 - Leases**

The Organization has operating leases for office space and copiers with future minimum annual rental payments as follows:

2018	\$	249,399
2019		200,217
2020		200,952
2021		203,143
2022		<u>137,274</u>
	\$	<u><u>990,984</u></u>

The copier leases expires in August 2018. The facility lease expires in February 2022. Rent expense under operating leases for the years ended June 30, 2017 and 2016 was \$280,419 and \$264,496, respectively.

#### **Note 7 - Employee benefit plan**

The Organization sponsors a 401(k) plan for substantially all of its employees. Contributions to the plan are computed as a percentage of eligible employees' basic compensation. Eligible employees may make voluntary contributions to the Plan. Employer contributions and administrative costs charged to expense amounted to \$67,489 and \$78,512 for the years ended June 30, 2017 and 2016, respectively.

#### **Note 8 - Temporarily restricted net assets**

During the year ended June 30, 2017, the Organization received a contribution of \$10,000 restricted for the Bridgeport Wellness Center. During the years ended June 30, 2017 and 2016, the Organization released \$0 of restricted assets. There are \$10,000 and \$0 temporarily restricted net assets at June 30, 2017 and 2016, respectively.



## **Liberation Programs, Inc. and Associated Organizations**

### **Notes to Consolidated Financial Statements June 30, 2017 and 2016**

#### **Note 9 - Concentrations**

Cash and cash equivalents includes all cash balances and all highly liquid investments purchased with a maturity of three months or less when acquired. There were no cash equivalents at June 30, 2017 or 2016. The Organization places its temporary cash balances with federally-insured financial institutions. At times, such balances may exceed federally-insured limits. At June 30, 2017, the Organization's uninsured cash balances totaled approximately \$1,582,000.

#### **Note 10 - Commitments and contingencies**

The Organization receives a substantial amount of its support from federal and Connecticut state grants. The support from these governmental agencies approximated 33% and 40% of total revenue and support for the years ended June 30, 2017 and 2016, respectively. If any significant reduction in the level of this support were to occur, there could be a significant effect on the ability of the Organization to maintain its programs and activities at their current levels.

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions can result in the return of funds to grantors causing unexpended refundable grants. Grant requirements mandate that a percentage of any surpluses, to be calculated by the Department of Mental Health and Addiction Services and Department of Corrections, be returned to the appropriate state department. There were no funds required to be returned to the state of Connecticut at June 30, 2017 and 2016. Additionally, the Department of Mental Health and Addiction Services places certain restrictions on the disposition of assets purchased with funds provided by the Department of Mental Health and Addiction Services.

In April 2015, the Organization entered into an agreement to purchase a property in Bridgeport, Connecticut for \$1,020,000; during 2016 the plan to develop the property was abandoned and costs related to the predevelopment of \$208,520 were expensed. A deposit of \$100,000 was paid during 2015 and recorded in construction in progress at June 30, 2015 and is included in other receivables at June 30, 2016. The deposit was refunded back to the Organization during the year ended June 30, 2017.

Elmcrest Terrace Supportive Housing, LLC, as the general partner of Elmcrest Terrace Limited Partnership is obligated to fund operating deficits of the Partnership through additional capital contributions up to \$159,000. Operating deficit contributions are payable from cash flow without interest. The guarantee period begins upon rent up stabilization date which occurred during 2015, and is in effect through approximately five years thereafter. There was no requirement to make additional contributions during 2017 or 2016.

**Liberation Programs, Inc. and Associated Organizations**

**Consolidating Statement of Financial Position  
June 30, 2017**

	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace Supportive Housing, LLC and Subsidiary	Consolidating eliminations	Total
<u>Assets</u>				
Current assets				
Cash	\$ 2,111,916	\$ 67,279	\$ -	\$ 2,179,195
Accounts receivable, net of allowance for uncollectible accounts of \$43,261	258,635	7,007	-	265,642
Grants receivable	148,209	-	-	148,209
Pledges and other receivables	48,445	-	-	48,445
Prepaid expenses	32,152	4,101	-	36,253
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	2,599,357	78,387	-	2,677,744
	<hr/>	<hr/>	<hr/>	<hr/>
Property and equipment, net of accumulated depreciation	3,505,604	7,307,749	-	10,813,353
	<hr/>	<hr/>	<hr/>	<hr/>
Other assets				
Note receivable	477,000	-	(477,000)	-
Investment in limited liability company	831,807	-	(831,807)	-
Security and other deposits	20,750	188,743	-	209,493
Tax credit monitoring fees, net of \$18,248	-	73,043	-	73,043
	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	1,329,557	261,786	(1,308,807)	282,536
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 7,434,518	\$ 7,647,922	\$ (1,308,807)	\$ 13,773,633
	<hr/>	<hr/>	<hr/>	<hr/>

