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CHRISTOPHER T. SUNUNU
GOVERNOR

STATE OF NEW HAMPSHIRE
OFFICE OF STRATEGIC INITIATIVES
107 Pleasant Street, Johnson Hall
Concord, NH 03301-3834
Telephone: (603) 271-2155
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DIVISION OF PLANNING
DIVISION OF ENERGY
www.nh.gov/osi

June 1, 2020

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

1) Authorize the Office of Strategic Initiatives (OSI) to enter into a **SOLE SOURCE** contract with Southwestern Community Services, Inc. (VC #177511), Keene, NH, in the amount of \$242,960.00 for the federal Weatherization Assistance Program (WAP) effective July 1, 2020, upon approval of Governor and Executive Council, through June 30, 2021. 100% Federal Funds.

Funds to support this request are anticipated to be available in the following account in FY 2021 upon availability and continued appropriation of funds in the future operating budget:

<u>Office of Strategic Initiatives, Low Income Weatherization</u>	<u>FY 2021</u>
01-02-02-024010-77060000-074-500587	
Grant for Pub. Assist & Relief	\$242,960.00

2) Further request authorization to advance to the vendor \$38,752.00 of the above-referenced contract amount.

EXPLANATION

This contract is **SOLE SOURCE** because of U.S. Department of Energy's (USDOE) grant guidance (10 CFR 440.15) giving Community Action Agencies preferred status for the Weatherization Assistance Program due to their non-profit status, their role providing a range of services to clients eligible for the Weatherization Assistance Program (WAP), and their historical performance delivering the weatherization program.

OSI is responsible for administering New Hampshire's statewide Weatherization Assistance Program, funded by a grant from USDOE. The objective of the program is to weatherize homes to reduce energy consumption and energy costs in eligible low income households. Priority is given to households that include people who are elderly, disabled, or children, and households with high energy usage. OSI contracts with New Hampshire's Community Action Agencies to provide weatherization services at the local level. OSI estimates that the USDOE's WAP grant award to New Hampshire will contribute to the weatherization of approximately two hundred and two (202) homes in the State.

The requested advance of funds will enable Southwestern Community Services, Inc. to operate the program between monthly reimbursements from the State, and may only be used for allowable program expenses as detailed in Exhibit C.

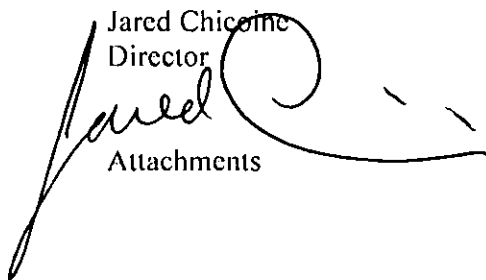
His Excellency, Governor Christopher T. Sununu
and the Honorable Council
June 1, 2020
Page 2 of 2

In the event Federal Funds are no longer available, General Funds will not be requested to support this contract.

Respectfully submitted,

Jared Chicoine
Director

Attachments

A handwritten signature in black ink, appearing to read "Jared", with a large, stylized flourish extending to the right.

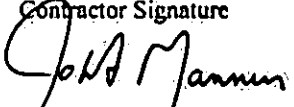

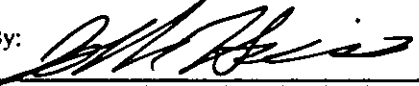
Notice: This agreement and all of its attachments shall become public upon submission to Governor and Executive Council for approval. Any information that is private, confidential or proprietary must be clearly identified to the agency and agreed to in writing prior to signing the contract.

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

I. IDENTIFICATION.

1.1 State Agency Name Office of Strategic Initiatives		1.2 State Agency Address 107 Pleasant Street, Johnson Hall Concord, New Hampshire 03301	
1.3 Contractor Name Southwestern Community Services, Inc.		1.4 Contractor Address 63 Community Way, PO Box 603, Keene, NH 03431	
1.5 Contractor Phone Number (603) 352-7152	1.6 Account Number 01-02-02-024010-77060000-500587	1.7 Completion Date June 30, 2021	1.8 Price Limitation \$242,960.00
1.9 Contracting Officer for State Agency Kirk Stone, Weatherization Program Manager		1.10 State Agency Telephone Number (603) 271-2155	
1.11 Contractor Signature  Date: 5/19/2020		1.12 Name and Title of Contractor Signatory John A. Manning, CEO	
1.13 State Agency Signature  Date: 5/26/20		1.14 Name and Title of State Agency Signatory Jared Chicoine, Director	
1.15 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director. On: _____			
1.16 Approval by the Attorney General (Form, Substance and Execution) (if applicable) By:  On: 5/27/2020			
1.17 Approval by the Governor and Executive Council (if applicable) G&C Item number: _____ G&C Meeting Date: _____			

2. SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT B which is incorporated herein by reference ("Services").

3. EFFECTIVE DATE/COMPLETION OF SERVICES.

3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, if applicable, this Agreement, and all obligations of the parties hereunder, shall become effective on the date the Governor and Executive Council approve this Agreement as indicated in block 1.17, unless no such approval is required, in which case the Agreement shall become effective on the date the Agreement is signed by the State Agency as shown in block 1.13 ("Effective Date").

3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT.

Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds affected by any state or federal legislative or executive action that reduces, eliminates or otherwise modifies the appropriation or availability of funding for this Agreement and the Scope for Services provided in EXHIBIT B, in whole or in part. In no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to reduce or terminate the Services under this Agreement immediately upon giving the Contractor notice of such reduction or termination. The State shall not be required to transfer funds from any other account or source to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

5. CONTRACT PRICE/PRICE LIMITATION/ PAYMENT.

5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT C which is incorporated herein by reference.

5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete

compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.

5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.

6.1 In connection with the performance of the Services, the Contractor shall comply with all applicable statutes, laws, regulations, and orders of federal, state, county, or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal employment opportunity laws. In addition, if this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all federal executive orders, rules, regulations, and statutes, and with any rules, regulations and guidelines as the State or the United States issue to implement these regulations. The Contractor shall also comply with all applicable intellectual property laws.

6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.

6.3 The Contractor agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations, and orders, and the covenants, terms and conditions of this Agreement.

7. PERSONNEL.

7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.

7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.

7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

Contractor Initials *Jm*
Date *5/19/2020*

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

8.1.1 failure to perform the Services satisfactorily or on schedule;

8.1.2 failure to submit any report required hereunder; and/or

8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely cured, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;

8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;

8.2.3 give the Contractor a written notice specifying the Event of Default and set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or

8.2.4 give the Contractor a written notice specifying the Event of Default, treat the Agreement as breached, terminate the Agreement and pursue any of its remedies at law or in equity, or both.

8.3. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

9. TERMINATION.

9.1 Notwithstanding paragraph 8, the State may, at its sole discretion, terminate the Agreement for any reason, in whole or in part, by thirty (30) days written notice to the Contractor that the State is exercising its option to terminate the Agreement.

9.2 In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall, at the State's discretion, deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination Report shall be identical to those of any Final Report described in the attached EXHIBIT B. In addition, at the State's discretion, the Contractor shall, within 15 days of notice of early termination, develop and

submit to the State a Transition Plan for services under the Agreement.

10. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

10.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

10.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

10.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

11. **CONTRACTOR'S RELATION TO THE STATE.** In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS.

12.1 The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written notice, which shall be provided to the State at least fifteen (15) days prior to the assignment, and a written consent of the State. For purposes of this paragraph, a Change of Control shall constitute assignment. "Change of Control" means (a) merger, consolidation, or a transaction or series of related transactions in which a third party, together with its affiliates, becomes the direct or indirect owner of fifty percent (50%) or more of the voting shares or similar equity interests, or combined voting power of the Contractor, or (b) the sale of all or substantially all of the assets of the Contractor.

12.2 None of the Services shall be subcontracted by the Contractor without prior written notice and consent of the State. The State is entitled to copies of all subcontracts and assignment agreements and shall not be bound by any provisions contained in a subcontract or an assignment agreement to which it is not a party.

13. **INDEMNIFICATION.** Unless otherwise exempted by law, the Contractor shall indemnify and hold harmless the State, its officers and employees, from and against any and all claims, liabilities and costs for any personal injury or property damages, patent or copyright infringement, or other claims asserted against the State, its officers or employees, which arise out of (or which may be claimed to arise out of) the acts or omission of the

Contractor, or subcontractors, including but not limited to the negligence, reckless or intentional conduct. The State shall not be liable for any costs incurred by the Contractor arising under this paragraph 13. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and continuously maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 commercial general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate or excess; and

14.1.2 special cause of loss coverage form covering all property subject to subparagraph 10.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than ten (10) days prior to the expiration date of each insurance policy. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("*Workers' Compensation*").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. The Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. **NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

17. **AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire unless no such approval is required under the circumstances pursuant to State law, rule or policy.

18. **CHOICE OF LAW AND FORUM.** This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party. Any actions arising out of this Agreement shall be brought and maintained in New Hampshire Superior Court which shall have exclusive jurisdiction thereof.

19. **CONFLICTING TERMS.** In the event of a conflict between the terms of this P-37 form (as modified in EXHIBIT A) and/or attachments and amendment thereof, the terms of the P-37 (as modified in EXHIBIT A) shall control.

20. **THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

21. **HEADINGS.** The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

22. **SPECIAL PROVISIONS.** Additional or modifying provisions set forth in the attached EXHIBIT A are incorporated herein by reference.

23. **SEVERABILITY.** In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

24. **ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings with respect to the subject matter hereof.

EXHIBIT A

SPECIAL PROVISIONS

1. 2 CFR 200 as amended (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), 10 CFR 440 dated February 1, 2002 (Weatherization Assistance Program), the New Hampshire Weatherization Assistance Program State Plan, Weatherization Assistance Program Policies and Procedures, and Field Guide are all considered legally binding and enforceable documents under this contract. OSI reserves the right to use any legal remedy at its disposal including, but not limited to, disallowance of costs, withholding of funds, suspension of agency personnel, disbarment of agency personnel, disbarment of agencies and/or subcontractors from present or future contracts, and such other legal remedies as determined to be appropriate by the New Hampshire Department of Justice in the enforcement of rules and regulations pertaining to the Weatherization Assistance Program.
2. An audit shall be made at the end of the Contractor's fiscal year in accordance with 2 CFR 200, Subpart F - Audit Requirements. This audit report shall include a schedule of revenues and expenditures by contract or grant number of all expenditures during the Contractor's fiscal year. The Contractor shall utilize a competitive bidding process to choose a qualified financial auditor at least every four years.

The audit report shall include a schedule of prior year's questioned costs along with a response to the current status of the prior year's questioned costs. Copies of all management letters written as a result of the audit along with the audit report shall be forwarded to OSI within one month of the time of receipt by the Contractor accompanied by an action plan, if applicable, for each finding or questioned cost.

3. The following paragraph shall be added to paragraph 9 of the general provisions:

"9.4 All negotiated contracts (except those of \$5,000 or less) awarded by the Subgrantee shall allow OSI, DOE, the Comptroller General of the United States, or any duly authorized representatives, access to any books, documents, papers, and records of the Subgrantee or their subcontractors, which are directly pertinent to the Weatherization Assistance Program for the purpose of making audits, examinations, excerpts and transcription."

4. In paragraph 10 of the general provisions, the following sentence shall be deleted: "The form, subject matter, content, and number of copies of the Termination Report shall be identical to those of any Final Report described in EXHIBIT A."
5. The costs charged under this contract shall be determined as allowable under the cost principles detailed in 2 CFR 200 Subpart E - Cost Principles.
6. Program and financial records pertaining to this contract shall be retained by the Contractor for 3 (three) years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as stated in 2 CFR 200.333 - Retention Requirements for Records.
7. Kirk Stone, Weatherization Program Manager of OSI, has been designated with the responsibility for overseeing this contract.

Exhibits A, B & C

Initial *AM*

Date 5/19/2020

Page 1 of 5

Award #DE-EE0007935, CFDA #81.042

8. The following paragraphs shall be added to the general provisions:

- "25. RESTRICTION ON ADDITIONAL FUNDING. It is understood and agreed between the parties that no portion of the "Grant" funds may be used for the purpose of obtaining additional Federal funds under any other law of the United States, except if authorized under that law."
- "26. ASSURANCES/CERTIFICATIONS. The following are attached and signed: Certification Regarding Drug-Free Workplace Requirements; Certification Regarding Lobbying; Certification Regarding Debarment, Suspension and Other Responsibility Matters; Certification Regarding the Americans With Disabilities Act Compliance; Certification Regarding Environmental Tobacco Smoke; Assurance of Compliance Nondiscrimination in Federally Assisted Programs; and Certification Regarding the Federal Funding Accountability and Transparency Compliance."
- "27. COPELAND ANTI-KICKBACK ACT. All contracts and subgrants in excess of \$2,000.00 for construction or repair shall include a provision for compliance with Copeland "Anti-Kickback" Act (18 USC 874) as supplemented in Department of Labor Regulations (29 CFR, Part 3). This Act provides that each contractor, subcontract or subgrantee shall be prohibited from inducing, by any means, any person employed in the construction, completion or repair of public work, to give up any part of the compensation to which he is otherwise entitled. The subgrantee should report all suspected violations to OSI."
- "28. PROCUREMENT. Subgrantee shall comply with all provisions of 2 CFR 200 Subpart D – Post Federal Award Requirements – Procurement Standards, with special emphasis on financial procurement (2 CFR 200 Subpart F – Audit Requirements) and property management (2 CFR 200 Subpart D – Post Federal Award Requirements – Property Standards)"
- "29. CLOSE OUT OF CONTRACT. All final required reports and reimbursement requests shall be submitted to the State within sixty (60) days of the completion date (Agreement Block 1.7)."

Exhibits A, B & C
Initials *cm*
Date *5/1/20*
Page 2 of 5

EXHIBIT B

SCOPE OF SERVICES

1. Southwestern Community Services, Inc., hereinafter "the Contractor" or "Subgrantee," agrees to perform weatherization services and all additional services and other work necessary to provide Weatherization Assistance Program (WAP) services to eligible low income individuals in accordance with the regulations set forth by the U. S. Department of Energy in 10 CFR 440 dated February 1, 2002, and in 2 CFR 200 as amended, and in accordance with the provisions and procedures contained in the most recent New Hampshire Weatherization Assistance Program (NHWAP) State Plan, Policies and Procedures Manual, Field Guide, and as otherwise administered by the Office of Strategic Initiatives (OSI).

Periodically OSI may issue Subgrantee Guidance (SG) and Subgrantee Notices (SN) or other clarifications as necessary. All such changes shall be considered as incorporated into the NH Weatherization Policies and Procedures Manual and Field Guide. The Contractor agrees to alter the Program procedures in accordance with a SG, SN or other instructions.

The Subgrantee agrees to abide by changes in the NH Weatherization Assistance Program designed to improve program delivery and further agrees to perform Weatherization Program services in a manner that will successfully interact with utility administered energy efficiency programs for low-income households in order to provide the best services for New Hampshire's low-income households.

2. The contract period, to be known as Program Year 2020 (PY20), will commence on July 1, 2020 and will have a completion date of June 30, 2021, subject to the approval of Governor and Executive Council.
3. Plans for expenditure of funds for Training and Technical Assistance, Program Implementation, and Leveraging Activities must be defined in the Contractor's Management Plan (CMP) and approved by OSI. Requests to deviate from the plan must be made in writing in advance, and approved by OSI as prescribed in the NH Policies and Procedures Manual.
4. In PY19, Contractor agrees to complete Weatherization Services on twenty-eight (28) dwelling units according to the standards outlined in the most recent NH Weatherization Policies and Procedures Manual and Field Guide.
 - (a) Weatherization Services are intended to increase the energy efficiency of the home, and to improve the home's comfort and safety. A certified energy auditor first performs a NHWAP energy audit on the home using scientific test equipment. Specific energy conservation measures and heating source repairs are then implemented in order of priority and cost effectiveness. This integrated activity is carried out in accordance with provisions and procedures outlined in the most recent NH Policies and Procedures Manual and Field Guide.
 - (b) The minimum number of dwelling units and the amount of funds to be expended shall conform to the provisions of this contract and shall be incorporated into the CMP. Deviations of more than 20% from expected dwelling unit goals in any given quarter may result in a reduction of the contract amounts and a reallocation of funds to other contractors.
5. In accordance with the US DOE's "Quality Work Plan" (QWP) and the provisions of Weatherization Program Notice (WPN) 15-4 (http://www.waptac.org/data/files/Website_docs/Government/Guidance/2014/WPN-15-4.pdf), beginning April 1, 2015, Contractor must have regular and reliable access to properly trained and certified Quality

Exhibits A B C G
Initials *[Signature]*

Date *5/19/2020*

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Award #DE-EE0007935, CFDA #81.042

Control Inspector(s), available as either staff or contractors; able to fully function in that capacity. This contract provides funding for continued training and technical assistance sufficient to allow the Contractor to secure and maintain the skilled personnel necessary to meet the requirements of WPN 15-4.

6. All work performed under the Weatherization Assistance Program (WAP) in New Hampshire, using federal money from any WAP program year, must meet the minimum specifications defined in the US Department of Energy's "Quality Work Plan" (QWP) and the associated Standard Work Specifications (SWS). Details are presented in the Standard Work Specifications (SWS) for Home Energy Upgrades referred to in US DOE Weatherization Program Notice 15-4 (see link in paragraph 5, above), as well as in the New Hampshire Weatherization Assistance Program's Field Guide, as most recently amended, which governs WAP work in New Hampshire. Contractor must ensure, and be able to document for OSI, that all staff and contractors who will perform Weatherization work are properly trained and certified for that work and have been informed that their work must meet the requirements of the SWS or dwelling units will not be considered complete and reimbursement will not occur.

Exhibits A, B & C
Initials *JM*
Date *5/19/2020*
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EXHIBIT C

PAYMENT TERMS

In consideration of the satisfactory performance of the Services, the State agrees to pay the Contractor, Southwestern Community Services, Inc., in total, the sum of:

\$ 242,960.00	(which hereinafter is referred to as the "Contracted Amount"), of which
\$ 24,423.00	may be expended for Administration,
\$ 17,059.00	may be expended for Training & Technical Assistance,
\$ 7,719.00	may be expended for Health & Safety measures,
\$ 193,759.00	(the balance), to be spent on weatherization activities (Program Activity) and
\$ 38,752.00	will be issued as a cash advance,

Drawdowns from the total contracted amount will be paid to the Contractor only after written documentation of cash need is submitted to OSI. Disbursement of the contracted amount shall be made in accordance with the procedures established by the State and 2 CFR 200.305(b) on an advance basis; limited to minimum amounts needed; and be timed to be in accordance with the actual, immediate cash requirements of the Contractor in carrying out the purpose of the program. The Contractor must make timely payments to (sub)contractors in accordance with the contract provisions. Contractor shall submit a payment request to OSI for each month of the contract period. Payment requests from Contractor shall be received at OSI no later than the 15th day of each month, or the first business day following the 15th day.

Administrative costs are provided to cover a specified number of unit completions at minimal standards. Administrative funds may be pro-rated by OSI if production unit completions do not meet expected production goals.