**Liberation Programs, Inc. and Associated Organizations**

**Consolidating Statement of Financial Position  
June 30, 2017**

	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace Supportive Housing, LLC and Subsidiary	Consolidating Eliminations	Total
<u>Liabilities and Net Assets/Equity</u>				
Current liabilities				
Notes payable - current portion	\$ 47,262	\$ -	\$ -	\$ 47,262
Accounts payable and accrued liabilities	728,639	110,443	-	839,082
Total current liabilities	775,901	110,443	-	886,344
Notes payable, net	896,290	2,552,157	(477,000)	2,971,447
Total liabilities	1,672,191	2,662,600	(477,000)	3,857,791
Net assets/equity				
Unrestricted	5,752,327	-	-	5,752,327
Temporarily restricted	10,000	-	-	10,000
Total Liberation Programs, Inc. and Associated Organizations net assets	5,762,327	-	-	5,762,327
Controlling interest	-	831,807	(831,807)	-
Non-controlling interest	-	4,153,515	-	4,153,515
Total net assets/equity	5,762,327	4,985,322	(831,807)	9,915,842
Total liabilities and net assets/equity	\$ 7,434,518	\$ 7,647,922	\$ (1,308,807)	\$ 13,773,633

See Independent Auditor's Report.

**Liberation Programs, Inc. and Associated Organizations**

**Consolidating Statement of Financial Position  
June 30, 2016**

	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace Supportive Housing, LLC and Subsidiary	Consolidating Eliminations	Total
<u>Assets</u>				
Current assets				
Cash	\$ 1,372,129	\$ 9,799	\$ -	\$ 1,381,928
Accounts receivable, net of allowance for uncollectible accounts of \$36,657	343,794	16,467	-	360,261
Grants receivable	150,888	29,496	-	180,384
Pledges and other receivables	129,805	-	(8,950)	120,855
Prepaid expenses	66,309	10,920	-	77,229
Total current assets	2,062,925	66,682	(8,950)	2,120,657
Property and equipment, net of accumulated depreciation	3,723,153	7,522,976	-	11,246,129
Other assets				
Note receivable	477,000	-	(477,000)	-
Investment in Limited Partnership	832,870	-	(832,870)	-
Security and other deposits	20,750	180,254	-	201,004
Tax credit monitoring fees, net of \$12,170	-	79,121	-	79,121
Total other assets	1,330,620	259,375	(1,309,870)	280,125
Total assets	\$ 7,116,698	\$ 7,849,033	\$ (1,318,820)	\$ 13,646,911

See Independent Auditor's Report.

**Liberation Programs, Inc. and Associated Organizations**

**Consolidating Statement of Financial Position  
June 30, 2016**

	<u>and Associated Organizations</u>	<u>Supportive Housing, LLC and Subsidiary</u>	<u>Consolidating Eliminations</u>	<u>Total</u>
<u>Liabilities and Net Assets/Equity</u>				
Current liabilities				
Notes payable - current portion	\$ 44,924	\$ -	\$ -	\$ 44,924
Accounts payable and accrued liabilities	<u>823,335</u>	<u>76,344</u>	<u>(8,950)</u>	<u>890,729</u>
Total current liabilities	868,259	76,344	(8,950)	935,653
Notes payable, net	<u>941,356</u>	<u>2,530,774</u>	<u>(477,000)</u>	<u>2,995,130</u>
Total liabilities	<u>1,809,615</u>	<u>2,607,118</u>	<u>(485,950)</u>	<u>3,930,783</u>
Net assets/equity				
Unrestricted	<u>5,307,083</u>	<u>-</u>	<u>-</u>	<u>5,307,083</u>
Total Liberation Programs, Inc. and Associated Organizations net assets	5,307,083	-	-	5,307,083
Controlling interest	-	832,870	(832,870)	-
Non-controlling interest	<u>-</u>	<u>4,409,045</u>	<u>-</u>	<u>4,409,045</u>
Total net assets/equity	<u>5,307,083</u>	<u>5,241,915</u>	<u>(832,870)</u>	<u>9,716,128</u>
Total liabilities and net assets/equity	<u>\$ 7,116,698</u>	<u>\$ 7,849,033</u>	<u>\$ (1,318,820)</u>	<u>\$ 13,646,911</u>

See Independent Auditor's Report.