OSI may, as a function of its administrative oversight, modify contracted budget amounts as necessary to ensure the efficient operation of the NHWAP as long as these modified expenditures do not exceed the Contracted Amount total as specified above.

All obligations of the State, including the continuance of any payments, are contingent upon the availability and continued appropriation of funds for the services to be provided.

Exhibits A, B & C
Initials *AM*
Date *5/11/2020*
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NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT D

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.), and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS ALTERNATIVE I - FOR GRANTEES OTHER THAN INDIVIDUALS

US DEPARTMENT OF HEALTH AND HUMAN SERVICES US DEPARTMENT OF ENERGY US DEPARTMENT OF HOMELAND SECURITY

This certification is required by the regulations implementing Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.). The January 31, 1989, regulations were amended and published as Part II of the May 25, 1990, Federal Register (pages 21681-21691), and require certification by grantees (and by inference, sub-grantees and sub-contractors), prior to award, that they will maintain a drug-free workplace. Section 3017.630(c) of the regulation provides that a grantee (and by inference, sub-grantees and sub-contractors) that is a State may elect to make one certification to the Department in each federal fiscal year in lieu of certificates for each grant during the federal fiscal year covered by the certification. The certificate set out below is a material representation of fact upon which reliance is placed when the agency awards the grant. False certification or violation of the certification shall be grounds for suspension of payments, suspension or termination of grants, or government wide suspension or debarment. Contractors using this form should send it to:

Director, New Hampshire Office of Strategic Initiatives,
107 Pleasant Street, Johnson Hall, Concord, NH 03301

- (A) The grantee certifies that it will or will continue to provide a drug-free workplace by:
- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
 - (b) Establishing an ongoing drug-free awareness program to inform employees about—
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
 - (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
 - (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will—
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;

**CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS
ALTERNATIVE I - FOR GRANTEES OTHER THAN INDIVIDUALS, cont'd**

**US DEPARTMENT OF HEALTH AND HUMAN SERVICES
US DEPARTMENT OF ENERGY
US DEPARTMENT OF HOMELAND SECURITY**

- (e) Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
 - (f) Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d)(2), with respect to any employee who is so convicted—
 - (1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
 - (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e), and (f).
- (B) The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant.

Place of Performance (street address, city, county, State, zip code) (list each location)

63 Community Way
Keene, NH 03431

Check if there are workplaces on file that are not identified here.

Southwestern Community Services, Inc.

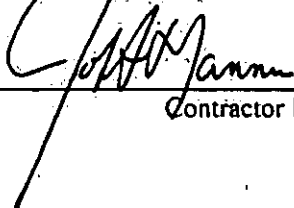
July 1, 2020 – June 30, 2021

Contractor Name

Period Covered by this Certification

John A. Manning, CEO

Name and Title of Authorized Contractor Representative



Contractor Representative Signature

5/19/2020
Date

Exhibits D thru H

Page 2 of 7

Initials *JM*

Date 5/19/2020

Award # DE-EE0007935, CFDA #81.042

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT E

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Section 319 of Public Law 101-121, Government-wide Guidance for New Restrictions on Lobbying, and 31 U.S.C. 1352, and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

CERTIFICATION REGARDING LOBBYING

US DEPARTMENT OF HEALTH AND HUMAN SERVICES
US DEPARTMENT OF ENERGY
US DEPARTMENT OF HOMELAND SECURITY

Programs (indicate applicable program covered):

- Community Services Block Grant
Low-Income Home Energy Assistance Program
HRRP Program
Weatherization Assistance Program

Contract Period: July 1, 2020 - June 30, 2021

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement (and by specific mention sub-grantee or sub-contractor).
(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement (and by specific mention sub-grantee or sub-contractor), the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying, in accordance with its instructions, attached and identified as Standard Exhibit E-1.
(3) The undersigned shall require that the language of this certification be included in the award document for sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

[Handwritten Signature]

Contractor Representative Signature

John A. Manning, CEO

Contractor's Representative Title

Southwestern Community Services, Inc.

Contractor Name

5/19/2020
Date

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT F

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Executive Office of the President, Executive Order 12529 and 45 CFR Part 76 regarding Debarment, Suspension, and Other Responsibility Matters, and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS - PRIMARY COVERED TRANSACTIONS

Instructions for Certification

- (1) By signing and submitting this proposal (contract), the prospective primary participant is providing the certification set out below.
- (2) The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. If necessary, the prospective participant shall submit an explanation of why it cannot provide the certification. The certification or explanation will be considered in connection with the NH Office of Strategic Initiatives (OSI) determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
- (3) The certification in this clause is a material representation of fact upon which reliance was placed when OSI determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, OSI may terminate this transaction for cause or default.
- (4) The prospective primary participant shall provide immediate written notice to the OSI agency to whom this proposal (contract) is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
- (5) The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549: 45 CFR Part 76.
- (6) The prospective primary participant agrees by submitting this proposal (contract) that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by OSI.
- (7) The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," provided by OSI, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
- (8) A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or involuntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Non-procurement List (of excluded parties).
- (9) Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
- (10) Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal government, OSI may terminate this transaction for cause or default.

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS - PRIMARY COVERED TRANSACTIONS, cont'd

Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions

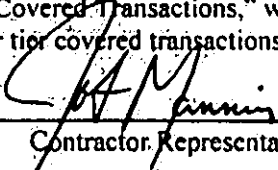
- (1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
- (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
 - (b) have not within a three-year period preceding this proposal (contract) been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or a contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) are not presently indicted for otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1) (b) of this certification; and
 - (d) have not, within a three-year period preceding this application/proposal, had one or more public transactions (Federal, State or local) terminated for cause or default.
- (2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal (contract).

*Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions
(To Be Supplied to Lower Tier Participants)*

By signing and submitting this lower tier proposal (contract), the prospective lower tier participant, as defined in 45 CFR Part 76, certifies to the best of its knowledge and belief that it and its principals:

- (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency;
- (b) where the prospective lower tier participant is unable to certify to any of the above, such prospective participant shall attach an explanation to this proposal (contract).

The prospective lower tier participant further agrees by submitting this proposal (contract) that it will include this clause entitled "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Covered Transactions," without modification in all lower tier covered transactions and in all solicitations for lower tier covered transactions.



Contractor Representative Signature

John A. Manning, CEO

Contractor's Representative Title

Southwestern Community Services, Inc.

Contractor Name

5/19/2020

Date

Exhibits D thru H

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Initials *JAM* Date *5/19/2020*

Award # DE-EE0007965, CFDA #81.042

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT G

**CERTIFICATION REGARDING THE
AMERICANS WITH DISABILITIES ACT COMPLIANCE**

The Contractor identified in Section 1.3 of the General Provisions agrees by signature of the Contractor's representative as identified in Sections 1.11 and 1.12 of the General Provisions, to execute the following certification:

By signing and submitting this proposal (contract) the Contractor agrees to make reasonable efforts to comply with all applicable provisions of the Americans with Disabilities Act of 1990.



Contractor Representative Signature

John A. Manning, CEO

Contractor's Representative Title

Southwestern Community Services, Inc.

Contractor Name

5/19/2020

Date

Exhibits D thru H

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Initials *JAM* Date 5/19/2020

Award # DE-EE0007955, CFDA #81.042

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT H

CERTIFICATION
Public Law 103-227, Part C
ENVIRONMENTAL TOBACCO SMOKE

Public Law 103227, Part C Environmental Tobacco Smoke, also known as the Pro Children Act of 1994, requires that smoking not be permitted in any portion of any indoor facility routinely owned or leased or contracted for by an entity and used routinely or regularly for provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee.

The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment.

Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1000 per day and/or the imposition of an administrative compliance order on the responsible entity.

By signing and submitting this application the applicant/grantee certifies that it will comply with the requirements of the Act.

The applicant/grantee further agrees that it will require the language of this certification be included in any subawards which contain provisions for the children's services and that all subgrantees shall certify accordingly.



Contractor Representative Signature

John A. Manning, CEO

Contractor's Representative Title

Southwestern Community Services, Inc.

Contractor Name

5/19/2020
Date

Exhibits D.thru H

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Initials



Date 5/19/2020

Award # DE-EE0007035; CFDA #81.042

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT I

U.S. DEPARTMENT OF ENERGY ASSURANCE OF COMPLIANCE NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS

OMB Burden Disclosure Statement

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Office of Information Resources Management Policy, Plans, and Oversight, Records Management Division, HR-422 - GTN, Paperwork Reduction Project (1910-0400), U.S. Department of Energy, 1000 Independence Avenue, S.W., Washington, DC 20585; and to the Office of Management and Budget (OMB), Paperwork Reduction Project (1910-0400), Washington, DC 20503.

Southwestern Community Services, Inc. (Hereinafter called the "Applicant") HEREBY AGREES to comply with Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352), Section 16 of the Federal Energy Administration Act of 1974 (Pub. L. 93-275), Section 401 of the Energy Reorganization Act of 1974 (Pub. L. 93-438), Title IX of the Education Amendments of 1972, as amended, (Pub. L. 92-318, Pub. L. 93-568, and Pub. L. 94-482), Section 504 of the Rehabilitation Act of 1973 (Pub. L. 93-112), the Age Discrimination Act of 1975 (Pub. L. 94-135), Title VIII of the Civil Rights Act of 1968 (Pub. L. 90-284), the Department of Energy Organization Act of 1977 (Pub. L. 95-91), the Energy Conservation and Production Act of 1976, as amended, (Pub. L. 94-385) and Title 10, Code of Federal Regulations, Part 1040. In accordance with the above laws and regulations issued pursuant thereto, the Applicant agrees to assure that no person in the United States shall, on the ground of race, color, national origin, sex, age, or disability, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity in which the Applicant receives Federal assistance from the Department of Energy.

Applicability and Period of Obligation

In the case of any service, financial aid, covered employment, equipment, property, or structure provided, leased, or improved with Federal assistance extended to the Applicant by the Department of Energy, this assurance obligates the Applicant for the period during which Federal assistance is extended. In the case of any transfer of such service, financial aid, equipment, property, or structure, this assurance obligates the transferee for the period during which Federal assistance is extended. If any personal property is so provided, this assurance obligates the Applicant for the period during which it retains ownership or possession of the property. In all other cases, this assurance obligates the Applicant for the period during which the Federal assistance is extended to the Applicant by the Department of Energy.

Employment Practices

Where a primary objective of the Federal assistance is to provide employment or where the Applicant's employment practices affect the delivery of services in programs or activities resulting from Federal assistance extended by the Department, the Applicant agrees not to discriminate on the ground of race, color, national origin, sex, age, or disability, in its employment practices. Such employment practices may include, but are not limited to, recruitment, advertising, hiring, layoff or termination, promotion, demotion, transfer, rates of pay, training and participation in upward mobility programs; or other forms of compensation and use of facilities.

Subrecipient Assurance

The Applicant shall require any individual, organization, or other entity with whom it subcontracts, subgrants, or

subleases for the purpose of providing any service, financial aid, equipment, property, or structure to comply with laws and regulations cited above. To this end, the subrecipient shall be required to sign a written assurance form; however, the obligation of both recipient and subrecipient to ensure compliance is not relieved by the collection or submission of written assurance forms.

Data Collection and Access to Records

The Applicant agrees to compile and maintain information pertaining to programs or activities developed as a result of the Applicant's receipt of Federal assistance from the Department of Energy. Such information shall include, but is not limited to the following: (1) the manner in which services are or will be provided and related data necessary for determining whether any persons are or will be denied such services on the basis of prohibited discrimination; (2) the population eligible to be served by race, color, national origin, sex, age and disability; (3) data regarding covered employment including use or planned use of bilingual public contact employees serving beneficiaries of the program where necessary to permit effective participation by beneficiaries unable to speak or understand English; (4) the location of existing or proposed facilities connected with the program and related information adequate for determining whether the location has or will have the effect of unnecessarily denying access to any person on the basis of prohibited discrimination; (5) the present or proposed membership by race, color, national origin, sex, age and disability in any planning or advisory body which is an integral part of the program; and (6) any additional written data determined by the Department of Energy to be relevant to the obligation to assure compliance by recipients with laws cited in the first paragraph of this assurance.

The Applicant agrees to submit requested data to the Department of Energy regarding programs and activities developed by the Applicant from the use of Federal assistance funds extended by the Department of Energy. Facilities of the Applicant (including the physical plants, buildings, or other structures) and all records, books, accounts, and other sources of information pertinent to the Applicant's compliance with the civil rights laws shall be made available for inspection during normal business hours on request of an officer or employee of the Department of Energy specifically authorized to make such inspections. Instructions in this regard will be provided by the Director, Office of Civil Rights, U.S. Department of Energy.

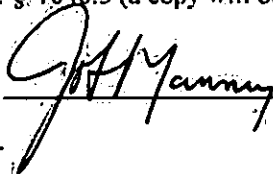
This assurance is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts (excluding procurement contracts), property, discounts or other Federal assistance extended after the date hereof, to the Applicants by the Department of Energy, including installment payments on account after such date of application for Federal assistance which are approved before such date. The Applicant recognizes and agrees that such Federal assistance will be extended in reliance upon the representations and agreements made in this assurance, and that the United States shall have the right to seek judicial enforcement of this assurance. This assurance is binding on the Applicant, the successors, transferees, and assignees, as well as the person(s) whose signatures appear below and who are authorized to sign this assurance on behalf of the Applicant.

Applicant Certification

The Applicant certifies that it has complied, or that, within 90 days of the date of the grant, it will comply with all applicable requirements of 10 C.F.R. § 1040.5 (a copy will be furnished to the Applicant upon written request to DOE).

John A. Manning, CEO

Signature



Date

5/19/2020

Southwestern Community Services, Inc.
63 Community Way, Keene, NH
603-352-7512

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT J

CERTIFICATION REGARDING THE FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA) COMPLIANCE

The Federal Funding Accountability and Transparency Act (FFATA) requires prime awardees of individual Federal grants equal to or greater than \$25,000 and awarded on or after October 1, 2010, to report on data related to executive compensation and associated first-tier sub-grants of \$25,000 or more. If the initial award is below \$25,000 but subsequent grant modifications result in a total award equal to or over \$25,000, the award is subject to the FFATA reporting requirements, as of the date of the award.


In accordance with 2 CFR Part 170 (Reporting Subaward and Executive Compensation Information), the New Hampshire Office of Strategic Initiatives must report the following information for any subaward or contract award subject to the FFATA reporting requirements:

- 1) Name of entity
- 2) Amount of award
- 3) Funding agency
- 4) NAICS code for contracts / CFDA program number for grants
- 5) Program source
- 6) Award title descriptive of the purpose of the funding action
- 7) Location of the entity
- 8) Principle place of performance
- 9) Unique identifier of the entity (DUNS #)
- 10) Total compensation and names of the top five executives if:
 - a. More than 80% of annual gross revenues are from the Federal government, and those revenues are greater than \$25M annually and
 - b. Compensation information is not already available through reporting to the SEC.

Prime grant recipients must submit FFATA required data by the end of the month, plus 30 days, in which the award or award amendment is made.


The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of The Federal Funding Accountability and Transparency Act, Public Law 109-282 and Public Law 110-252, and 2 CFR Part 170 (Reporting Subaward and Executive Compensation Information), and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

The below named Contractor agrees to provide needed information as outlined above to the New Hampshire Office of Strategic Initiatives and to comply with all applicable provisions of the Federal Financial Accountability and Transparency Act.


John A. Manning, CEO

 (Contractor Representative Signature) (Authorized Contractor Representative Name & Title)
 Southwestern Community Services, Inc. 5/19/2020

 (Contractor Name) (Date)

Contractor initials: 
 Date: 5/19/2020
 Page 1 of 2
 Award #DE-EE0007935.
 CFDA 81.042

NEW HAMPSHIRE OFFICE OF STRATEGIC INITIATIVES

STANDARD EXHIBIT J

FORM A

As the Contractor identified in Section 1.3 of the General Provisions, I certify that the responses to the below listed questions are true and accurate.

1. The DUNS number for your entity is: 081251381

2. In your business or organization's preceding completed fiscal year, did your business or organization receive (1) 80 percent or more of your annual gross revenue in U.S. federal contracts, subcontracts, loans, grants, sub-grants, and/or cooperative agreements; and (2) \$25,000,000 or more in annual gross revenues from U.S. federal contracts, subcontracts, loans, grants, subgrants, and/or cooperative agreements?

NO

YES

If the answer to #2 above is NO, stop here

If the answer to #2 above is YES, please answer the following:

3. Does the public have access to information about the compensation of the executives in your business or organization through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986?

NO

YES

If the answer to #3 above is YES, stop here

If the answer to #3 above is NO, please answer the following:

4. The names and compensation of the five most highly compensated officers in your business or organization are as follows:

Name: _____

Amount: _____

Name: _____

Amount: _____

Name: _____

Amount: _____

Name: _____

Amount: _____

Name: _____

Amount: _____

Contractor initials: SM

Date: 5/19/2020

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Award #DE-EE0007935.

CFDA 81.042

State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that SOUTHWESTERN COMMUNITY SERVICES, INC. is a New Hampshire Nonprofit Corporation registered to transact business in New Hampshire on May 19, 1965. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: 65514

Certificate Number: 0004894084



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 16th day of April A.D. 2020.

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State

CERTIFICATE OF VOTES

(Corporate Authority)

I, Elaine M. Amer, Clerk/Secretary of Southwestern Community Services, Inc.
(name) (Corporation name)

(hereinafter the "Corporation"), a New Hampshire corporation, hereby certify that:
(state)

(1) I am the duly elected and acting Clerk/Secretary of the Corporation; (2) I maintain and have custody and am familiar with the minute books of the Corporation; (3) I am duly authorized to issue certificates with respect to the contents of such books; (4) that the Board of Directors of the Corporation have authorized, on 2/18/2016,
(date)

such authority to be in force and effect until June 30, 2021,
(contract termination date)

The person(s) holding the below listed position(s) are authorized to execute and deliver on behalf of the Corporation any contract or other instrument for the sale of products and services:

John A. Manning
(name)

CEO
(position)

(name)

(position)

(5) the meeting of the Board of Directors was held in accordance with New Hampshire
(state of incorporation)

law and the by-laws of the Corporation; and (6) said authorization has not been modified, amended or rescinded and continues in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand as the Clerk/Secretary of the corporation this
19 day of May, 2020.

Elaine M. Amer
Clerk/Secretary

STATE OF NH
COUNTY OF Cheshire

On this 19 day of May, 2020, before me, Sarah Croteau the undersigned Officer, personally appeared Elaine M. Amer who acknowledged her/himself to be the Secretary of Southwestern Community Services Inc., a corporation and that she/he as such Secretary being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Sarah Croteau
Notary Public/Justice of the Peace
Commission Expiration Date: 7/31/24



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/19/2020

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Clark - Mortenson Insurance P.O. Box 606 Keene NH 03431	CONTACT NAME: PHONE (AC, No, Ext): 603-352-2121 FAX (AC, No): 603-357-8491 E-MAIL: csr24admin@clark-mortenson.com ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	NAIC #
INSURED Southwestern Comm Services Inc PO Box 603 Keene NH 03431	SOUTHWESTERNCOM	
	INSURER A : Philadelphia Insurance Company	0
	INSURER B : Maine Employer Mutual Insurance Co.	
	INSURER C :	
	INSURER D :	
	INSURER E :	
INSURER F :		

COVERAGES

CERTIFICATE NUMBER: 1524385197

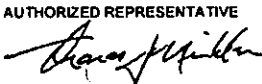
REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDITIONAL SUBROGATION WAIVED	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:		PHPK2000692	6/30/2020	6/30/2021	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMPPOP AGG \$ 2,000,000 \$
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		PHPK2000704	6/30/2020	6/30/2021	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000		PHUB681876	6/30/2020	6/30/2021	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000 \$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y/N <input checked="" type="checkbox"/> N N/A		3102800768	4/1/2020	4/1/2021	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 500,000 E.L. DISEASE - EA EMPLOYEE \$ 500,000 E.L. DISEASE - POLICY LIMIT \$ 500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 workers comp laws apply for the state of: NH
 all officers are included

CERTIFICATE HOLDER**CANCELLATION**

State of New Hampshire Office of Strategic Initiatives Johnson Hall 107 Pleasant Street Concord NH 03301-8501	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC.
AND RELATED COMPANIES

FOR THE YEARS ENDED
MAY 31, 2019 AND 2018
AND
INDEPENDENT AUDITORS' REPORTS

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018**

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To the Board of Directors of
Southwestern Community Services, Inc.
Keene, New Hampshire

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies, which comprise the consolidated statements of financial position as of May 31, 2019 and 2018, and the related consolidated statements of cash flows, functional expenses, and notes to the consolidated financial statements for the years then ended, and the related consolidated statement of activities for the year ended May 31, 2019.

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.

Auditors' 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Community Services, Inc. and related companies as of May 31, 2019 and 2018, 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 Summarized Comparative Information

We have previously audited Southwestern Community Services, Inc. and related companies' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedules of Functional Revenues and Expenses, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. 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 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 5, 2019, on our consideration of Southwestern Community Services, 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 Southwestern Community Services, Inc.'s internal control over financial reporting and compliance.

*Leon, McDonnell : Roberts
Professional Association*

November 5, 2019
Wolfeboro, New Hampshire

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2019 AND 2018****ASSETS**

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 882,187	\$ 1,086,895
Accounts receivable	1,245,826	1,059,922
Prepaid expenses	51,722	35,019
Notes receivable	112,000	112,000
Interest receivable	<u>45,547</u>	<u>45,547</u>
Total current assets	<u>2,337,282</u>	<u>2,339,383</u>
PROPERTY		
Land and buildings	19,188,791	14,438,178
Vehicles and equipment	554,976	549,305
Furniture and fixtures	<u>220,291</u>	<u>39,617</u>
Total property	<u>19,964,058</u>	<u>15,027,100</u>
Less accumulated depreciation	<u>7,938,217</u>	<u>4,880,952</u>
Property, net	<u>12,025,841</u>	<u>10,146,148</u>
OTHER ASSETS		
Investment in related parties	198,728	88,706
Due from related parties	59,102	188,523
Cash escrow and reserve funds	849,334	517,853
Security deposits	62,996	51,996
Other assets	<u>384</u>	<u>384</u>
Total other assets	<u>1,170,544</u>	<u>847,462</u>
Total assets	<u>\$ 15,533,667</u>	<u>\$ 13,332,993</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 391,613	\$ 124,085
Accrued expenses	119,620	206,178
Accrued payroll and payroll taxes	233,900	250,692
Other current liabilities	138,740	135,573
Refundable advances	180,994	183,931
Interest payable	49,547	-
Current portion of long term debt	<u>227,221</u>	<u>216,438</u>
Total current liabilities	1,341,635	1,126,897
NONCURRENT LIABILITIES		
Long term debt, less current portion shown above	<u>9,086,445</u>	<u>8,273,983</u>
Total liabilities	<u>10,428,080</u>	<u>9,400,880</u>
NET ASSETS		
Without donor restrictions	4,922,671	3,787,422
With donor restrictions	<u>182,916</u>	<u>144,691</u>
Total net assets	<u>5,105,587</u>	<u>3,932,113</u>
Total liabilities and net assets	<u>\$ 15,533,667</u>	<u>\$ 13,332,993</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
REVENUES AND OTHER SUPPORT				
Government contracts	\$ 10,872,702	\$ -	\$ 10,872,702	\$ 11,055,093
Program service fees	2,485,405	-	2,485,405	1,868,188
Rental income	995,380	-	995,380	801,842
Developer fee income	-	-	-	50,000
Support	326,558	125,833	452,391	509,229
Sponsorship	70,893	-	70,893	105,286
Interest income	7,153	-	7,153	8,959
Forgiveness of debt	388,849	-	388,849	75,971
Miscellaneous	120,697	-	120,697	100,772
In-kind contributions	<u>241,499</u>	<u>-</u>	<u>241,499</u>	<u>161,852</u>
Total revenues and other support	15,309,136	125,833	15,434,969	14,736,992
NET ASSETS RELEASED FROM RESTRICTIONS	<u>87,608</u>	<u>(87,608)</u>	<u>-</u>	<u>-</u>
Total revenues, other support, and net assets released from restrictions	<u>15,396,744</u>	<u>38,225</u>	<u>15,434,969</u>	<u>14,736,992</u>
EXPENSES				
Program services				
Home energy programs	5,238,483	-	5,238,483	4,847,201
Education and nutrition	2,659,830	-	2,659,830	2,530,152
Homeless programs	1,994,872	-	1,994,872	2,172,388
Housing services	2,319,865	-	2,319,865	2,048,214
Economic development services	721,370	-	721,370	728,119
Other programs	<u>894,986</u>	<u>-</u>	<u>894,986</u>	<u>945,391</u>
Total program services	13,829,406	-	13,829,406	13,271,465
Supporting activities				
Management and general	<u>1,880,406</u>	<u>-</u>	<u>1,880,406</u>	<u>1,749,700</u>
Total expenses	<u>15,709,812</u>	<u>-</u>	<u>15,709,812</u>	<u>15,021,165</u>
CHANGES IN NET ASSETS BEFORE LOSS ON SALE OF PROPERTY	(313,068)	38,225	(274,843)	(284,173)
LOSS ON SALE OF PROPERTY	(6,481)	-	(6,481)	(4,583)
GAIN (LOSS) ON INVESTMENT IN LIMITED PARTNERSHIPS	<u>18,116</u>	<u>-</u>	<u>18,116</u>	<u>(188)</u>
CHANGE IN NET ASSETS	(301,433)	38,225	(263,208)	(288,944)
NET ASSETS, BEGINNING OF YEAR	3,787,422	144,691	3,932,113	3,397,772
NET ASSETS TRANSFERRED FROM LIMITED PARTNERSHIP	<u>1,436,682</u>	<u>-</u>	<u>1,436,682</u>	<u>823,285</u>
NET ASSETS, END OF YEAR	<u>\$ 4,922,671</u>	<u>\$ 182,916</u>	<u>\$ 5,105,587</u>	<u>\$ 3,932,113</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (263,208)	\$ (288,944)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	580,115	487,929
Loss on sale of property	6,481	4,583
(Gain) loss on investment in limited partnerships	(18,116)	188
Forgiveness of debt	(388,849)	(75,971)
(Increase) decrease in assets:		
Accounts receivable	(185,904)	265,199
Prepaid expenses	5,509	(3,439)
Interest receivable	-	(4,480)
Due from related parties	44,240	68,149
Security deposits	5,151	(2,623)
Increase (decrease) in liabilities:		
Accounts payable	145,829	(53,220)
Accrued expenses	(108,905)	(38,863)
Accrued payroll and payroll taxes	(18,792)	9,657
Other current liabilities	3,167	(13,125)
Refundable advances	(12,937)	(44,414)
Interest payable	49,547	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(152,672)</u>	<u>288,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in escrow funds	(33,588)	5,846
Proceeds from sale of property	215,000	-
Purchase of property	<u>(139,717)</u>	<u>(142,791)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>41,715</u>	<u>(136,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	40,048	76,143
Repayment of long term debt	<u>(160,029)</u>	<u>(112,612)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(119,981)</u>	<u>(36,469)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(230,938)	115,212
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,086,895	947,176
CASH TRANSFERRED FROM LIMITED PARTNERSHIP	<u>26,230</u>	<u>24,508</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 882,187</u>	<u>\$ 1,086,895</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MAY 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 203,408</u>	<u>\$ 142,467</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of assets from newly consolidated LP:		
Prepaid expenses	\$ (22,212)	\$ (12,328)
Land and buildings	(2,373,335)	(894,504)
Furniture and fixtures	(168,237)	(96,338)
Cash escrow and reserve funds	(297,913)	(164,110)
Security deposits	<u>(16,151)</u>	<u>(11,467)</u>
Total transfer of assets from newly consolidated LP	<u>\$ (2,877,848)</u>	<u>\$ (1,178,747)</u>
Transfer of liabilities from newly consolidated LP:		
Accounts payable	\$ 121,699	\$ 10,810
Accrued expenses	20,347	11,199
Due to related parties	85,181	-
Long term debt	<u>1,332,075</u>	<u>304,073</u>
Total transfer of liabilities from newly consolidated LP	<u>\$ 1,559,302</u>	<u>\$ 326,082</u>
Total partners' capital from newly consolidated LP	\$ 1,344,776	\$ 877,173
Partners' capital previously recorded as investment in related parties	<u>91,906</u>	<u>(53,888)</u>
Total transfer of partners' capital from newly consolidated LP	<u>\$ 1,436,682</u>	<u>\$ 823,285</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2018 Total
Payroll	\$ 432,998	\$ 1,224,986	\$ 377,505	\$ 775,425	\$ 414,730	\$ 432,826	\$ 3,658,530	\$ 783,098	\$ 4,411,098
Payroll taxes	33,521	97,819	29,527	58,738	33,519	34,195	288,419	68,304	346,723
Employee benefits	108,054	415,890	142,654	288,985	97,771	180,294	1,232,848	111,111	1,343,959
Retirement	28,200	70,405	18,908	61,900	27,831	16,181	224,402	71,647	296,000
Advertising	-	500	1,912	4,013	818	9,487	18,730	-	18,730
Bank charges	-	-	-	4,444	-	1	4,445	-	11,774
Bad debt expense	-	10	-	80	-	-	100	-	100
Computer cost	-	24,540	4,750	3,027	14,826	750	48,022	116,846	164,846
Contractual	829,045	32,830	230,964	36,600	2,719	116,585	1,009,669	36,743	1,000,702
Depreciation	-	28,300	108,291	281,950	-	14,207	432,748	147,267	580,115
Dues/Registration	-	5,277	-	488	808	1,312	7,843	11,879	19,824
Duplicating	-	8,852	-	-	-	-	8,852	4,155	13,007
Insurance	6,714	14,798	23,595	80,872	14,130	7,164	127,068	33,822	160,890
Interest	-	7,775	8,022	21,956	-	1,610	39,363	164,045	203,406
Meeting and conference	8,673	813	2,567	8,104	965	22,569	43,221	24,857	68,248
Miscellaneous expense	181	1,895	637	34,783	3,651	2,821	43,888	19,278	63,166
Miscellaneous taxes	-	-	-	34,900	-	-	34,900	389	35,289
Equipment purchases	1,282	18,274	-	7,287	-	-	23,863	1,180	25,033
Office expense	24,620	8,499	6,895	11,475	6,456	807	58,754	11,856	70,410
Postage	87	298	136	63	214	-	770	24,226	25,006
Professional fees	4,300	-	1,201	36,095	-	-	41,600	80,895	122,894
Staff development and training	2,128	1,840	1,678	72	1,804	21,877	29,239	19,590	38,828
Subscriptions	-	-	-	955	354	-	1,009	369	1,408
Telephone	2,087	2,266	18,478	17,817	2,338	1,688	44,664	82,308	89,972
Travel	7,851	16,256	15,412	5,183	29,531	608	74,941	4,855	78,796
Vehicle	2,300	5,225	1,088	37,785	44,426	8,668	99,422	15,438	112,858
Rent	-	34,800	-	150	-	-	34,950	-	34,950
Space costs	-	194,644	332,351	512,382	1,000	378	1,041,099	108,886	1,147,831
Direct client assistance	3,947,182	214,438	898,284	10,874	23,819	21,049	4,885,214	-	4,885,214
In-kind expenses	-	241,499	-	-	-	-	241,499	-	241,499
TOTAL FUNCTIONAL EXPENSES BEFORE MANAGEMENT AND GENERAL ALLOCATION	6,238,483	2,898,830	1,994,872	2,319,865	721,370	804,886	13,628,406	1,860,406	15,708,812
Allocation of management and general expenses	712,294	361,661	771,246	315,430	98,096	121,663	1,880,406	(1,880,406)	-
TOTAL FUNCTIONAL EXPENSES	\$ 6,950,787	\$ 3,021,491	\$ 2,766,118	\$ 2,635,301	\$ 819,466	\$ 1,018,679	\$ 15,708,812	\$ -	\$ 15,708,812

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	Home Energy Escrow	Education and Bookdon	Homeless Escrow	Housing Services	Economic Development Services	Other Programs	Total Programs	Management and General	2018 Total
Payroll	\$ 388,482	\$ 1,208,831	\$ 436,836	\$ 771,028	\$ 408,180	\$ 439,358	\$ 3,958,186	\$ 774,466	\$ 4,432,082
Payroll taxes	31,609	96,882	34,153	56,803	30,418	36,918	286,771	80,813	380,884
Employee benefits	122,782	483,204	148,394	278,383	87,744	187,020	1,278,517	84,880	1,330,107
Retirement	24,800	89,878	21,031	64,244	19,280	17,448	216,821	73,148	290,808
Advertising	-	142	1,897	4,188	2,114	16,172	24,481	-	24,481
Bank charges	15	-	120	3,834	-	-	3,869	8,078	13,048
Computer cost	-	9,186	4,300	14,144	14,298	3,500	48,427	82,062	107,479
Contractual	518,340	82,483	242,838	20,262	2,718	109,718	948,638	14,821	861,457
Depreciation	-	28,300	108,291	167,840	-	18,131	326,562	147,267	487,829
Dues/registration	-	6,036	-	343	983	987	8,394	10,175	16,538
Duplicating	1,884	8,148	-	-	-	-	9,732	4,321	14,053
Insurance	6,908	13,381	23,853	82,787	14,610	8,248	118,089	38,389	154,468
Interest	-	8,895	7,758	8,887	-	2,354	29,896	118,801	142,487
Meeting and conference	3,861	58	9,293	7,177	600	18,305	40,384	36,824	78,318
Miscellaneous expenses	909	871	2,303	18,688	4,442	18,580	46,881	13,182	60,063
Miscellaneous items	-	-	-	26,381	-	-	26,381	880	27,267
Equipment purchases	4,670	24,320	80	12,240	-	-	41,418	2,305	43,723
Office expense	34,413	12,813	8,440	14,808	12,042	4,078	86,600	20,402	106,482
Postage	132	274	182	31	348	80	1,017	22,918	23,935
Professional fees	4,800	-	1,875	18,878	-	-	22,844	83,789	106,410
Staff development and training	1,430	23,734	2,624	8,287	5,875	38,044	69,784	2,943	72,727
Subscriptions	-	-	28	87	-	-	115	1,829	1,944
Telephone	2,088	15,287	18,681	14,588	2,436	3,238	67,307	88,878	113,883
Travel	8,336	20,013	20,312	8,185	29,508	2,000	82,364	3,800	85,873
Vehicle	2,140	2,810	712	31,828	45,200	9,201	91,688	10,881	102,570
Rent	-	28,201	-	-	-	-	28,201	-	28,201
Space costs	148	140,213	258,848	438,344	-	1,008	836,863	128,806	865,629
Direct client assistance	3,083,408	146,220	879,838	14,447	80,831	23,843	4,741,445	-	4,741,445
In-kind expenses	-	181,853	-	-	-	-	181,853	-	181,853
TOTAL FUNCTIONAL EXPENSES BEFORE GENERAL AND MANAGEMENT ALLOCATION	4,847,201	2,830,182	2,172,308	2,046,314	728,118	846,381	13,271,465	1,748,700	18,621,185
Allocation of management and general expenses	658,051	333,873	286,407	270,033	89,895	124,830	1,748,700	(1,748,700)	-
TOTAL FUNCTIONAL EXPENSES	\$ 5,485,252	\$ 2,863,773	\$ 2,458,715	\$ 2,316,348	\$ 818,013	\$ 971,211	\$ 15,020,165	\$ -	\$ 18,621,185

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2019 AND 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Southwestern Community Services, Inc. (the Organization) is a New Hampshire nonprofit corporation formed as an umbrella corporation that offers an array of services to the elderly, disabled, and low-income households in the Cheshire and Sullivan counties of New Hampshire. Various programs provide assistance in the areas of education, child development, employment, energy and its conservation, housing, and homelessness prevention. Services are provided through Southwestern Community Services, Inc., and its related corporations, SCS Management Corporation, SCS Housing, Inc., SCS Development Corporation, SCS Housing Development, Inc., and various limited partnerships, as described below. The Organization is committed to providing respectful support service and assisting individuals and families in achieving self-sufficiency by helping them overcome the causes of poverty. The primary source of revenues is derived from governmental contracts.

Principles of Consolidation

The consolidated financial statements include the accounts of Southwestern Community Services, Inc. and the following entities as Southwestern Community Services, Inc. has both an economic interest and control of the entities through a majority voting interest in their governing board. All significant intercompany items and transactions have been eliminated from the basic consolidated financial statements.

- SCS Management Corporation
- SCS Housing, Inc.
- SCS Development Corporation
- SCS Housing Development, Inc.
- Drewsville Carriage House Associates, Limited Partnership (Drewsville)
- Jaffrey Housing Associates, Limited Partnership (Jaffrey) – Sold 2/1/19
- Troy Senior Housing Associates, Limited Partnership (Troy Senior)
- Keene East Side Senior Housing Associates, Limited Partnership (Keene East Side)
- Winchester Senior Housing Associates, Limited Partnership (Winchester)
Consolidation began 8/16/17
- Swanzey Township Housing Associates, Limited Partnership (Swanzey)
Consolidation began 6/30/18
- Snow Brook Meadow Village Housing Associates, Limited Partnership (Snow Brook) Consolidation began 5/01/19

Basis of Accounting

The consolidated financial statements of Southwestern Community Services, Inc. and related companies have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications. The classes of net assets are determined by the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

As of May 31, 2019 and 2018, the Organization had net assets without donor restrictions and with donor restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2018 from which the summarized information was derived.

Refundable Advances

The Organization records grant and contract revenue as refundable advances until it is expended for the purpose of the grant or contract, at which time it is recognized as revenue.

In-Kind Support

The Organization records various types of in-kind support including professional services and materials. Contributed professional services are recognized if the service received creates or enhances long-lived assets or requires specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was estimated to be zero at May 31, 2019 and 2018. The Organization has no policy for charging interest on overdue accounts.