## Liberation Programs, Inc. and Associated Organizations

### Consolidating Statement of Activities Year Ended June 30, 2017

	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace Supportive Housing, LLC and Subsidiary	Consolidating Eliminations	Total
Unrestricted revenues and other support				
Department of Mental Health and Addiction Services grant	\$ 2,747,315	\$ -	\$ -	\$ 2,747,315
Other federal and state funding	428,392	-	-	428,392
Municipal grants	149,111	-	-	149,111
United Way contributions	63,785	-	-	63,785
Program service fees	5,440,395	-	-	5,440,395
Other contributions	247,291	-	-	247,291
Special events	400,670	-	-	400,670
Less special event costs of direct benefit to donors	(50,259)	-	-	(50,259)
In-kind contributions	66,882	-	-	66,882
Rental income	13,491	345,178	-	358,669
Other income	120,283	12,006	(42,000)	90,289
	<u>9,627,356</u>	<u>357,184</u>	<u>(42,000)</u>	<u>9,942,540</u>
Total unrestricted revenues and other support				
	<u>9,627,356</u>	<u>357,184</u>	<u>(42,000)</u>	<u>9,942,540</u>
Expenses				
Program services	7,242,315	415,891	(42,000)	7,616,206
Fundraising	226,689	-	-	226,689
Management and general	1,380,336	36,725	(1,063)	1,415,998
Depreciation	332,772	215,605	-	548,377
	<u>9,182,112</u>	<u>668,221</u>	<u>(43,063)</u>	<u>9,807,270</u>
Total expenses				
	<u>9,182,112</u>	<u>668,221</u>	<u>(43,063)</u>	<u>9,807,270</u>
Increase (decrease) in unrestricted net assets	445,244	(311,037)	1,063	135,270
Changes in temporarily restricted net assets				
Contributions	10,000	-	-	10,000
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Increase in temporarily restricted net assets				
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Changes in net assets	<u>\$ 455,244</u>	<u>\$ (311,037)</u>	<u>\$ 1,063</u>	<u>\$ 145,270</u>

See Independent Auditor's Report.

# Liberation Programs, Inc. and Associated Organizations

## Consolidating Statement of Activities Year Ended June 30, 2016

	Liberation Programs, Inc. and Associated Organizations	Elmcrest Terrace Supportive Housing, LLC and Subsidiary	Consolidating Eliminations	Total
Unrestricted revenues and other support				
Department of Mental Health and Addiction Services grant	\$ 3,319,124	\$ -	\$ -	\$ 3,319,124
Other federal and state funding	668,727	-	-	668,727
Municipal grants	158,484	-	-	158,484
United Way contributions	61,008	-	-	61,008
Program service fees	5,022,538	-	-	5,022,538
Other contributions	363,483	-	-	363,483
Special events	194,402	-	-	194,402
Less special event costs of direct benefit to donors	(46,278)	-	-	(46,278)
In-kind contributions	73,759	-	-	73,759
Rental income	2,081	379,465	-	381,546
Other income	127,115	2,245	(42,000)	87,360
	<u>9,944,443</u>	<u>381,710</u>	<u>(42,000)</u>	<u>10,284,153</u>
Total unrestricted revenues and other support				
Expenses				
Program services	7,373,107	380,988	(42,000)	7,712,095
Fundraising	247,323	-	-	247,323
Management and general	1,598,995	8,867	(2,036)	1,605,826
Depreciation	353,264	177,555	-	530,819
	<u>9,572,689</u>	<u>567,410</u>	<u>(44,036)</u>	<u>10,096,063</u>
Total expenses				
Increase (decrease) in unrestricted net assets	<u>371,754</u>	<u>(185,700)</u>	<u>2,036</u>	<u>188,090</u>
Changes in net assets	<u>\$ 371,754</u>	<u>\$ (185,700)</u>	<u>\$ 2,036</u>	<u>\$ 188,090</u>

See Independent Auditor's Report.

# Liberation Programs, Inc. and Associated Organizations

## Consolidating Statements of Changes in Net Assets Years Ended June 30, 2017 and 2016

	Liberation Programs, Inc. and Associated Organizations			Elmcrest Terrace Supportive Housing, LLC	Elmcrest Terrace Limited Partnership		Elmcrest Terrace Supportive Housing, LLC and Subsidiary		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Unrestricted	Consolidating eliminations	Total	Consolidating eliminations	Total
Net assets/equity, June 30, 2015	\$ 4,935,329	\$ -	\$ 4,935,329	\$ 834,906	\$ 4,958,278	\$ (834,906)	\$ 4,958,278	\$ (834,906)	\$ 9,058,701
Capital contributions	-	-	-	-	469,337	-	469,337	-	469,337
Changes in net assets	<u>371,754</u>	<u>-</u>	<u>371,754</u>	<u>(2,036)</u>	<u>(185,700)</u>	<u>2,036</u>	<u>(185,700)</u>	<u>2,036</u>	<u>188,090</u>
Net assets/equity, June 30, 2016	5,307,083	-	5,307,083	832,870	5,241,915	(832,870)	5,241,915	(832,870)	9,716,128
Capital contributions	-	-	-	-	54,444	-	54,444	-	54,444
Changes in net assets	<u>445,244</u>	<u>10,000</u>	<u>455,244</u>	<u>(1,063)</u>	<u>(311,037)</u>	<u>1,063</u>	<u>(311,037)</u>	<u>1,063</u>	<u>145,270</u>
Net assets/equity, June 30, 2017	<u>\$ 5,752,327</u>	<u>\$ 10,000</u>	<u>\$ 5,762,327</u>	<u>\$ 831,807</u>	<u>\$ 4,985,322</u>	<u>\$ (831,807)</u>	<u>\$ 4,985,322</u>	<u>\$ (831,807)</u>	<u>\$ 9,915,842</u>

See Independent Auditor's Report.



**Liberation Programs, Inc. and  
Associated Organizations**

**Federal Awards in  
Accordance with the Uniform Guidance  
and Independent Auditor's Reports**

**June 30, 2017**

# **Liberation Programs, Inc. and Associated Organizations**

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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  
Liberation Programs, Inc.

We have audited the consolidated financial statements of Liberation Programs, Inc. and Associated Organizations (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 30, 2017. We conducted our audit 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 financial statements of Elmcrest Terrace Supportive Housing, LLC and Elmcrest Terrace Limited Partnership were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Elmcrest Terrace Supportive Housing, LLC and Elmcrest Terrace Limited Partnership.

*Internal Control over Financial Reporting*

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidated 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 the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hartford, Connecticut  
November 30, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance

To the Board of Directors  
Liberation Programs, Inc.

*Report on Compliance for Each Major Federal Program*

We have audited Liberations Programs, Inc. and Associated Organizations' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Organization'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"). 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the Organization 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 ended June 30, 2017.

### *Report on Internal Control over Compliance*

Management of the Organization 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 the Organization'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 the Organization'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 a 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.

*Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*

We have audited the consolidated financial statements of the Organization, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 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. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CohnReznick LLP*

Hartford, Connecticut  
November 30, 2017

**Liberation Programs, Inc. and Associated Organizations**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

<u>Federal grantor / pass through grantor / program or cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Passed through to subrecipients</u>	<u>Federal expenditures</u>
U.S. Department of Housing and Urban Development				
Supportive Housing Program	14.235		\$ -	\$ <u>173,606</u>
Community Development Block Grant Passed through				
City of Bridgeport	14.218		-	29,888
City of Stamford	14.218		-	16,703
City of Norwalk	14.218		-	<u>15,000</u>
Total Community Development Block Grant				<u>61,591</u>
Total U.S. Department of Housing and Urban Development				<u>235,197</u>
U.S. Department of Mental Health and Addiction Services				
Passed through Ryan White Title I - Family Centers, Inc.				
HIV Emergency Relief Project Grants	93.914		-	164,875
Passed through Ryan White Title I - GBAPP				
HIV Emergency Relief Project Grants	93.914		-	89,911
Passed through the State of Connecticut, Department of				
Mental Health and Addiction Services				
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959		-	900,047
Social Services Block Grant	93.667		-	<u>170,102</u>
Total U.S. Department of Mental Health and Addiction				
Services				<u>1,324,935</u>
Total Expenditures of Federal Awards			\$ -	\$ <u>1,560,132</u>

See Notes to Schedule of Expenditures of Federal Awards.



## **Liberation Programs, Inc. and Associated Organizations**

### **Notes to Schedule of Expenditures of Federal Awards June 30, 2017**

#### **Note 1 - Basis of presentation**

The accounting policies of Liberation Programs, Inc. and Associated Organizations (the "Organization") conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

The financial statements of Elmcrest Terrace Supportive Housing, LLC and Elmcrest Terrace Limited Partnership included in the consolidated financial statements were not audited in accordance with *Government Auditing Standards* as they are not subject to 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").

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

#### **Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### **Note 3 - Indirect cost rate**

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Liberation Programs, Inc. and Associated Organizations**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

**I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued Unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no  
Significant deficiencies(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified?        yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance 2 CFR Section 200.516(a)?        yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.667	Social Services Block Grant
14.235	Supportive Housing Program

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

Auditee qualified as low-risk auditee?   X   yes        no

**II. Financial Statement Audit Findings**

None.

**III. Major Federal Award Programs Audit Findings and Questioned Costs**

None.