Notes Receivable

The Organization has two notes receivable from an unrelated third party. The notes receivables are stated at the amount that is expected to be collected at year end. Interest is accrued at a rate of 4% annually. The balance of the notes receivable and related interest receivable was \$112,000 and \$45,547, respectively, at May 31, 2019 and 2018.

Current Vulnerability Due to Certain Concentrations

The Organization is operated in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or Legislature. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. For the years ended May 31, 2019 and 2018, approximately 68% and 75%, respectively, of the Organization's total revenue was received from government agencies. The future nature of the organization is dependent upon continued support from the government.

Concentration of Credit Risk

The Organization maintains its cash accounts in several financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to these accounts.

Property and Depreciation

Purchased property and equipment are stated at cost at the date of acquisition or at fair value at the date of receipt in the case of donated property. The Organization generally capitalizes and depreciates all assets with a cost greater than \$5,000 and an expected life greater than one year. Depreciation is provided for using the straight-line method in amounts designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and improvements	10 - 40 Years
Vehicles and equipment	5 - 10 Years
Furniture and fixtures	7 Years

The use of certain assets is specified under the terms of grants received from agencies of the federal government. These grants also place liens on certain assets and impose restrictions on the use of funds received from the disposition of the property. Depreciation expense for the years ended May 31, 2019 and 2018 totaled \$580,115 and \$467,929, respectively.

Advertising

The Organization expenses advertising costs as incurred.

Revenue Recognition

Amounts received from conditional grants and contracts received for specific purposes are generally recognized as income to the extent that related expenses and conditions are incurred or met. Conditional grants received prior to the conditions being met are reported as refundable advances. Contributions of cash and other assets are reported as with donor restrictions if they are received with donor imposed stipulations that limit the use of the donated assets. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restrictions.

Income Taxes

Southwestern Community Services, Inc. and SCS Management Corporation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not private foundations. As such, they are exempt from income tax on their exempt function income.

SCS Housing, Inc., SCS Development Corporation and SCS Housing Development, Inc. are taxed as corporations. SCS Housing Inc. has federal net operating loss carryforwards totaling \$1,012,604 and \$915,425 at May 31, 2019 and 2018, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2027. SCS Development Corporation has federal net operating loss carryforwards totaling \$579 and \$607 at May 31, 2019 and 2018, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2022.

The tax effects of the carryforwards as related to deferred tax assets is as follows as of May 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Tax benefit from loss carryforwards	\$212,768	\$137,408
Valuation allowance	<u>(212,768)</u>	<u>(137,408)</u>
Deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Drewsville, Jaffrey, Troy Senior, Winchester, Keene East Side, Swanzey, and Snow Brook are taxed as partnerships. Federal income taxes are not payable by, or provided for these entities. Earnings and losses are included in the partners' federal income tax returns based on their share of partnership earnings. Partnerships are required to file income tax returns with the State of New Hampshire and pay an income tax at the state's statutory rate.

Accounting Standard Codification No. 740, "Accounting for Income Taxes," established the minimum threshold for recognizing, and a system for measuring, the benefits of tax return positions in financial statements. Management has analyzed the Organization's tax position taken on its income tax returns for all open years (tax years ending May 31, 2017 – 2019), and has concluded that no additional provision for income taxes is necessary in the Organization's financial statements.

Fair Value of Financial Instruments

FASB ASC Topic No. 820-10, Financial Instruments, provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework in generally accepted accounting principles for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with ASC 820-10, the Organization may use valuation techniques consistent with market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, Topic 820-10 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under ASC Topic 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The carrying amount of cash, accounts receivables, prepaid expenses, accounts payable, accrued expenses, and refundable advances approximates fair value because of the short maturity of those instruments.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Natural expenses are defined by their nature, such as salaries, rent, supplies, etc. Functional expenses are classified by the type of activity for which expenses are incurred, such as management and general and direct program costs. Expenses are allocated by function using a reasonable and consistent approach that is primarily based on function and use. The costs of providing certain program and supporting services have been directly charged.

The Organization submits an indirect cost rate proposal for the paid leave, fringe benefits and other indirect costs to the U.S. Department of Health and Human services. The indirect cost rate is 11.96% effective from June 1, 2017 through May 31, 2020.

NOTE 2

BANK LINE OF CREDIT

The Organization has a \$250,000 revolving line of credit agreement with a bank. Interest is due monthly and is stated at the Wall Street Journal Prime Rate. The line is secured by all the Organization's assets. As of May 31, 2019 and 2018, the interest rate was 5.50% and 4.75%, respectively. There was no outstanding balance at May 31, 2019 and 2018.

NOTE 3**LONG TERM DEBT**

The long term debt at May 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
1% mortgage payable to New Hampshire Housing in monthly installments for principal and interest of \$891 through August 2032. The note is secured by real estate of the Organization (NHHFA, 96 Main Street).	\$ 145,647	\$ 154,832
Non-interest bearing mortgage payable to Community Development Finance Authority, in quarterly principal payments based on operating income formula applied to affordable housing portion of the specified real estate. The note is secured by real estate of the Organization (CDFA, 96 Main Street).	31,589	32,147
5.5% note payable to a bank in monthly installments for principal and interest of \$978 through March 2021. The note is secured by real estate of the Organization (People's United Bank, Ashuelot).	20,672	31,143
Non-interest bearing mortgage payable to New Hampshire Housing. Payment is deferred for 30 years, through September 2031, or until project is sold or refinanced. The note is secured by real estate of the Organization (NHHFA, 17 Pearl).	244,505	244,505
Non-interest bearing mortgage payable to New Hampshire Housing. Payment is deferred for 30 years, through July 2032, unless there is surplus cash from which to make a payment, or until project is sold or refinanced. The note is secured by real estate of the Organization (NHHFA, 41-43 Central).	376,363	376,363
4.25% mortgage payable to a bank in monthly installments for principal and interest of \$1,875 through December 2016, with a balloon payment that was due January 2017. The note was amended during the year ended May 31, 2019 and is now due December 2026. Under the amendment, interest rate is 4.94% and monthly installments for principal and interest are \$1,957. The note is secured by real estate of the Organization (People's United Bank, Milestones).	146,515	162,223

	<u>2019</u>	<u>2018</u>
4.375% note payable to Rural Housing Service in monthly installments for principal and interest of \$11,050 through May 2049. The note is secured by real estate of the Organization (TD Bank, Keene Office).	2,212,288	2,247,266
Non-interest bearing note payable to Cheshire County in New Hampshire. Payment is not necessary unless Organization defaults on contract. The note is secured by real estate of the Organization (CDBG, Keene Office).	460,000	460,000
4% note payable to a development company, in annual interest installments only through March 2015 at which time a final balloon payment of the entire principal balance was due. The remaining balance is still outstanding at May 31, 2019 and is classified as current. The note is secured by real estate of the Organization (MEDC, Keene Office/Community Way).	63,000	63,000
4% note payable to a development company, in annual interest installments only through March 2015 at which time a final balloon payment of the entire principal balance was due. The remaining balance is still outstanding at May 31, 2019 and is classified as current. The note is secured by real estate of the Organization (MEDC, Keene Office/Community Way).	45,000	45,000
Note payable to a bank in monthly installments for principal and interest of \$2,463 including interest through May 2039. Interest is adjusted every five years based on remaining principal balance and "Classic Advantage Rate" provided by Federal Home Loan Bank of Boston which resulted in an interest rate of 4.67% and 4.07% at May 31, 2019 and 2018, respectively. The note is secured by real estate of the Organization (TD Bank, Keene Office/Community Way).	401,891	414,567
5.19% note payable to a bank in monthly installments for principal and interest of \$889 through May 2021. The note is secured by real estate of the Organization (TD Bank, 45 Central Street).	94,733	100,254

	<u>2019</u>	<u>2018</u>
Non-interest bearing note payable to the United States Department of Housing and Urban Development. No payment is due and beginning in January 2015 10% of the note is forgiven each year providing the property is used for low income housing through January 2025. The note is secured by real estate of the Organization (HUD, Ashuelot).	125,000	150,000
Non-interest bearing note payable to the United States Department of Housing and Urban Development. No payment is due and beginning in January 2015 10% of the note is forgiven each year providing the property is used for low income housing through January 2025. The note is secured by real estate of the Organization (HUD, 112 Charlestown Road).	75,000	90,000
Non-interest bearing note payable to New Hampshire Housing in annual payments in the amount of 50% of annual surplus cash through July 2042 at which time the remaining balance is due. The note is secured by real estate of the Organization (NHHFA, Second Chance).	794,189	794,189
Non-interest bearing note payable to a county in New Hampshire. No payment is due and 5% of the balance is forgiven each year through 2032 when the remaining balance becomes due. The note is secured by real estate of the Organization (CDBG, Second Chance).	344,536	363,677
6.99% note payable to a finance company in monthly installments for principal and interest of \$652 through June 2019. The note is secured by a vehicle (TCF, Econoline Van).	1,293	8,741
5.54% note payable to a finance company in monthly installments for principal and interest of \$543 through August 2022. The note is secured by a vehicle (Ally, Econoline Van).	19,287	24,564

	<u>2019</u>	<u>2018</u>
Jaffrey - 30-year deferred note payable to the Town of Jaffrey, New Hampshire. Payment of principal and accrued interest at 1% were deferred until the note matures in June 2027. The note was secured by land and buildings. The balance included cumulative accrued interest of \$53,651 (CDBG). Jaffrey was sold during the year ended May 31, 2019 and the balance was forgiven.	-	303,651
Jaffrey - 6% note payable to a bank in monthly installments for principal and interest of \$485 through August 2027. The note was secured by land and buildings (TD Bank). Jaffrey was sold during the year ended May 31, 2019 and this note was paid in full.	-	41,099
Troy Senior - Non-interest bearing note payable to a county in New Hampshire. Payments are deferred until the note matures in June 2029. The note is secured by real estate of the Organization (CDBG).	640,000	640,000
Troy Senior - Non-interest bearing note payable to New Hampshire Housing Finance Authority to fund energy efficiency improvements through the Authority's Greener Homes Program. Payment is deferred for 30 years, through August 2042. The note is secured by real estate of the Organization (NHHFA).	140,210	140,210
Keene East Side - Non-interest bearing note payable to a county in New Hampshire. Payments are deferred until the note matures in December 2028. The note is secured by real estate of the Organization (CDBG).	900,000	900,000
Keene East Side - Non-interest bearing note payable to New Hampshire Community Development Finance Authority (CDFA) to fund energy upgrades and capital improvements. Beginning in 2016, 10% of the note is forgiven each year based on the rolling balance. The mortgage may be released after ten years in January 2026. The note is secured by real estate of the Organization (CDFA).	185,899	178,172

	<u>2019</u>	<u>2018</u>
Keene East Side - Non-interest bearing note payable to New Hampshire Housing to fund energy efficiency improvements through the Authority's Greener Homes Program. Payment is deferred for 30 years, through August 2042. The note is secured by real estate of the Organization (NHHFA).	228,934	228,934
Swanzey - Non-recourse, 4.90% simple interest mortgage note payable to the New Hampshire Housing (HOME), due September, 2033, principal and interest payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage.	282,720	-
Swanzey - Non-recourse mortgage note payable to New Hampshire Housing (AHF), due September 2043, payable in monthly installments of \$1,698, including interest at 2.35% secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 40 year term of the mortgage.	377,110	-
Snow Brook - Non-recourse, mortgage note payable to New Hampshire Housing, due July 2057, payable in monthly installments of \$2,002 including interest at 4.35% secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage.	446,561	-
Snow Brook - Non-recourse, zero interest mortgage note payable to New Hampshire Housing (AHF), due June 2034, principal and interest payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage.	237,173	-

	<u>2019</u>	<u>2018</u>
Winchester - Non-recourse mortgage note payable to New Hampshire Housing (AHF), due May 2032, payable in monthly installments of \$370, including interest at 2.00%, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage note (NHHFA).	50,436	53,826
Winchester - Non-recourse, zero interest bearing mortgage note payable to New Hampshire Housing (FAF), due May 2032, payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30-year term of the mortgage note (NHHFA).	92,058	92,058
Winchester - Non-recourse, zero interest bearing, direct subsidy AHP loan secured by the Partnership's land and buildings, subject to low-income housing restrictions under the terms of the AHP agreement. In the event of a default under the aforementioned agreement, the loan is due upon demand with interest accrued at a rate of 11.67% for the period the funds were outstanding (Federal Home Loan Bank).	<u>150,000</u>	<u>150,000</u>
Total long-term debt before unamortized deferred financing costs	9,332,609	8,490,421
Unamortized deferred financing costs	<u>(18,943)</u>	<u>-</u>
	9,313,666	8,490,421
Less current portion due within one year	<u>227,221</u>	<u>216,438</u>
	<u>\$ 9,086,445</u>	<u>\$ 8,273,983</u>

The schedule of maturities of long term debt at May 31, 2019 is as follows:

Year Ending	Amount
<u>May 31</u>	
2020	\$ 227,221
2021	121,051
2022	115,864
2023	115,596
2024	118,605
Thereafter	<u>8,634,272</u>
Total	<u>\$ 9,332,609</u>

NOTE 4 **OPERATING LEASES**

The Organization leases facilities, equipment and vehicles under non-cancelable lease agreements at various financial institutions. Lease periods range from month to month to 2024. Monthly lease payments range from \$60 to \$3,625. Lease expense for the years ended May 31, 2019 and 2018 totaled \$144,880 and \$136,963 respectively.

Future minimum payments as of May 31, 2019 on the above leases are as follows:

Year Ending May 31	Amount
2020	\$ 78,745
2021	21,677
2022	18,318
2023	1,050
2024	720
Thereafter	<u>120</u>
Total	<u>\$ 120,630</u>

NOTE 5 **ACCRUED COMPENSATED BALANCES**

At May 31, 2019 and 2018, the Organization accrued a liability for future annual leave time that its employees had earned and vested in the amount of \$131,864 and \$130,140, respectively.

NOTE 6 **CONTINGENCIES**

Southwestern Community Services, Inc. is the 100% owner of SCS Housing, Inc. and SCS Housing Development, Inc. SCS Housing, Inc. and SCS Housing Development, Inc. are the general partners of ten limited partnerships formed to develop low-income housing projects through the use of Low Income Housing Tax Credits. Southwestern Community Services, Inc., SCS Housing, Inc. and SCS Housing Development, Inc. have guaranteed repayment of liabilities of various partnerships totaling approximately \$14,151,000 and \$15,553,000 at May 31, 2019 and 2018, respectively.

Partnership real estate with a cost basis of approximately \$35,831,000 and \$41,158,000 at May 31, 2019 and 2018, respectively, provides collateral on these loans.

The Organization receives funds under various state grants and from Federal sources. Under the terms of these agreements, the Organization is required to use the funds within a certain period and for purposes specified by the governing laws and regulations. If costs were found not to have been incurred in compliance with the laws and regulations, the Organization might be required to repay the funds.

No provisions have been made for this contingency because specific amounts, if any, have not been determined or assessed by government audits as of May 31, 2019 and 2018.

NOTE 7 **RELATED PARTY TRANSACTIONS**

During the years ended May 31, 2019 and 2018, SCS Housing, Inc. managed ten limited partnerships. Management fees charged by SCS Housing, Inc. totaled \$313,466 and \$322,973, for the years ended May 31, 2019 and 2018, respectively. Additionally, SCS Housing, Inc. has advanced the limited partnerships funds for cash flow purposes over several years.

The Organization has also advanced funds to a related entity for Department of Housing and Urban Development (HUD) sponsorship purposes.

The total amounts due and expected to be collected from the limited partnerships and related entities totaled \$59,102 and \$188,523, respectively, at May 31, 2019 and 2018.

NOTE 8 **EQUITY INVESTMENT**

Southwestern Community Services, Inc. and related companies use the equity method to account for their financial interests in the following companies:

	<u>2019</u>	<u>2018</u>
Cityside Housing Associates, LP	\$ (9,500)	\$ (9,492)
Marlborough Homes, LP	(11)	8
Payson Village Senior Housing Associates, LP	(12,503)	(12,491)
Railroad Square Senior Housing Associates, LP	(1,897)	(1,715)
Warwick Meadows Housing Associates, LP	(21)	(17)
Woodcrest Drive Housing Associates, LP	222,842	222,846
Westmill Senior Housing, LP	78	90
Swanzy Township Housing Associates, LP	-	(31,190)
Snow Brook Meadow Village Housing Associates, LP	-	(60,716)
Keene Highland Housing Associates, LP	(260)	(243)
Pilot Health, LLC	-	(18,374)
	<u>\$ 198,728</u>	<u>\$ 88,706</u>

SCS Housing Development, Inc. is a 0.01% partner of Cityside Housing Associates, LP, Marlborough Homes, LP, Payson Village Senior Housing Associates, LP, Warwick Meadows Housing Associates, LP, and Woodcrest Drive Housing Associates, LP, a 0.10% partner of Railroad Square Senior Housing Associates, LP, and a 1% partner in Westmill Senior Housing, LP during the years ended May 31, 2019 and 2018.

SCS Housing, Inc. is a 0.01% partner of Winchester Senior Housing Associates, LP, Swanzey Township Housing Associates, LP, Snow Brook Meadow Village Housing Associates, LP, and Keene Highland Housing Associates, LP during the years ended May 31, 2019 and 2018.

The remaining 99.99% ownership interest in Swanzey Township Housing Associates, LP and Snow Brook Meadow Village Housing Associates, LP were acquired by Southwestern Community Services, Inc. during the year ending May 31, 2019 (see Note 12), and therefore the limited partnership is included in the consolidated financial statements for the year ended May 31, 2019. The remaining 99.99% ownership interest in Winchester Senior Housing Associates, LP was acquired by Southwestern Community Service, Inc. during the year ended May 31, 2018 (see Note 12), and therefore the limited partnership is included in the consolidated financial statements for the year ended May 31, 2019 and 2018.

Southwestern Community Services, Inc. was a 14.3% member of Pilot Health, LLC during the year ended May 31, 2018. Pilot Health was terminated during the year ended May 31, 2019.

Summarized financial information for entities accounted for under the equity method, as of May 31, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 5,745</u>	<u>\$ 32,782</u>
Total liabilities	2,454	47,461
Capital/Member's equity	<u>3,291</u>	<u>(14,679)</u>
	<u>\$ 5,745</u>	<u>\$ 32,782</u>
Income	\$ 426	\$ 84,713
Expenses	<u>661</u>	<u>81,478</u>
Net income (loss)	<u>\$ (235)</u>	<u>\$ 3,235</u>

NOTE 9 **RETIREMENT PLAN**

The Organization maintains a tax sheltered annuity plan under the provisions of Section 403(b) of the internal Revenue Code. All employees who have had at least 30 days of service to the Organization are eligible to contribute to the plan. The Organization begins matching contributions after the employee has reached one year of service. Employer contributions are at the Organization's discretion and totaled \$296,009 and \$289,969 for the years ended May 31, 2019 and 2018, respectively.

NOTE 10 **RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
NNECAC – Annual Conference Fund	\$ 5,973	\$ 21,327
Stand Down	-	4,963
GAPS/Warm Fund	91,908	118,401
Transport	47,260	-
HS Parents Association	6,575	-
EHS	<u>31,200</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 182,916</u>	<u>\$ 144,691</u>

NOTE 11 **FORGIVENESS OF DEBT**

During the year ended May 31, 2019, the Organization realized forgiveness of debt income in connection with notes payable to Community Development Block Grant, HUD and Community Development Finance Authority. Forgiveness of debt income totaled \$388,849 for the year ended May 31, 2019.

During the year ended May 31, 2018, the Organization realized forgiveness of debt income in connection with notes payable to the County of Cheshire, HUD and New Hampshire Housing. Forgiveness of debt income totaled \$75,971 for the year ended May 31, 2018.

NOTE 12 TRANSFER OF PARTNERSHIP INTEREST

During the years ended May 31, 2019 and 2018, Southwestern Community Services, Inc. acquired a partnership interest in three low-income housing limited partnerships: Winchester, Swanzey and Snow Brook. The amount paid for the partnership interest in Winchester, Swanzey and Snow Brook was \$1 each, and at the time of acquisition, Southwestern Community Services, Inc. became the general partner. The following is a summary of the assets and liabilities of the partnership at the date of acquisition:

	<u>2018</u>	<u>2019</u>	
	<u>Winchester</u>	<u>Swanzey</u>	<u>Snow Brook</u>
Date of Transfer	08/16/2017	06/30/2018	05/01/2019
Cash	\$ 24,508	\$ 12,856	\$13,374
Security deposits	11,467	7,330	8,821
Cash reserves	164,110	119,061	178,852
Property, net	990,842	1,330,231	1,211,341
Other assets	<u>12,328</u>	<u>6,436</u>	<u>15,776</u>
Total assets	<u>1,203,255</u>	<u>1,475,914</u>	<u>1,428,164</u>
Notes payable	304,073	666,902	665,173
Other Liabilities	<u>22,009</u>	<u>87,108</u>	<u>140,119</u>
Total liabilities	<u>326,082</u>	<u>754,010</u>	<u>805,292</u>
Partners' capital	877,173	721,904	622,872
Partners' capital previously recorded as an investment in related parties	<u>(53,888)</u>	<u>31,190</u>	<u>60,716</u>
Partners' capital transferred	<u>\$ 823,285</u>	<u>\$ 753,094</u>	<u>\$ 683,588</u>

NOTE 13 **AVAILABILITY AND LIQUIDITY**

The following represents Southwestern Community Services' financial assets as of May 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 882,187	\$ 1,086,895
Accounts receivable	1,245,826	1,095,486
Due from related party	59,102	188,523
Notes receivable	112,000	112,000
Interest receivable	45,547	45,547
Cash escrow and reserve funds	<u>849,334</u>	<u>517,853</u>
 Total financial assets	 <u>3,193,996</u>	 <u>3,046,304</u>
 Less amounts not available to be used within one year:		
Due from related party	(59,102)	(188,523)
Notes receivable	(112,000)	(112,000)
Interest receivable	(45,547)	(45,547)
Reserve funds	<u>(729,486)</u>	<u>(444,980)</u>
 Total amounts not available within one year	 <u>(946,135)</u>	 <u>(791,050)</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 2,247,861</u>	 <u>\$ 2,255,254</u>

The Organization has a goal to maintain unrestricted cash on hand to meet 30 days of normal operating expenditures, which are, on average, approximately \$1,224,000 and \$1,183,000 at May 31, 2019 and 2018, respectively. The Organization has a \$250,000 line of credit available to meet cash flow needs.

NOTE 14 **RECLASSIFICATION**

Certain amounts and accounts from the prior year's financial statements were reclassified to enhance comparability with the current year's financial statements.

NOTE 15 **SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date, but arose after that date. Management has evaluated subsequent events through November 5, 2019, the date the financial statements were available to be issued.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES
CONSOLIDATED SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2019

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2019 Total
REVENUES									
Government contracts	\$ 4,846,587	\$ 2,853,470	\$ 1,807,884	\$ 53,038	\$ 734,888	\$ 148,434	\$ 10,343,789	\$ 428,833	\$ 10,872,702
Program service fees	572,421	-	74,144	987,150	24,700	772,878	2,441,381	44,014	2,485,405
Rental income	-	-	84,704	908,276	-	1,400	896,380	-	896,380
Developer fee income	-	-	-	-	-	-	-	-	-
Support	12,781	16,848	123,836	-	168,704	130,453	462,381	-	462,381
Sponsorship	-	2,713	1,104	-	-	88,814	70,831	282	70,883
Interest income	12	-	2,183	3,211	13	21	5,440	1,713	7,153
Forgiveness of debt	-	-	80,141	328,708	-	-	388,849	-	388,849
Miscellaneous	2,770	10,388	4,844	88,863	25,148	-	113,042	7,856	120,897
In-kind contributions	-	241,499	-	-	-	-	241,499	-	241,499
Total revenue and other support	\$ 5,434,541	\$ 3,124,819	\$ 1,857,439	\$ 2,362,278	\$ 853,129	\$ 1,120,088	\$ 14,852,382	\$ 492,477	\$ 15,434,859
EXPENSES									
Payroll	\$ 432,868	\$ 1,224,888	\$ 377,586	\$ 778,425	\$ 414,730	\$ 432,826	\$ 3,856,530	\$ 753,098	\$ 4,411,888
Payroll taxes	33,621	87,919	29,527	89,738	33,519	34,196	288,419	56,304	348,722
Employee benefits	108,054	418,880	142,854	288,885	97,771	180,294	1,232,848	111,111	1,343,758
Retirement	29,200	70,406	18,908	81,838	27,831	18,181	234,482	71,547	286,029
Advertising	-	800	1,812	4,813	818	8,487	16,730	-	16,730
Bank charges	-	-	-	4,444	-	1	4,445	7,329	11,774
Bad debt	-	10	-	90	-	-	100	-	100
Computer cost	-	24,640	4,789	3,027	14,828	780	48,002	116,848	184,848
Contractual	829,048	32,930	230,884	38,898	2,719	118,686	1,080,898	39,743	1,080,732
Depreciation	-	26,300	108,291	281,850	-	14,207	432,748	147,387	680,119
Dishregulation	-	8,277	-	488	-	888	1,312	7,848	11,878
Duplicating	-	8,852	-	-	-	-	8,852	4,155	13,007
Insurance	6,714	14,788	23,860	60,872	14,130	7,184	127,088	33,882	180,980
Interest	-	7,775	8,022	21,888	-	1,810	38,383	184,045	203,408
Meeting and conference	8,873	813	2,987	8,104	865	22,888	43,291	24,897	86,348
Miscellaneous expense	181	1,895	637	34,793	3,651	2,831	43,888	19,278	63,166
Miscellaneous taxes	-	-	-	34,800	-	-	34,800	-	34,800
Equipment purchases	1,292	18,274	-	7,287	-	-	26,853	1,180	29,223
Office expense	24,820	8,498	6,866	11,475	8,458	807	58,754	11,856	70,410
Postage	97	268	128	63	214	-	770	24,238	25,008
Professional fees	4,300	-	1,301	26,095	-	-	41,888	80,888	132,884
Staff development and training	2,128	1,580	1,878	72	1,804	21,877	29,239	10,880	39,829
Subscriptions	-	-	-	855	354	-	1,209	388	1,405
Telephone	2,087	2,358	18,479	17,817	2,336	1,688	44,664	82,308	86,972
Travel	7,861	18,256	15,412	8,183	29,531	808	74,941	4,855	79,795
Vehicle	2,300	5,225	1,088	37,785	44,428	8,588	98,402	13,436	112,838
Rent	-	24,800	-	180	-	-	24,800	-	24,800
Space costs	-	184,846	332,351	512,382	1,000	378	1,041,005	106,886	1,147,931
Direct client assistance	3,847,182	214,436	898,284	10,674	23,819	21,048	4,889,214	-	4,889,214
In-kind expenses	-	241,499	-	-	-	-	241,499	-	241,499
TOTAL FUNCTIONAL EXPENSES BEFORE MANAGEMENT AND GENERAL ALLOCATION	5,238,483	2,898,830	1,894,872	2,319,865	721,370	884,886	13,829,406	1,880,408	15,708,812
Allocation of management and general expenses	712,284	261,861	271,246	318,436	86,088	121,883	1,880,405	(1,880,405)	-
TOTAL FUNCTIONAL EXPENSES	\$ 5,950,767	\$ 3,021,491	\$ 2,206,118	\$ 2,635,301	\$ 819,458	\$ 1,016,879	\$ 15,709,812	\$ -	\$ 15,708,812

See Independent Auditors' Report

SOUTHWESTERN COMMUNITY SERVICES, INC.
CONSOLIDATED SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2018 Total
REVENUES									
Government contracts	\$ 4,834,242	\$ 2,823,698	\$ 1,820,112	\$ 47,823	\$ 756,852	\$ 188,921	\$ 10,948,748	\$ 405,345	\$ 11,055,093
Program service fee	-	-	78,606	878,304	17,915	784,893	1,898,198	-	1,898,198
Rental income	-	-	117,370	884,872	-	200	891,842	-	891,842
Developer fee income	-	-	-	50,000	-	-	50,000	-	50,000
Support	104,817	35,405	98,437	-	130,240	130,630	508,229	-	508,229
Sponsorship	-	-	80	-	-	105,208	105,288	-	105,288
Interest income	23	7	1,051	1,362	-	35	2,478	6,481	8,990
Forgiveness of debt	-	-	56,141	16,830	-	-	78,971	-	78,971
Miscellaneous	2,010	128	6,485	42,373	47,352	-	98,346	2,428	100,772
In-kind contributions	-	181,832	-	-	-	-	181,832	-	181,832
Total revenues	\$ 5,040,892	\$ 3,021,099	\$ 2,280,182	\$ 1,821,364	\$ 801,459	\$ 1,197,795	\$ 14,372,740	\$ 414,232	\$ 14,730,092
EXPENSES									
Payroll	\$ 398,452	\$ 1,208,831	\$ 435,638	\$ 771,028	\$ 405,188	\$ 430,398	\$ 3,698,198	\$ 774,498	\$ 4,432,862
Payroll taxes	31,590	90,882	34,153	68,823	30,418	38,818	289,711	80,813	300,884
Employee benefits	122,782	453,204	148,304	278,383	87,744	187,020	1,276,517	64,800	1,330,107
Retirement	24,900	66,878	21,031	64,244	19,280	17,448	218,821	73,148	286,000
Advertising	-	142	1,807	4,186	2,114	10,172	24,491	-	24,491
Bank charges	10	-	120	3,834	-	-	3,964	9,079	13,048
Computer cost	-	8,185	4,300	14,144	14,298	3,950	46,427	82,052	107,479
Contractual	518,340	82,463	247,838	28,382	2,718	108,718	948,839	14,821	801,487
Depreciation	-	28,300	108,291	167,840	-	18,131	320,562	147,387	467,829
Dues/registration	-	8,038	-	343	888	987	6,264	10,178	18,530
Duplicating	1,584	8,148	-	-	-	-	9,732	4,321	14,083
Insurance	8,908	13,361	23,883	52,287	14,810	6,248	116,088	38,390	184,448
Interest	-	8,006	7,789	8,907	-	2,664	25,866	118,801	142,467
Meeting and conference	3,861	58	9,293	7,177	800	18,308	40,394	38,924	78,318
Miscellaneous expense	900	971	7,303	18,898	4,442	18,500	45,981	13,182	88,083
Miscellaneous losses	-	-	-	28,381	-	-	28,381	988	27,387
Equipment purchases	4,870	24,320	80	12,348	-	-	41,418	2,305	43,723
Office expense	34,413	12,813	8,440	14,806	12,042	4,078	86,880	20,402	106,482
Postage	132	274	182	31	348	60	1,017	22,818	23,836
Professional	4,880	-	1,878	15,878	-	-	22,844	83,786	106,410
Staff development and training	1,430	23,724	2,824	8,287	5,878	28,044	68,784	2,943	72,727
Subscriptions	-	-	28	87	-	118	118	1,328	1,444
Telephone	2,080	18,207	19,681	14,580	2,435	3,239	67,307	66,678	113,885
Traffic	5,335	20,813	20,312	5,195	28,508	2,000	82,364	3,800	86,173
Vehicle	2,140	2,510	712	31,828	45,200	9,201	81,689	10,981	102,570
Rent	-	26,201	-	-	-	-	26,201	-	26,201
Space costs	148	140,213	258,849	438,344	-	1,008	836,563	128,898	868,529
Direct client assistance	3,883,488	145,220	823,838	14,447	50,531	23,843	4,741,445	-	4,741,445
In-kind expenses	-	181,832	-	-	-	-	181,832	-	181,832
TOTAL FUNCTIONAL EXPENSES BEFORE GENERAL AND MANAGEMENT ALLOCATION	4,847,201	2,830,152	2,177,388	2,048,214	728,119	945,301	13,271,486	1,748,700	15,021,186
Allocation of management and general expense	639,051	333,674	296,406	270,035	85,995	124,638	1,748,700	(1,748,700)	-
TOTAL FUNCTIONAL EXPENSES	\$ 5,486,252	\$ 2,863,726	\$ 2,493,794	\$ 2,318,249	\$ 824,114	\$ 1,070,039	\$ 15,021,186	\$ -	\$ 15,021,186

See Independent Auditors' Report

ROUHNWYESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2018**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NAME	GRANTOR'S NUMBER	FEDERAL EXPENDITURE
U.S. Department of Agriculture				
Rural Housing Preservation Grant	10.433	Direct Funding	3403-02001-808	\$ 22,075
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.857	State of NH Dept. of Health & Human Services	010-000-8280000-102-600734	347,817
Child and Adult Care Food Program	10.658	State of NH, Dept. of Education	Unknown	131,298
Food Distribution Cluster				
Commodity Supplemental Food Program	10.685	State of NH Dept. of Health & Human Services	010-080-0200000-102-600734	\$ 2,883
Emergency Food Assistance Program (Admin)	10.688	Community Action Program Belknap-Merrimack Counties	Unknown	1,444
Emergency Food Assistance Program (Food Commodities)	10.688	Community Action Program Belknap-Merrimack Counties	Unknown	60,046
				<u>85,373</u>
Total U.S. Department of Agriculture				\$ 895,433
U.S. Department of Housing and Urban Development				
Emergency Solutions Grant Program	14.231	State of NH, DHHS, Bureau of Homeless & Housing	05-85-858310-717800000-102-60731	\$ 165,482
Emergency Solutions Grant Program	14.231	State of NH, DHHS, Office of Human Services	010-043-7827-102-0731	92,309
Supportive Housing Program	14.235	State of NH, DHHS, Bureau of Homeless & Housing	05-85-858310-717800000-102-60731	217,705
Shelter Plus Care	14.238	State of NH, DHHS, Bureau of Homeless & Housing	05-85-858310-717800000-102-60731	281,485
Continuum of Care Program	14.257	State of NH, DHHS, Bureau of Homeless & Housing	05-85-858310-717800000-102-60731	163,421
				<u>820,402</u>
Total U.S. Department of Housing and Urban Development				\$ 820,402
U.S. Department of Labor				
WIOA Cluster				
WIA Adult Program	17.258	Southern NH Services	Unknown	\$ 42,205
WIA Dislocated Worker Formula Grants	17.278	Southern NH Services	Unknown	34,319
				<u>76,524</u>
Total U.S. Department of Labor/WIA Cluster				\$ 76,524
U.S. Department of Transportation Federal Transit Administration (FTA)				
Formula Grants for Rural Areas	20.800	State of NH, Department of Transportation	04-80-80-864010-2918	\$ 247,867
Transit Services Program Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.813	State of NH, Department of Transportation	04-80-80-864010-2918	20,359
				<u>274,226</u>
Total U.S. Department of Transportation Federal Transit Administration (FTA)				\$ 274,226
U.S. Department of Veterans Affairs				
VA Supportive Services for Veteran Families Program	84.033	Harbor Homes, Inc.	Unknown	\$ 97,479
Total U.S. Department of Veterans Affairs				\$ 97,479
U.S. Department of Energy				
Weatherization Assistance for Low-Income Persons	81.042	State of NH, Office of Energy & Planning	01-02-024010-7708-074-800687	\$ 119,184
Total U.S. Department of Energy				\$ 119,184
U.S. Department of Health & Human Services				
Aging Cluster				
Special Programs for the Aging, Title III, Part B,				
Grants for Supportive Services and Senior Centers	83.044	State of NH, Office of Energy & Planning	01-02-024010-7708-074-800687	\$ 5,324
Special Programs for the Aging, Title III, Part B,				
Grants for Supportive Services and Senior Centers	83.044	State of NH, DHHS, Bureau of Elderly & Adult Services	05-85-48-481010-7872	37,020
Grants to States to Support Oral Health Workforce Activities	83.230	State of NH, DHHS, Division of Family Assistance	Unknown	13,478
Drug-Free Communities Support Program Grants	83.279	Direct Funding	8170SP018677-08	137,870
Affordable Care Act (ACA) - Consumer Assistance Program Grants	83.818	Direct Funding	HCBC/CPI	6,148
TANF Cluster				
Temporary Assistance for Needy Families	83.568	Southern NH Services	Unknown	280,534
Low Income Home Energy Assistance (Fuel Assistance)	83.568	State of NH, Office of Energy & Planning	01-02-02-024010-77050000-800687	4,303,000
Low Income Home Energy Assistance (HRRP)	83.568	State of NH, Office of Energy & Planning	01-02-02-024010-77050000-800687	185,882
Low Income Home Energy Assistance (BWP)	83.568	State of NH, Office of Energy & Planning	01-02-02-024010-77050000-800687	218,521
Community Services Block Grant	83.568	State of NH, DHHS, Div. of Family Assistance	800731	406,883
Community Services Block Grant - Discretionary	83.570	State of NH, DHHS, Div. of Family Assistance		22,300
Head Start	83.600	Direct Funding	01C-8850	2,328,288
Medicaid Cluster				
Medical Assistance Program	83.778	State of NH, DHHS, Office of Human Services	05-85-47-470010-63010000	12,271
Total U.S. Department of Health & Human Services				\$ 7,857,033
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	87.024	State of NH, DHHS, Office of Human Services	Unknown	\$ 2,000
Total U.S. Department of Homeland Security				\$ 2,000
TOTAL				<u>\$ 10,919,829</u>

See Note to Schedule of Expenditures of Federal Awards

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal Awards (the Schedule) includes the federal award activity of Southwestern Community Services, Inc. under programs of the federal government for the year ended May 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southwestern Community Services, Inc., 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 reported on the accrual basis of accounting. Such expenditures 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.

NOTE 3 INDIRECT COST RATE

Southwestern Community Services, Inc. has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed.

NOTE 5 SUBRECIPIENTS

Southwestern Community Services, Inc. had no subrecipients for the year ended May 31, 2019.

**Leone,
McDonnell
& Roberts**

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

WOLFEBORO • NORTH CONWAY
DOVER • CONCORD
STRATHAM

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**INDEPENDENT AUDITORS' 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 of
Southwestern Community Services, Inc.
Keene, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies, which comprise the consolidated statement of financial position as of May 31, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Southwestern Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community Services, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 the 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 Southwestern Community Services, Inc.'s consolidated financial statements are free of 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 consolidated 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.

*Leon, McDonnell & Roberts
Professional Association*

November 5, 2019
Wolfeboro, New Hampshire

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

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

To the Board of Directors of
Southwestern Community Services, Inc.
Keene, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwestern Community Services, Inc.'s major federal programs for the year ended May 31, 2019. Southwestern Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southwestern Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Southwestern Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southwestern Community Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Southwestern Community Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2019.

Report on Internal Control Over Compliance

Management of Southwestern Community Services, 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 Southwestern Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control over compliance.

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

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

*Leone, McDonnell & Roberts
Professional Association*

November 5, 2019
Wolfeboro, New Hampshire

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2019**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the consolidated financial statements of Southwestern Community Services, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies disclosed during the audit of the consolidated financial statements are reported in the *Independent Auditors' 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the consolidated financial statements of Southwestern Community Services, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Southwestern Community Services, Inc. expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were: U.S. Department of Health and Human Services; Low-Income Home Energy Assistance, 93.568, and U.S. Department of Transportation; Formula Grants for Rural Areas, 20.509.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Southwestern Community Services, Inc. was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2019**

There were no findings or questioned costs that were required to be reported in the Schedule of Findings and Questioned Costs for the year ended May 31, 2018.

Financial Statements

**SOUTHWESTERN COMMUNITY SERVICES, INC.
AND RELATED COMPANIES**

**FOR THE YEARS ENDED
MAY 31, 2018 AND 2017
AND
INDEPENDENT AUDITORS' REPORTS**

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017**

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To the Board of Directors of
Southwestern Community Services, Inc.
Keene, New Hampshire

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies, which comprise the consolidated statements of financial position as of May 31, 2018 and 2017, and the related consolidated statements of cash flows, and notes to the consolidated financial statements for the years then ended, and the related consolidated statements of activities and functional expenses for the year ended May 31, 2018.

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.

Auditors' 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Community Services, Inc. and related companies as of May 31, 2018 and 2017, 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 Summarized Comparative Information

We have previously audited Southwestern Community Services, Inc. and related companies' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Functional Revenues and Expenses, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. 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 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 September 17, 2018, on our consideration of Southwestern Community Services, 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 Southwestern Community Services, Inc.'s internal control over financial reporting and compliance.

Leone McDonnell & Roberts
Professional Association

September 17, 2018
Wolfeboro, New Hampshire

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2018 AND 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,086,895	\$ 947,175
Accounts receivable	1,095,486	1,360,685
Prepaid expenses	35,019	19,252
Notes receivable	112,000	112,000
Interest receivable	<u>45,547</u>	<u>41,067</u>
Total current assets	<u>2,374,947</u>	<u>2,480,179</u>
PROPERTY		
Land and buildings	14,438,178	13,335,396
Vehicles and equipment	549,305	703,635
Furniture and fixtures	<u>39,617</u>	<u>25,756</u>
Total property	<u>15,027,100</u>	<u>14,064,787</u>
Less accumulated depreciation	<u>4,880,952</u>	<u>4,579,760</u>
Property, net	<u>10,146,148</u>	<u>9,485,027</u>
OTHER ASSETS		
Investment in related parties	88,706	142,782
Due from related parties	152,959	219,108
Cash escrow and reserve funds	517,853	359,589
Security deposits	51,996	37,908
Other assets	<u>384</u>	<u>384</u>
Total other assets	<u>811,898</u>	<u>759,769</u>
Total assets	<u>\$ 13,332,993</u>	<u>\$ 12,724,975</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 124,085	\$ 168,495
Accrued expenses	208,178	233,842
Accrued payroll and payroll taxes	250,692	241,035
Other current liabilities	135,573	148,698
Refundable advances	193,931	238,345
Current portion of long term debt	<u>216,438</u>	<u>211,313</u>
Total current liabilities	1,126,897	1,239,728
NONCURRENT LIABILITIES		
Long term debt, less current portion shown above	<u>8,273,983</u>	<u>8,087,475</u>
Total liabilities	<u>9,400,880</u>	<u>9,327,203</u>
NET ASSETS		
Unrestricted	3,774,641	3,243,933
Temporarily restricted	<u>157,472</u>	<u>153,839</u>
Total net assets	<u>3,932,113</u>	<u>3,397,772</u>
Total liabilities and net assets	<u>\$ 13,332,993</u>	<u>\$ 12,724,975</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
REVENUES AND OTHER SUPPORT				
Government contracts	\$ 11,055,093	\$ -	\$ 11,055,093	\$ 9,722,823
Program service fees	1,868,188	-	1,868,188	1,882,236
Rental income	801,642	-	801,642	661,932
Developer fee income	50,000	-	50,000	265,000
Support	389,363	119,866	509,229	400,116
Fundraising	105,286	-	105,286	80,170
Interest income	8,959	-	8,959	6,899
Forgiveness of debt	75,971	-	75,971	90,148
Miscellaneous	100,772	-	100,772	140,537
In-kind contributions	161,852	-	161,852	162,966
	<u>14,617,126</u>	<u>119,866</u>	<u>14,736,992</u>	<u>13,392,627</u>
Total revenues and other support				
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>116,233</u>	<u>(116,233)</u>	<u>-</u>	<u>-</u>
Total revenues, other support, and net assets released from restrictions	<u>14,733,359</u>	<u>3,633</u>	<u>14,736,992</u>	<u>13,392,627</u>
EXPENSES				
Program services				
Home energy programs	4,847,201	-	4,847,201	3,812,708
Education and nutrition	2,530,152	-	2,530,152	2,367,558
Homeless programs	2,172,388	-	2,172,388	2,056,525
Housing services	2,048,214	-	2,048,214	2,073,178
Economic development services	728,119	-	728,119	571,865
Other programs	945,391	-	945,391	963,917
	<u>13,271,465</u>	<u>-</u>	<u>13,271,465</u>	<u>11,845,751</u>
Total program services				
Supporting activities				
Management and general	1,749,700	-	1,749,700	1,776,106
	<u>15,021,165</u>	<u>-</u>	<u>15,021,165</u>	<u>13,621,857</u>
Total expenses				
CHANGES IN NET ASSETS BEFORE LOSS ON SALE OF PROPERTY	<u>(287,806)</u>	<u>3,633</u>	<u>(284,173)</u>	<u>(229,230)</u>
LOSS ON SALE OF PROPERTY	<u>(4,583)</u>	<u>-</u>	<u>(4,583)</u>	<u>(19,355)</u>
(LOSS) GAIN ON INVESTMENT IN LIMITED PARTNERSHIPS	<u>(188)</u>	<u>-</u>	<u>(188)</u>	<u>132,782</u>
CHANGE IN NET ASSETS	<u>(292,577)</u>	<u>3,633</u>	<u>(288,944)</u>	<u>(115,803)</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,243,933</u>	<u>153,839</u>	<u>3,397,772</u>	<u>3,513,575</u>
NET ASSETS TRANSFERRED FROM LIMITED PARTNERSHIP	<u>823,285</u>	<u>-</u>	<u>823,285</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR	<u>4,067,218</u>	<u>153,839</u>	<u>4,221,057</u>	<u>3,513,575</u>
NET ASSETS, END OF YEAR	<u>\$ 3,774,641</u>	<u>\$ 157,472</u>	<u>\$ 3,932,113</u>	<u>\$ 3,397,772</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (288,944)	\$ (115,803)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	467,929	415,720
Loss on sale of property	4,583	19,355
Loss (gain) on investment in limited partnerships	188	(132,782)
Forgiveness of debt	(75,971)	(90,148)
(Increase) decrease in assets:		
Accounts receivable	265,199	(258,318)
Prepaid expenses	(3,439)	4,161
Interest receivable	(4,480)	(4,480)
Due from related parties	66,149	73,417
Security deposits	(2,623)	(1,945)
Increase (decrease) in liabilities:		
Accounts payable	(53,220)	11,248
Accrued expenses	(38,863)	87,479
Accrued payroll and payroll taxes	9,657	22,853
Other current liabilities	(13,125)	(32,998)
Refundable advances	(44,414)	37,281
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>288,626</u>	<u>35,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in escrow funds	5,846	(18,222)
Proceeds from sale of property	-	6,000
Purchase of property	<u>(142,791)</u>	<u>(247,598)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(136,945)</u>	<u>(259,820)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	76,143	106,019
Repayment of long term debt	<u>(112,612)</u>	<u>(122,890)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(36,469)</u>	<u>(16,871)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	115,212	(241,651)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	947,175	1,188,826
CASH TRANSFERRED FROM LIMITED PARTNERSHIP	<u>24,508</u>	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,088,895</u>	<u>\$ 947,175</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MAY 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 142,467</u>	<u>\$ 141,285</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property financed by long term debt	<u>\$ -</u>	<u>\$ 33,100</u>
Transfer of assets from newly consolidated LP:		
Prepaid expenses	\$ (12,328)	\$ -
Land and buildings	(894,504)	-
Furniture and fixtures	(96,338)	-
Cash escrow and reserve funds	(164,110)	-
Security deposits	<u>(11,467)</u>	<u>-</u>
Total transfer of assets from newly consolidated LP	<u>\$ (1,178,747)</u>	<u>\$ -</u>
Transfer of liabilities from newly consolidated LP:		
Accounts payable	\$ 10,810	\$ -
Accrued expenses	11,199	-
Long term debt	<u>304,073</u>	<u>-</u>
Total transfer of liabilities from newly consolidated LP	<u>\$ 326,082</u>	<u>\$ -</u>
Total partners' capital from newly consolidated LP	\$ 877,173	\$ -
Partners' capital previously recorded as investment in related parties	<u>(53,888)</u>	<u>-</u>
Total transfer of partners' capital from newly consolidated LP	<u>\$ 823,285</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Assistance	Other Programs	Total Programs	Management and General	2018 Total	2017 Total
Payroll	\$ 386,452	\$ 1,305,831	\$ 436,836	\$ 771,028	\$ 408,188	\$ 438,368	\$ 3,668,188	\$ 774,486	\$ 4,432,862	\$ 4,142,943
Payroll taxes	31,288	90,822	34,153	60,803	30,416	36,818	284,711	60,813	360,894	331,980
Employee benefits	122,752	453,204	148,384	278,393	87,744	187,820	1,276,617	64,860	1,330,107	1,301,824
Retirement	24,990	66,878	21,031	64,244	18,280	17,448	216,821	73,148	288,989	274,818
Advertising	-	142	1,887	4,188	2,114	16,172	24,491	-	24,491	29,817
Bank charges	15	-	120	3,834	-	-	3,969	8,079	12,048	12,127
Computer cost	-	9,186	4,300	14,144	14,298	3,600	45,427	82,052	107,479	115,143
Contractual	518,340	82,463	242,935	20,362	2,718	100,718	948,536	14,871	963,407	867,294
Depreciation	-	78,300	108,281	187,840	-	18,131	372,552	147,367	467,820	415,730
Dues/registration	-	6,036	-	343	668	907	2,654	10,176	16,536	19,077
Duplicating	1,584	8,148	-	-	-	-	9,732	4,221	14,553	9,642
Insurance	5,909	13,981	23,853	82,287	14,810	6,248	116,088	36,360	184,448	147,178
Interest	-	8,866	7,789	8,887	-	2,854	25,996	118,501	142,487	141,285
Meeting and conference	3,981	86	8,283	7,177	800	18,305	40,361	38,824	78,318	49,122
Miscellaneous expense	908	871	2,303	16,665	4,442	18,580	45,861	13,182	68,043	108,334
Miscellaneous items	-	-	-	26,381	-	-	26,381	986	27,367	32,868
Equipment purchases	4,870	24,320	80	12,348	-	-	41,418	2,309	43,727	8,891
Office expense	34,413	12,813	8,440	14,809	12,042	4,878	86,984	22,452	109,436	73,361
Postage	132	274	182	31	348	60	1,017	22,818	23,836	34,329
Professional fees	4,880	-	1,875	18,878	-	-	22,644	83,786	106,410	134,341
Staff development and training	1,430	23,724	2,824	8,287	5,878	28,044	69,794	2,843	72,727	81,472
Subscriptions	-	-	28	87	-	-	115	1,329	1,444	2,387
Telephone	2,086	18,287	19,881	14,589	2,435	3,238	67,307	80,579	113,883	114,872
Travel	5,336	20,013	20,312	5,195	28,809	2,000	82,364	3,888	85,873	77,044
Vehicle	2,140	2,810	712	31,828	48,200	8,201	91,881	10,881	102,870	86,871
Rent	-	25,201	-	-	-	-	25,201	-	25,201	25,290
Space costs	148	140,213	298,846	438,344	-	1,000	836,863	128,986	965,849	834,872
Direct client assistance	3,663,408	148,220	823,936	14,447	60,831	23,843	4,741,445	-	4,741,445	4,667,787
In-kind expenses	-	151,852	-	-	-	-	151,852	-	151,852	152,095
TOTAL FUNCTIONAL EXPENSES BEFORE MANAGEMENT AND GENERAL ALLOCATION	4,847,201	2,530,182	2,172,368	2,048,214	728,118	945,381	13,271,486	1,749,700	18,021,165	13,821,887
Allocation of management and general expense	639,051	353,874	298,450	270,026	85,992	124,538	1,749,700	(1,749,700)	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 5,486,252	\$ 2,884,056	\$ 2,470,818	\$ 2,318,240	\$ 814,110	\$ 1,070,000	\$ 15,021,186	\$ -	\$ 18,021,165	\$ 13,821,887

See Notes to Consolidated Financial Statements

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Southwestern Community Services, Inc. (the Organization) is a New Hampshire nonprofit corporation formed as an umbrella corporation that offers an array of services to the elderly, disabled, and low-income households in the Cheshire and Sullivan counties of New Hampshire. Various programs provide assistance in the areas of education, child development, employment, energy and its conservation, housing, and homelessness prevention. Services are provided through Southwestern Community Services, Inc., and its related corporations, SCS Management Corporation, SCS Housing, Inc., SCS Development Corporation, SCS Housing Development, Inc., and various limited partnerships, as described below. The Organization is committed to providing respectful support service and assisting individuals and families in achieving self-sufficiency by helping them overcome the causes of poverty. The primary source of revenues is derived from governmental contracts.

Basis of Accounting

The consolidated financial statements of Southwestern Community Services, Inc. and related companies have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the accounts of Southwestern Community Services, Inc. and the following entities as Southwestern Community Services, Inc. has both an economic interest and control of the entities through a majority voting interest in their governing board. All significant intercompany items and transactions have been eliminated from the basic consolidated financial statements.

- SCS Management Corporation
- SCS Housing, Inc.
- SCS Development Corporation
- SCS Housing Development, Inc.
- Drewsville Carriage House Associates, Limited Partnership (Drewsville)
- Jaffrey Housing Associates, Limited Partnership (Jaffrey)
- Troy Senior Housing Associates, Limited Partnership (Troy Senior)
- Keene East Side Senior Housing Associates, Limited Partnership (Keene East Side)
- Winchester Senior Housing Associates, Limited Partnership (Winchester) (2018 only)

Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standard Codification No. 958-210, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions.

Unrestricted: Net assets that are not subject to 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 is limited by donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Organization.

Permanently Restricted: Net assets reflecting the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

As of May 31, 2018 and 2017, the Organization had unrestricted and temporarily restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2017 from which the summarized information was derived.

Refundable Advances

The Organization records grant and contract revenue as refundable advances until it is expended for the purpose of the grant or contract, at which time it is recognized as revenue.

In-Kind Support

The Organization records various types of in-kind support including professional services and materials. Contributed professional services are recognized if the service received creates or enhances long-lived assets or requires specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was estimated to be zero at May 31, 2018 and 2017. The Organization has no policy for charging interest on overdue accounts.

Notes Receivable

The Organization has two notes receivable from an unrelated third party. The notes receivables are stated at the amount that is expected to be collected at year end. Interest is accrued at a rate of 4% annually. The balance of the notes receivable and related interest receivable at May 31, 2018 was \$112,000 and \$45,547, respectively. At May 31, 2017, the balance of the notes receivable and related interest receivable were \$112,000 and \$41,067, respectively.

Current Vulnerability Due to Certain Concentrations

The Organization is operated in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or Legislature. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. For the years ended May 31, 2018 and 2017, approximately 75% and 73%, respectively, of the Organization's total revenue was received from government agencies. The future nature of the organization is dependent upon continued support from the government.

Concentration of Credit Risk

The Organization maintains its cash accounts in several financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to these accounts.

Property and Depreciation

Purchased property and equipment are stated at cost at the date of acquisition or at fair value at the date of receipt in the case of donated property. The Organization generally capitalizes and depreciates all assets with a cost greater than \$5,000 and an expected life greater than one year. Depreciation is provided for using the straight-line method in amounts designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and improvements	10 - 40 Years
Vehicles and equipment	5 - 10 Years
Furniture and fixtures	7 Years

The use of certain assets is specified under the terms of grants received from agencies of the federal government. These grants also place liens on certain assets and impose restrictions on the use of funds received from the disposition of the property. Depreciation expense for the years ended May 31, 2018 and 2017 totaled \$467,929 and \$415,720, respectively.

Advertising

The Organization expenses advertising costs as incurred.

Revenue Recognition

Amounts received from conditional grants and contracts received for specific purposes are generally recognized as income to the extent that related expenses and conditions are incurred or met. Conditional grants received prior to the conditions being met are reported as refundable advances. Contributions of cash and other assets are reported as restricted if they are received with donor imposed stipulations that limit the use of the donated assets. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

Income Taxes

Southwestern Community Services, Inc. and SCS Management Corporation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not private foundations. As such, they are exempt from income tax on their exempt function income.

SCS Housing, Inc., SCS Development Corporation and SCS Housing Development, Inc. are taxed as corporations. SCS Housing Inc. has federal net operating loss carryforwards totaling \$915,425 and \$840,803 at May 31, 2018 and 2017, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2027. SCS Development Corporation has federal net operating loss carryforwards totaling \$607 and \$629 at May 31, 2018 and 2017, respectively. These loss carryforwards may be offset against future taxable income and, if not used, will begin to expire in 2020.

The tax effects of the carryforwards as related to deferred tax assets is as follows as of May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Tax benefit from loss carryforwards	\$137,408	\$126,215
Valuation allowance	<u>(137,408)</u>	<u>(126,215)</u>
Deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Drewsville, Jaffrey, Troy Senior, Winchester and Keene East Side are taxed as partnerships. Federal income taxes are not payable by, or provided for these entities. Earnings and losses are included in the partners' federal income tax returns based on their share of partnership earnings. Partnerships are required to file income tax returns with the State of New Hampshire and pay an income tax at the state's statutory rate.

Accounting Standard Codification No. 740, "Accounting for Income Taxes," established the minimum threshold for recognizing, and a system for measuring, the benefits of tax return positions in financial statements. Management has analyzed the Organization's tax position taken on its income tax returns for all open years (tax years ending May 31, 2015 – 2018), and has concluded that no additional provision for income taxes is necessary in the Organization's financial statements.

Fair Value of Financial Instruments

FASB ASC Topic No. 820-10, Financial Instruments, provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework in generally accepted accounting principles for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with ASC 820-10, the Organization may use valuation techniques consistent with market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, Topic 820-10 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under ASC Topic 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The carrying amount of cash, accounts receivables, prepaid expenses, accounts payable, accrued expenses, and refundable advances approximates fair value because of the short maturity of those instruments.

Functional Allocation of Expenses

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

NOTE 2 **BANK LINE OF CREDIT**

The Organization has a \$250,000 revolving line of credit agreement with a bank. Interest is due monthly and is stated at the Wall Street Journal Prime Rate. The line is secured by all the Organization's assets. As of May 31, 2018 and 2017, the interest rate was 4.75% and 4.00%, respectively. There was no outstanding balance at May 31, 2018 and 2017.

NOTE 3 **LONG TERM DEBT**

The long term debt at May 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
1% mortgage payable to New Hampshire Housing in monthly installments for principal and interest of \$891 through August 2032. The note is secured by real estate of the Organization (NHHFA, 96 Main Street).	\$ 154,832	\$ 163,926
Non-interest bearing mortgage payable to Community Development Finance Authority, in quarterly principal payments based on operating income formula applied to affordable housing portion of the specified real estate. The note is secured by real estate of the Organization (CDFA, 96 Main Street).	32,147	32,147
4.5% note payable to a bank in monthly installments for principal and interest of \$978 through March 2021. The note is secured by real estate of the Organization (People's United Bank, Ashuelot).	31,143	42,099

Non-interest bearing mortgage payable to New Hampshire Housing. Payment is deferred for 30 years, through September 2031, or until project is sold or refinanced. The note is secured by real estate of the Organization (NHHFA, 17 Pearl).	244,505	244,505
Non-interest bearing mortgage payable to New Hampshire Housing. Payment is deferred for 30 years, through July 2032, unless there is surplus cash from which to make a payment, or until project is sold or refinanced. The note is secured by real estate of the Organization (NHHFA, 41-43 Central).	376,363	376,558
4.25% mortgage payable to a bank in monthly installments for principal and interest of \$1,875 through December 2016, with a balloon payment that was due January 2017. The note was amended during the year ended May 31, 2018 and is now due December 2026. Under the amendment, interest rate is 4.94% and monthly installments for principal and interest are \$1,957. The note is secured by real estate of the Organization (People's United Bank, Milestones).	162,223	177,050
4.375% note payable to Rural Housing Service in monthly installments for principal and interest of \$11,050 through May 2049. The note is secured by real estate of the Organization (TD Bank, Keene Office).	2,247,266	2,280,750
Non-interest bearing note payable to Cheshire County in New Hampshire. Payment is not necessary unless Organization defaults on contract. The note is secured by real estate of the Organization (CDBG, Keene Office).	460,000	460,000
4% note payable to a development company, in annual interest installments only through March 2015 at which time a final balloon payment of the entire principal balance was due. The remaining balance is still outstanding at May 31, 2018 and is classified as current. The note is secured by real estate of the Organization (MEDC, Keene Office/Community Way).	63,000	63,000

4% note payable to a development company, in annual interest installments only through March 2015 at which time a final balloon payment of the entire principal balance was due. The remaining balance is still outstanding at May 31, 2018 and is classified as current. The note is secured by real estate of the Organization (MEDC, Keene Office/Community Way).	45,000	45,000
Note payable to a bank in monthly installments for principal and interest of \$2,463 including interest through May 2039. Interest is adjusted every five years based on remaining principal balance and "Classic Advantage Rate" provided by Federal Home Loan Bank of Boston which resulted in an interest rate of 4.07% at May 31, 2018 and 2017. The note is secured by real estate of the Organization (TD Bank, Keene Office/Community Way).	414,567	426,734
5.19% note payable to a bank in monthly installments for principal and interest of \$889 through May 2021. The note is secured by real estate of the Organization (TD Bank, 45 Central Street).	100,254	105,495
Non-interest bearing note payable to the United States Department of Housing and Urban Development. No payment is due and beginning in January 2015 10% of the note is forgiven each year providing the property is used for low income housing through January 2025. The note is secured by real estate of the Organization (HUD, Ashuelot).	150,000	175,000
Non-interest bearing note payable to the United States Department of Housing and Urban Development. No payment is due and beginning in January 2015 10% of the note is forgiven each year providing the property is used for low income housing through January 2025. The note is secured by real estate of the Organization (HUD, 112 Charlestown Road).	90,000	105,000
Non-interest bearing note payable to New Hampshire Finance Authority in annual payments in the amount of 50% of annual surplus cash through July 2042 at which time the remaining balance is due. The note is secured by real estate of the Organization (NHHFA, Second Chance).	794,189	794,189

Non-interest bearing note payable to a county in New Hampshire. No payment is due and 5% of the balance is forgiven each year through 2032 when the remaining balance becomes due. The note is secured by real estate of the Organization (CDBG, Second Chance).	363,677	382,818
3.99% note payable to a bank in monthly installments for principal and interest of \$355. The note was paid off in May 2018. The note was secured by a vehicle of the Organization (Ally, Kia Soul).	-	4,070
6.99% note payable to a finance company in monthly installments for principal and interest of \$652 through June 2019. The note is secured by a vehicle (TCF, Econoline Van).	8,741	15,688
5.54% note payable to a finance company in monthly installments for principal and interest of \$543 through August 2022. The note is secured by a vehicle (Ally, Econoline Van).	24,564	29,572
Jaffrey - 30-year deferred note payable to the Town of Jaffrey, New Hampshire. Payment of principal and accrued interest at 1% are deferred until the note matures in June 2027. The note is secured by land and buildings. The balance includes cumulative accrued interest of \$53,651 (CDBG).	303,651	300,645
Jaffrey - 6% note payable to a bank in monthly installments for principal and interest of \$485 through August 2027. The note is secured by land and buildings (TD Bank).	41,099	43,533
Troy Senior - Non-interest bearing note payable to a county in New Hampshire. Payments are deferred until the note matures in June 2029. The note is secured by real estate of the Organization (CDBG).	640,000	640,000
Troy Senior - Non-interest bearing note payable to New Hampshire Housing Finance Authority to fund energy efficiency improvements through the Authority's Greener Homes Program. Payment is deferred for 30 years, through August 2042. The note is secured by real estate of the Organization (NHHFA).	140,210	140,210

Keene East Side - Non-interest bearing note payable to a county in New Hampshire. Payments are deferred until the note matures in December 2028. The note is secured by real estate of the Organization (CDBG).	900,000	900,000
Keene East Side - Non-interest bearing note payable to New Hampshire Community Development Finance Authority (CDFA) to fund energy upgrades and capital improvements. Beginning in 2016, 10% of the note is forgiven each year based on the rolling balance. The mortgage may be released after ten years in January 2026. The note is secured by real estate of the Organization (CDFA).	178,172	121,865
Keene East Side - Non-interest bearing note payable to New Hampshire Housing Finance Authority to fund energy efficiency improvements through the Authority's Greener Homes Program. Payment is deferred for 30 years, through August 2042. The note is secured by real estate of the Organization (NHHFA).	228,934	228,934
Winchester - Non-recourse mortgage note payable to New Hampshire Housing (AHF), due May 2032, payable in monthly installments of \$370, including interest at 2.00%, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30 year term of the mortgage note (NHHFA).	53,826	-
Winchester - Non-recourse, zero interest bearing mortgage note payable to New Hampshire Housing (FAF), due May 2032, payable at the sole discretion of the lender from the excess cash of the borrower determined by formula, secured by the Partnership's land and buildings, subject to low income housing use restrictions for the 30-year term of the mortgage note (NHHFA).	92,058	-

Winchester - Non-recourse, zero interest bearing, direct subsidy AHP loan secured by the Partnership's land and buildings, subject to low-income housing restrictions under the terms of the AHP agreement. In the event of a default under the aforementioned agreement, the loan is due upon demand with interest accrued at a rate of 11.67% for the period the funds were outstanding (Federal Loan Home Bank).

	<u>150,000</u>	<u>-</u>
	8,490,421	8,298,788
Less current portion due within one year	<u>216,438</u>	<u>211,313</u>
	<u>\$ 8,273,983</u>	<u>\$ 8,087,475</u>

The schedule of maturities of long term debt at May 31, 2018 is as follows:

Year Ending <u>May 31</u>	<u>Amount</u>
2019	\$ 216,438
2020	106,557
2021	108,028
2022	102,681
2023	102,148
Thereafter	<u>7,854,569</u>
Total	<u>\$ 8,490,421</u>

NOTE 4 **OPERATING LEASES**

The Organization leases facilities, equipment and vehicles under non-cancelable lease agreements at various financial institutions. Lease periods range from month to month to 2022. Monthly lease payments range from \$200 to \$3,521. Lease expense for the years ended May 31, 2018 and 2017 totaled \$176,479 and \$179,178, respectively.

Future minimum payments as of May 31, 2018 on the above leases are as follows:

Year Ending <u>May 31</u>	<u>Amount</u>
2019	\$ 76,776
2020	22,372
2021	18,977
2022	<u>15,618</u>
Total	<u>\$ 133,743</u>

NOTE 5 **ACCRUED COMPENSATED BALANCES**

At May 31, 2018 and 2017, the Organization accrued a liability for future annual leave time that its employees had earned and vested in the amount of \$130,140 and \$127,577, respectively.

NOTE 6 **CONTINGENCIES**

Southwestern Community Services, Inc. is the 100% owner of SCS Housing, Inc. and SCS Housing Development, Inc. SCS Housing, Inc. and SCS Housing Development, Inc. are the general partners of ten limited partnerships formed to develop low-income housing projects through the use of Low Income Housing Tax Credits. Southwestern Community Services, Inc., SCS Housing, Inc. and SCS Housing Development, Inc. have guaranteed repayment of liabilities of various partnerships totaling approximately \$15,569,000 and \$15,590,000 at May 31, 2018 and 2017, respectively.

Partnership real estate with a cost basis of approximately \$41,158,000 and \$41,027,000 provides collateral on these loans at May 31, 2018 and 2017, respectively.

The Organization receives funds under various state grants and from Federal sources. Under the terms of these agreements, the Organization is required to use the funds within a certain period and for purposes specified by the governing laws and regulations. If costs were found not to have been incurred in compliance with the laws and regulations, the Organization might be required to repay the funds.

No provisions have been made for this contingency because specific amounts, if any, have not been determined or assessed by government audits as of May 31, 2018 and 2017.

NOTE 7 **RELATED PARTY TRANSACTIONS**

During the years ended May 31, 2018 and 2017, SCS Housing, Inc. managed ten limited partnerships. Management fees charged by SCS Housing, Inc. totaled \$322,973 and \$308,448, for the years ended May 31, 2018 and 2017, respectively. Additionally, SCS Housing, Inc. has advanced the limited partnerships funds for cash flow purposes over several years.

The Organization has also advanced funds to a related entity for Department of Housing and Urban Development (HUD) sponsorship purposes.

The total amount due and expected to be collected from the limited partnerships and related entity was \$142,959 and \$219,108 at May 31, 2018 and 2017, respectively.

NOTE 8**EQUITY INVESTMENT**

Southwestern Community Services, Inc. and related companies use the equity method to account for their financial interests in the following companies:

	<u>2018</u>	<u>2017</u>
Cityside Housing Associates, LP	\$ (9,492)	\$ (9,481)
Marlborough Homes, LP	8	30
Payson Village Senior Housing Associates, LP	(12,491)	(12,477)
Railroad Square Senior Housing Associates, LP	(1,715)	(1,527)
Warwick Meadows Housing Associates, LP	(17)	(9)
Woodcrest Drive Housing Associates, LP	222,846	222,850
Winchester Senior Housing Associates, LP	-	53,888
Westmill Senior Housing, LP	90	-
Swanzy Township Housing Associates, LP	(31,190)	(31,183)
Snow Brook Meadow Village Housing Associates, LP	(60,716)	(60,709)
Keene Highland Housing Associates, LP	(243)	(226)
Pilot Health, LLC	<u>(18,374)</u>	<u>(18,374)</u>
	<u>\$ 88,706</u>	<u>\$ 142,782</u>

SCS Housing Development, Inc. is a 0.01% partner of Cityside Housing Associates, LP, Marlborough Homes, LP, Payson Village Senior Housing Associates, LP, Warwick Meadows Housing Associates, LP, and Woodcrest Drive Housing Associates, LP, a 0.10% partner of Railroad Square Senior Housing Associates, LP, and a 1% partner in Westmill Senior Housing, LP during the years ended May 31, 2018 and 2017.

SCS Housing, Inc. is a 0.01% partner of Winchester Senior Housing Associates, LP, Swanzy Township Housing Associates, LP, Snow Brook Meadow Village Housing Associates, LP, and Keene Highland Housing Associates, LP during the years ended May 31, 2018 and 2017.

The remaining 99.99% ownership interest in Winchester Senior Housing Associates, LP was acquired by Southwestern Community Service, Inc. during the year ended May 31, 2018 (see Note 12), and therefore the limited partnership is included in the consolidated financial statements for the year ended May 31, 2018.

Southwestern Community Services, Inc. is 14.3% member of Pilot Health, LLC.

Summarized financial information for entities accounted for under the equity method, as of May 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 32,782</u>	<u>\$ 33,140</u>
Total liabilities	47,461	47,490
Capital/Member's equity	<u>(14,679)</u>	<u>(14,350)</u>
	<u>\$ 32,782</u>	<u>\$ 33,140</u>
Income	\$ 84,713	\$ 84,728
Expenses	<u>81,478</u>	<u>81,515</u>
Net income	<u>\$ 3,235</u>	<u>\$ 3,213</u>

NOTE 9 RETIREMENT PLAN

The Organization maintains a tax sheltered annuity plan under the provisions of Section 403(b) of the internal Revenue Code. All employees who have had at least 30 days of service to the Organization are eligible to contribute to the plan. The Organization begins matching contributions after the employee has reached one year of service. Employer contributions are at the Organization's discretion and totaled \$281,784 and \$274,815 for the years ended May 31, 2018 and 2017, respectively.

NOTE 10 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
NNECAC – Annual Conference Fund	\$ 21,327	\$ 38,129
WM Marcello GAPS Fund	12,781	14,789
Stand Down	4,963	-
GAPS/Warm Fund	<u>118,401</u>	<u>100,921</u>
Total temporarily restricted net assets	<u>\$ 157,472</u>	<u>\$ 153,839</u>

NOTE 11 FORGIVENESS OF DEBT

During the year ended May 31, 2018, the Organization realized forgiveness of debt income in connection with notes payable to the County of Cheshire, HUD and Community Development Finance Authority. Forgiveness of debt income totaled \$75,971 for the year ended May 31, 2018.

During the year ended May 31, 2017, the Organization realized forgiveness of debt income in connection with notes payable to the County of Cheshire, HUD and New Hampshire Housing. Forgiveness of debt income totaled \$90,148 for the year ended May 31, 2017.

NOTE 12 TRANSFER OF PARTNERSHIP INTEREST

During 2018, Southwestern Community Services, Inc. acquired a partnership interest in a low-income housing limited partnership: Winchester. The amount paid for the partnership interest was \$1 and at the time of acquisition, Southwestern Community Services, Inc. became the general partner. The following is a summary of the assets and liabilities of the partnership at the date of acquisition:

Date of transfer	<u>08/16/2018</u>
	<u>Winchester</u>
Cash	\$ 24,508
Security deposits	11,467
Cash-reserves	164,110
Property – net	990,842
Other assets	<u>12,328</u>
Total assets	<u>1,203,255</u>
Notes payable	304,073
Other liabilities	<u>22,009</u>
Total liabilities	<u>326,082</u>
Partners' capital	877,173
Partners' capital previously recorded as an investment in related parties	<u>(53,888)</u>
Partners' capital transferred	<u>\$ 823,285</u>

NOTE 13 RECLASSIFICATION

Certain amounts and accounts from the prior year's financial statements were reclassified to enhance comparability with the current year's financial statements.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date, but arose after that date. Management has evaluated subsequent events through September 17, 2018, the date the financial statements were available to be issued.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES
CONSOLIDATED SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2018
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

	Home Energy Programs	Education and Nutrition	Homeless Programs	Housing Services	Economic Development Services	Other Programs	Total Program	Management and General	2018 Total	2017 Total
REVENUES										
Government contracts	\$ 4,834,242	\$ 2,823,698	\$ 1,820,112	\$ 47,823	\$ 798,952	\$ 188,821	\$ 10,849,748	\$ 408,345	\$ 11,055,063	\$ 9,722,823
Program service fees	-	-	78,906	878,804	17,815	784,863	1,866,186	-	1,866,186	1,862,238
Rental income	-	-	117,370	884,072	-	200	801,842	-	801,842	801,832
Developer income	-	-	-	80,000	-	-	80,000	-	80,000	285,000
Support	104,817	35,405	98,437	-	130,240	130,830	500,229	-	500,229	400,116
Fundraising	-	-	80	-	-	108,200	108,286	-	108,286	80,170
Interest income	23	7	1,051	1,962	-	35	2,478	8,481	9,999	8,888
Forgiveness of Debt	-	-	88,141	16,830	-	-	75,971	-	75,971	92,148
Miscellaneous	2,010	120	6,488	42,378	47,332	-	98,348	2,426	100,772	140,837
In-kind contributions	-	181,832	-	-	-	-	181,832	-	181,832	182,898
Total revenues and other support	5,040,892	3,021,059	2,220,182	1,621,354	951,428	1,187,755	14,322,749	414,247	14,736,996	13,292,627
EXPENSES										
Payroll	\$ 308,452	\$ 1,208,831	\$ 436,838	\$ 771,028	\$ 406,189	\$ 438,266	\$ 3,598,198	\$ 774,488	\$ 4,432,882	\$ 4,142,943
Payroll taxes	31,880	88,882	34,153	66,803	30,418	36,818	289,771	80,813	360,884	331,880
Employee benefits	122,782	453,204	146,384	278,383	87,744	187,020	1,278,517	84,580	1,330,107	1,351,824
Retirement	24,880	86,878	21,031	84,244	18,280	17,448	216,821	73,148	289,969	274,816
Advertising	-	142	1,897	4,188	2,114	18,172	24,491	-	24,491	28,517
Bank charges	15	-	120	3,834	-	-	3,969	-	3,969	12,127
Computer cost	-	8,185	4,300	14,144	14,228	3,800	45,477	82,052	107,479	115,143
Contractual	618,340	82,483	242,836	30,382	2,718	108,718	948,338	14,821	963,159	887,284
Depreciation	-	28,300	108,281	187,840	-	18,131	320,952	147,387	468,339	418,720
Dues/registration	-	6,038	-	843	888	887	3,356	18,175	18,338	18,077
Duplicating	1,884	8,148	-	-	-	-	9,732	4,321	14,053	9,842
Insurance	8,908	13,381	23,853	82,287	14,810	8,248	118,088	88,380	154,448	147,178
Interest	-	8,886	7,788	8,887	-	2,684	25,305	118,501	142,487	141,285
Meeting & conference	3,981	58	9,285	7,177	820	19,306	40,364	35,824	78,518	48,122
Miscellaneous expense	908	971	3,303	18,886	4,442	18,880	45,881	13,182	59,063	188,334
Miscellaneous taxes	-	-	-	25,381	-	-	25,381	986	27,367	32,858
Equipment purchases	4,870	24,320	80	12,348	-	-	41,418	2,305	43,723	9,881
Office expense	34,413	12,813	8,440	14,805	12,042	4,878	86,080	28,402	109,482	73,351
Postage	132	274	182	31	348	90	1,077	22,818	23,836	24,329
Professional fees	4,880	-	1,878	15,878	-	-	22,844	63,788	108,410	134,241
Staff development and training	1,430	23,724	2,824	8,287	8,875	28,044	68,784	2,943	72,727	81,472
Subscriptions	-	-	28	87	-	118	1,444	1,329	1,444	2,387
Telephone	2,080	15,297	19,881	14,388	2,435	3,238	67,307	86,878	113,883	114,072
Travel	5,335	20,013	20,312	8,185	29,808	2,000	82,358	88,873	171,231	77,044
Vehicle	2,140	2,810	712	81,828	45,200	9,201	91,589	10,981	102,570	88,571
Rent	-	25,201	-	-	-	-	25,201	-	25,201	33,230
Space costs	148	140,213	298,849	438,344	-	1,008	836,863	128,888	965,651	834,872
Direct client assistance	3,883,488	145,220	823,838	14,447	60,831	23,843	4,741,445	-	4,741,445	4,087,787
In-kind expenses	-	181,832	-	-	-	-	181,832	-	181,832	182,898
TOTAL FUNCTIONAL EXPENSES BEFORE MANAGEMENT AND GENERAL ALLOCATION	4,847,201	2,530,152	2,172,388	2,048,214	728,118	845,381	13,271,466	1,748,700	15,021,185	13,821,887
Allocation of management and general expenses	678,051	333,874	786,408	270,033	95,995	124,839	1,748,700	(1,748,700)	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 5,486,252	\$ 2,863,726	\$ 2,418,794	\$ 2,318,248	\$ 824,114	\$ 1,070,220	\$ 15,021,166	\$ -	\$ 15,021,185	\$ 13,821,887

See Independent Auditors' Report

SUPPLEMENTAL INFORMATION
(SEE INDEPENDENT AUDITORS' REPORT)

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2021**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NAME	GRANTOR'S NUMBER	FEDERAL EXPENDITURE
U.S. Department of Agriculture				
Rural Housing Preservation Grant	10.423	Direct Funding	3403-02801-808	\$ 14,188
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	State of NH Dept. of Health & Human Services	010-080-82800000-103-800734	204,381
Child and Adult Care Food Program	10.556	State of NH, Dept. of Education	Unknown	121,328
Food Distribution Cluster				
Commodity Supplemental Food Program	10.985	State of NH Dept. of Health & Human Services	010-080-82800000-103-800734	\$ 100,788
Emergency Food Assistance Program (Food Commodities)	10.588	Community Action Program Belknap-Merrimack Counties	Unknown	102
				100,891
WIC Grants to States (Infrastructure)	10.578	State of NH Dept. of Health & Human Services	010-080-82800000-103-800734	42,181
WIC Grants to States (Breastfeeding Peer Counseling Program)	10.578	State of NH Dept. of Health & Human Services	010-090-82800000-103-800734	13,797
				55,978
Total U.S. Department of Agriculture				\$ 899,720
U.S. Department of Housing and Urban Development				
Emergency Solutions Grant Program	14.231	State of NH, DHHS, Bureau of Homeless & Housing	05-85-85-858310-717800000-103-80731	\$ 238,745
Emergency Solutions Grant Program	14.231	State of NH, DHHS, Office of Human Services	010-040-7827-102-0731	117,877
Supportive Housing Program	14.236	State of NH, DHHS, Bureau of Homeless & Housing	05-85-85-858310-717800000-103-80731	\$ 281,046
Shelter Plus Care	14.238	State of NH, DHHS, Bureau of Homeless & Housing	05-85-85-858310-717800000-103-80731	272,181
Continuum of Care Program	14.287	State of NH, DHHS, Bureau of Homeless & Housing	05-85-85-858310-717800000-103-80731	178,828
Total U.S. Department of Housing and Urban Development				\$ 1,085,188
U.S. Department of Labor				
WIA Cluster				
WIA Adult Program	17.258	Southern NH Services	Unknown	\$ 84,427
WIA Dislocated Worker Formula Grants	17.278	Southern NH Services	Unknown	35,084
				\$ 119,511
Total U.S. Department of Labor/WIA Cluster				\$ 119,511
U.S. Department of Transportation Federal Transit Administration (FTA)				
Formula Grants for Rural Areas	20.308	State of NH, Department of Transportation	04-88-88-884010-2918	\$ 221,488
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	State of NH, Department of Transportation	04-88-88-884010-2918	24,971
Total U.S. Department of Transportation Federal Transit Administration (FTA)				\$ 246,459
U.S. Department of Veterans Affairs				
VA Supportive Services for Veterans Families Program	64.033	Herber Homes, Inc.	Unknown	\$ 280,842
Total U.S. Department of Veterans Affairs				\$ 280,842
U.S. Department of Energy				
Weatherization Assistance for Low-Income Persons	61.042	State of NH, Office of Energy & Planning	01-02-024010-7708-074-800587	\$ 184,008
Total U.S. Department of Energy				\$ 184,008
U.S. Department of Health & Human Services				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	State of NH, Office of Energy & Planning	01-02-024010-7708-074-800587	\$ 8,400
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	State of NH, DHHS, Bureau of Elderly & Adult Services	05-88-48-481010-7872	42,144
Grants to States to Support Oral Health Workforce Activities	93.236	State of NH, DHHS, Division of Family Assistance	Unknown	\$ 47,844
Drug-Free Communities Support Program Grants	93.278	Direct Funding	8-0782018677-08	8,518
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.618	Direct Funding	HCS/CPI	111,278
TANF Cluster				
Temporary Assistance for Needy Families	93.558	Southern NH Services	Unknown	5,283
Low Income Home Energy Assistance (Fuel Assistance)	93.988	State of NH, Office of Energy & Planning	01-02-02-024010-77080000-800587	4,008,188
Low Income Home Energy Assistance (HREAP)	93.988	State of NH, Office of Energy & Planning	01-02-02-024010-77080000-800587	154,802
Low Income Home Energy Assistance (BWP)	93.988	State of NH, Office of Energy & Planning	01-02-02-024010-77080000-800587	207,878
Community Services Block Grant	93.988	State of NH, DHHS, Div. of Family Assistance	800731	4,878,847
Head Start	93.600	Direct Funding	01C48898	354,428
Block Grants for Prevention and Treatment of Substance Abuse	93.658	State of NH, DHHS, Bureau Drug and Alcohol Services	05-85-85-481510-29880000	2,321,887
				25,813
Total U.S. Department of Health & Human Services				\$ 7,642,907
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	State of NH, DHHS, Office of Human Services	Unknown	\$ 3,178
Total U.S. Department of Homeland Security				\$ 3,178
TOTAL				\$ 16,078,873

See Notes to Schedule of Expenditures of Federal Awards

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal Awards (the Schedule) includes the federal award activity of Southwestern Community Services, Inc. under programs of the federal government for the year ended May 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southwestern Community Services, Inc., 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 reported on the accrual basis of accounting. Such expenditures 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.

NOTE 3 INDIRECT COST RATE

Southwestern Community Services, Inc. has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed.

NOTE 5 SUBRECIPIENTS

Southwestern Community Services, Inc. had no subrecipients for the year ended May 31, 2018.

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**INDEPENDENT AUDITORS' 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 of
Southwestern Community Services, Inc.
Keene, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies, which comprise the consolidated statement of financial position as of May 31, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated September 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Southwestern Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community Services, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 the 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 Southwestern Community Services, Inc.'s consolidated financial statements are free of 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 consolidated 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.

*Leone McDonnell & Roberts
Professional Association*

September 17, 2018
Wolfeboro, New Hampshire

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

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

To the Board of Directors of
Southwestern Community Services, Inc.
Keene, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited Southwestern Community Services, Inc. (a New Hampshire nonprofit corporation) and related companies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwestern Community Services, Inc.'s major federal programs for the year ended May 31, 2018. Southwestern Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southwestern Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Southwestern Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southwestern Community Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Southwestern Community Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2018.

Report on Internal Control Over Compliance

Management of Southwestern Community Services, 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 Southwestern Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community Services, Inc.'s internal control over compliance.

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

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

*Leonie McDonnell & Roberts
Professional Association*

September 17, 2018
Wolfeboro, New Hampshire

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2018**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the consolidated financial statements of Southwestern Community Services, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies disclosed during the audit of the consolidated financial statements are reported in the *Independent Auditors' 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the consolidated financial statements of Southwestern Community Services, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Southwestern Community Services, Inc. expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were: U.S. Department of Health and Human Services; Low-Income Home Energy Assistance, 93.568, and Head Start, 93.600, and U.S. Department of Agriculture; Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), 10.557.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Southwestern Community Services, Inc. was determined to not be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SOUTHWESTERN COMMUNITY SERVICES, INC. AND RELATED COMPANIES

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2017**

There were no findings or questioned costs that were required to be reported in the Schedule of Findings and Questioned Costs for the year ended May 31, 2017.

Southwestern Community Services, Inc. Board of Directors - Composition – 2020

CHESHIRE COUNTY

SULLIVAN COUNTY

**CONSTITUENT
SECTOR**

Anne Beattie
Newport Service Organization

Mary Lou Huffling
Fall Mountain Emergency Food Shelf
Alstead Friendly Meals

Brianna Trombi
Head Start Policy Council
Parent Representative

open

**PRIVATE
SECTOR**

Elaine Amer, Clerk/Treasurer
Amer Electric Company (*retired*)

David Edkins
Town of Walpole

Kevin Watterson, Chair
Clarke Companies (*retired*)

Kerry Belknap Morris, M.Ed.
Early Childhood Education
River Valley Community College

**PUBLIC
SECTOR**

Jay Kahn
State Senator, District 10

Derek Ferland
Sullivan County Manager

Beth Fox
Assistant City Manager/
Human Resources Director
City of Keene

open

KEY ADMINISTRATIVE PERSONNEL

NH Office of Strategic Initiatives

Agency Name: Southwestern Community Services, Inc.

Program Name: WAP PY20

Name & Title Key Administrative Personnel	Annual Salary Of Key Administrative Personnel	Percentage of Salary Paid By Contract	Total Salary Amount Paid By Contract
John A. Manning, Chief Executive Officer	\$107,016	0.00%	\$0.00
Beth Daniels, Chief Operating Officer	\$65,000	10.00%	\$13,000.00
Gabriel Leonard, Energy Conservation Manager	\$45,760	70.00%	\$32,032.00

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John A. Manning

Summary Over 30 years of experience with non-profit organizations, as both an outside auditor and presently Chief Financial Officer of a large community action agency.

Experience

2014 Southwestern Community Services Inc.
Keene, NH
Chief Executive Officer
Responsible for overall supervision, management, monitoring and fiscal review of Community Action Agency social service programs providing services to low-income, elderly, and handicapped residents of Sullivan and Cheshire Counties, New Hampshire.

1990-2014 Southwestern Community Services Inc.
Keene, NH
Chief Financial Officer
Oversees all fiscal functions for a community action agency providing services to low and moderate income individuals. Programs include Head Start, Fuel Assistance, and multiple affordable housing projects. Supervises a staff of 7, with an agency budget of over \$ 13,000,000. Also oversees agency property management department, which manages over 300 units of affordable housing.

1985-1995 Keene State College Keene, NH
Adjunct Professor
Taught evening accounting classes for their continuing education program.

1976-1990 John A. Manning, Keene, NH
Certified Public Accountant
Provided public accounting services to small and medium sized clients, including multiple non-profit organizations. Performed certified audits on several clients, including Head Start and other non-profit clients.

1975-1978 Kostin and Co. CPA's West Hartford, Ct.
Staff Accountant
Performed all aspects of public accounting for medium sized accounting firm. Audited large number of privately held and non-profit clients.

1971-1975 University of Mass. Amherst, Ma.
B.S. Business Administration in Accounting

Education American Institute of Certified Public Accountants

Organizations NH Society of Certified Public Accountants

Beth Daniels

Experience

Southwestern Community Services, Inc., Keene, NH

Chief Operating Officer

03/2016-Present

- Responsible for all day-to-day program operations of the agency
- Supervise Program Directors, including WIC, Energy, and Housing Stabilization
- Ensure that all state and federal regulations are followed while those in need receive a smooth delivery of service

Director of Energy and Employment Programs

10/2008 – 12/2016

- Oversee all daily operations for Fuel Assistance, Electric Assistance, Neighbor Helping Neighbor, Senior Energy Assistance, Weatherization, HRRP, CORE, and Assurance 16 as well as the employment programs Workplace Success, Work Experience Program, and WIA.

Workforce Development Director

11/2006 – 10/2008

- Supervise, direct, coach, and encourage staff of six within four programs
- Collaborate with agency staff, community members and state contract holders to achieve common goals, including agency name recognition and program success
- Perform all SCS Program Director tasks including PPRs and budget management

Families @ Work Employment Specialist

03/2006 - 11/2006

- Managed a caseload of fifty (50) clients throughout the Keene, Claremont, Concord, and Nashua areas
- Worked closely with staff from Southwestern Community Services, Inc. and Southern New Hampshire Services
- Gained a strong working knowledge of all SCS programs for referral purposes

Second Start, Concord, NH

Career Development Specialist

11/2004 – 03/2006

- Facilitated daily job-readiness classes and skill-building exercises
- Assisted participants with barrier resolution and the job search process
- Maintained participant records and completed reporting requirements
- Received ongoing training in teaching techniques and learning styles

Nina's Family Daycare, Swanzey, NH

10/2003 – 11/2004

Daycare Provider

- Responsible for meal planning, payment records, supplies, and activities
- Acquired CPR & First Aid certification

Southwestern Community Services, Inc., Keene, NH

Case Manager, Homeless Services

09/2002 – 10/2003

- Responsible for all daily operations of housing program, rules, and regulations
- Completed weekly and monthly progress reports
- Coordinated house meetings, workshops, case conferences, and life skills classes

Case Manager, Welfare-to-Work

05/2000 – 09/2002

- Provided job placement and retention services for caseload of forty (40) clients
- Gained working knowledge of Department of Health & Human Services, Immigration & Naturalization Services, community agencies, and SCS

Education and Training

Results Oriented Management & Accountability (ROMA)	2016-2017
Grant Writing Workshop Cheshire County	05/2012
Nonviolent Crisis Intervention Crisis Prevention Institute, Inc.	2012
Leadership Training Tad Dwyer Consulting	2010-2011
Criticism & Discipline Skills for Managers CareerTrack	11/2007
How to Supervise People CareerTrack	11/2007
Career Development Facilitator Training National Career Development Association <i>120-hour NCDA training</i>	09/2005
Certified Workforce Development Specialist National Association of Workforce Development Professionals	06/2005
Infection Control & Bloodborne Pathogens Home Health Care	01/2003
Bachelor of Arts in Human Services Franklin Pierce College <i>Graduated cum laude</i>	05/2002

References Available

Gabriel Leonard

Professional Summary

Strong client services, employee management, organizational, and problem solving skills in a fast-paced environment, seeking employment with a company of shared standards and values.

Employment History

All Seasons Construction Corp. (Springfield, VT) **Assistant Project Manager** Nov2015-Present

- Responsible for supporting Project Manager in the planning, management direction, project completion, client satisfaction, and financial outcome of assigned construction projects.
- Create estimates within Sage project management software.
- Supports the Project Manager functions such as monthly forecasts, estimating, and budgeting.
- Assists in ensuring that all documentation meets internal standards, procedures and specifications.
- Ensures good, transparent and effective reporting and documentation.
- Delivers all documents in a timely manner so that progress can be fully communicated.
- Communicates with Site Manager for site project documentations.
- Responsible for verifying blueprints and construction process on multiple build phases.

New Hampshire Employment Security (Claremont, NH) **DVOP Employment Specialist** Jan2015-Nov2015

- Disabled Veterans' Outreach Program (DVOP) Specialist facilitated workforce services for veterans, others eligible and employers.
- Provided specialized workforce services for veterans, especially veterans with barriers to employment, i.e., job development services for veterans, refer veterans to employment/training opportunities, provide counseling/guidance, and assist veterans with other workforce services (resume assistance, labor market information, job search workshops, one-stop career center orientation, etc.).

HURLEY OFFICE SOLUTIONS (Randolph, VT) **Project Manager** Nov 2009-Sep2014

- Provided site supervision on a diverse range of commercial office installation projects. Tailored custom solutions to customer needs.
- Managed, hired and trained a team of seven employees. Created and implemented a customer service standard for the organization.
- Developed relationships with third party sales representatives to sell Hurley Office Solutions' services.
- Negotiated bids, responded to RFPs and successfully closed contracts.
- Analyzed the business and marketplace and created a strategic plan for the organization that included new marketing, human resources, job site and documentation plans.

BASIC PSA (Johnstown, PA/ Kennebunk, ME) **Snubber Removal & Reinstallation Technician**

VC Summer Nuclear Power Station
Susquehanna Nuclear Power Station

Oct 2012 - Nov 2012
Mar 2012 - Apr 2012

- Evaluated, removed & reinstalled nuclear snubbers, mechanical and hydraulic shock absorbers, to prevent unwanted activity during scheduled power outages paying close attention to all safety protocols and procedures.

IBZ CONTRACTING (Spring Valley, NY) **Heavy Equipment Operator** Jul 2008 - Aug 2009

- Managed heavy equipment for a waterfront restoration and worked closely with EPA inspectors and project engineers.

FULLTIME MANAGEMENT (New York, NY) **Property Manager**

Jan 2008 - May 2008

- Managed multiple residential properties, with responsibilities including general upkeep, small repairs and tenant relations.

FINESTKIND HANDYCRAFTSMEN (Kitsap County, WA) Proprietor Dec 2004 - Jan 2007

- Coordinated contracts for construction, successfully managed crew and contracts to ensure timely and satisfactory completion of projects.
- Provided services including finish carpentry, masonry, drywall, interior / exterior painting, residential electrical and plumbing, landscaping, roofing, and decking.

UNITED STATES NAVY (Bremerton, WA & San Diego, CA) Nov 2002 - Dec 2007
USS John C Stennis, CVN 74, Kitsap Navy Base & Coronado Navy Base

Aviation Ordnance Specialist Supervisor Nov 2004 - Dec 2007
Aviation Ordnance Specialist Nov 2002 - Nov 2004

- Instructed, supervised and evaluated the performance of 60 personnel and oversaw \$1 billion plus of highly sensitive weapons and navy specific heavy equipment.
- Communicated effectively in diverse and hostile environments, both with personnel and upper management under stressful conditions.

Education

GRANITE STATE COLLEGE (Concord, NH) B.S. Business Management, GPA 3.72 magna cum laude 2014

CPR CERTIFIED NATIONAL HEART ASSOCIATION 2014

ASSOCIATED TRAINING SERVICES (Portsmouth, NH) Heavy Equipment Operation School 2008

NAVY LEADERSHIP PROGRAM (USS John C Stennis, CVN 74) 2004